

# **POLICY RECOMMENDATIONS FOR JOB TRANSITION AND THE FUTURE OF WORK**

- Hungary
- Romania
- Slovakia

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## Hungary

### GENERAL CONSIDERATIONS

In the current labour market environment, neither workers nor employers in the sectors we studied fear that automation and digitalisation will lead to job losses in the near future. At present, the Hungarian labour market and thus also business processes are marked by labour shortages. In other words, the main driver for development and innovation is to replace job vacancies with automation and digitalisation. If this labour shortage is mitigated, there may be workers whose jobs will be displaced by digitalisation/automation<sup>1</sup>. The effective use of technological progress is key to the future of the labour market, as it fundamentally affects enterprise efficiency and labour productivity, which is particularly important for improving Hungary's regional competitiveness. The key would be to make the Hungarian economy attractive for investment in higher value-added production and to narrow the gap between the skills currently offered by workers and the demand by employers.

#### 1. Digital skills and securing employment

In Hungary, the challenges of digitalisation can be met primarily through education and training, the organisation of which, however, is often unclear in the triangle of state - company - worker. While companies can rightly expect learners and students to leave the education system with a foundation on which companies can easily build, the state often argues that the acquisition of specific knowledge, often limited to a particular industry or company, should be provided by the respective companies and that workers are responsible for their own well-being and therefore have (or should have) a rational motivation for lifelong learning.

According to the social partners, the different training systems are considered effective if they meet the needs of the market and reduce the mismatch between supply and demand in the labour market. Mastering modern digitalisation technologies is not only the prerogative of the young, school-age generation, but also of those who are already in professional life. Therefore, in addition to training, both retraining and further education play a key role in meeting the challenges of digitalisation. The need to promote lifelong learning also comes into play in terms of skills. As far as training is concerned, it should be stressed that not only job and company specific training is needed, but also efficiency-enhancing training that will enable workers to use the necessary tools and procedures at work. The widely available literature on the subject, as well as the experience of the social partners, clearly indicates that the change brought

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<sup>1</sup> Bogó-Vakhal (2022): Munkahelyi átmenet, digitalizáció és automatizáció a magyar gépjármű- és alkatrészgyártás, valamint a fémipar területén. [Work Transition, Digitalisation and Automation in the Hungarian Automotive, Supplier and Metal Industry.] Prepared on behalf of MGYOSZ. Kopint-Tárki, Budapest.

about by digitalisation and automation is least likely to threaten the jobs of workers who are able and willing to learn. The social partners therefore attach particular importance to tripartite cooperation in developing the framework and the content of the training systems.

In Hungary, the social partners have little influence on the content of public education systems. The social partners believe that without this kind of cooperation between labour market actors, it is unthinkable to develop and maintain effective training systems that meet the demands of the market and technology. This includes the need for cooperation between the government and the social partners in education policy, through sectoral and professional associations of the social partners in vocational education and training and through collective agreements in in-company training.

## **2. Modalities of connecting and disconnecting**

Digitalisation offers the opportunity to spread flexible forms of work that were not common in the labour market before the COVID 19 epidemic. The massive deployment of teleworking creates a new situation for both workers and employers worldwide. For example, the regulation is currently unclear under which conditions workers can use the company's assets inside and outside the company's headquarters (e.g. in a home office).

The regulation of working time outside working hours is becoming increasingly important in the European Union. Digitalisation gives employers the opportunity to reach workers outside working hours, monitor their computers and assign them new tasks. The labour law concept known as the "right to disconnect" has only become part of the legal system in a few European countries, but the COVID epidemic is forcing more and more companies around the world to develop their own regulations. These circumstances also force the European social partners to revise their 2002 agreement on the regulation of teleworking and to supplement it with a regulation on the modalities of connection and disconnection. Representatives of the Hungarian social partners will be involved in the negotiation process of the European social dialogue from autumn 2022.

The Hungarian social partners recommend their members to address the local practice of teleworking, home office and the right to disconnect from work together with in-company training in the context of work relations and to try to regulate this issue together if possible. At the level of national legislation, they call for the initiation of a meaningful dialogue to discuss labour regulations in the context of digitalisation within the Permanent Consultation Forum between the Private Sector and the Government (VKF).

## **3. Artificial intelligence and guaranteeing the human in control principle**

It is due to the lack of understanding of digitalisation/automation that today the development of technology in general is thought to be the potential cause of mass unemployment. With the advent of artificial intelligence (AI), workers are relieved of certain tasks, whereby their job does not disappear completely, but only their tasks need to be thoroughly reorganised. Most European companies are still in

the early stages of using new AI-based opportunities to optimise workflows and create new business models, and their impact on the Hungarian labour market is still limited. The social partners consider it important that with the increasing use of AI in the workplace, the various AI systems and solutions do not jeopardise workers' participation in the workplace and their skills, but enhance them. The control of humans over machines and artificial intelligence should be guaranteed in the workplace and should underpin the use of robotics and artificial intelligence applications whilst respecting and complying with safety and security controls. In this sense, the social partners consider it important to implement a so-called human-oriented digitalisation that takes the following factors into account:

- it must be lawful, fair, transparent, safe and secure, complying with all applicable laws and regulations as well as fundamental rights and non-discrimination rules;
- it should follow agreed ethical standards, ensuring adherence to fundamental/human rights, equality and other ethical principles, and
- it should be robust and sustainable, both from a technical and social perspective since, even with good intentions, AI systems can cause unintentional harm.

#### **4. Respect of human dignity**

Digital technology and AI surveillance systems, along with data processing, offer the possibility of securing the working environment and ensuring healthy and safe working conditions and improving enterprise efficiency. However, at the same time, they raise the risk of compromising the dignity of the human being, particularly in cases of personal monitoring.

In this context, the social partners consider it important that

- legislation regulating privacy protection and surveillance is developed in cooperation with the social partners - employers and their representative organisations as well as trade unions - at both company and national level,
- data collection in the workplace should always be linked to a concrete and transparent purpose. Data should not be collected or stored simply because it is possible or for an eventual future undefined purpose.

#### **Key messages of the WorkTransitionCEE project's co-creation workshop in Hungary**

**WORK ORGANISATION: DISTRIBUTION OF AUTHORITY** The success of digital transition requires that workers feel that their employer sees them as partners in organising work. The resulting balance will lead to an increase in efficiency from which employers will also benefit. The Hungarian social partners emphasised the role of collective agreements in work organisation during the co-creation workshop.

**WORK CONTENT AND SKILLS: EFFICIENT DEVELOPMENT** To increase efficiency, employers need to offer their workers opportunities to keep up with developments in the labour market. Public incentives and

effective training systems play an important role and should be designed with the involvement of the social partners.

**WORKING CONDITIONS: FLEXIBILITY** One of the great opportunities of digitalisation is the spread of flexible forms of work. These not only create opportunities for more efficient working, but also lead to happier and healthier workers. Flexibility can promote work-life balance and increase efficiency, which has a measurable impact on the national economy. According to the Hungarian social partners, flexibility can only be effective for employers and workers if it is based on a prior agreement between the parties.

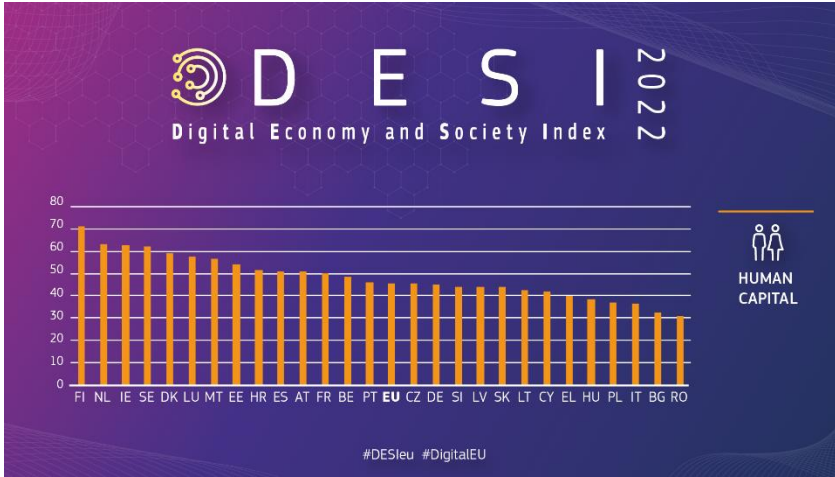
**WORK RELATIONS: COOPERATION** Successful cooperation is the key to successful and efficient implementation of digitalisation. Employers will be successful and workers loyal if their relationship is based on cooperation. The Hungarian social partners see the implementation of collective bargaining and meaningful social dialogue as key to effective workplace cooperation.

## Romania

### LOCAL CONTEXT

One of the most pressing problems entrepreneurs and businesses currently face in Romania is skills and labor shortages. The Covid-19 pandemic consequences, including rapid digitalization, and other tectonic shifts such as demographics and a shift towards green economy have greatly exacerbated this issue. With a quantitative limit to growth due to demographic decline, building skills to keep the pace with digitalization and wage growth is a prerequisite effort Romania must make in order to ensure further economic growth. There is already evidence that with the transformation of the working environment due to the green and digital transformations, there is a great potential for a positive balance between jobs created and jobs lost. Only that effort a substantial effort is needed to ensure that outcome. The current context is an important starting point.

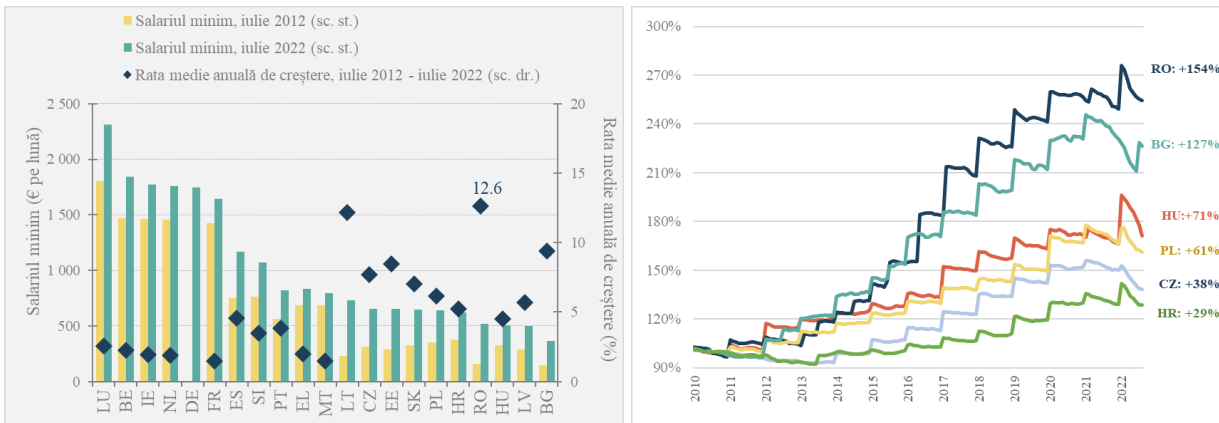
RENEWED SOCIAL DIALOGUE FOR THE NEW WORLD OF WORK. JOB TRANSITIONS & DIGITALISATION IN TWO INDUSTRIAL SECTORS IN CEE COUNTRIES – ROMANIA, HUNGARY, SLOVAKIA – WORKTRANSITIONCEE VS/2021/0094



While the ITC sector is up to 6.7% in GDP and the number of employees increased by more than 200% in the last decade, the penetration of digital skills across the general population is only around 30% (DESI Index 2022, Human Capital). Digital skills are increasingly crucial in all sectors, including in the flagship industrial sectors of Romania, automotive and oil&gas, both large employers

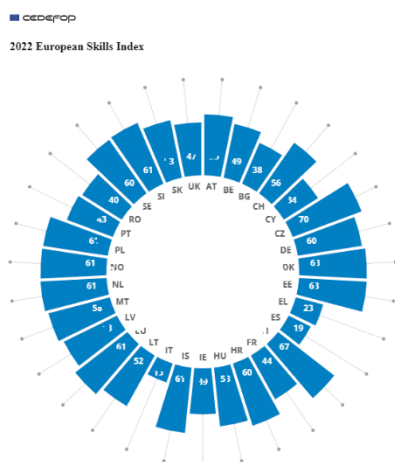
and GDP contributors, that will also undergo a green transition. While digitalization could be seen as an option to replace human labour, the most plausible scenario is a transformation of jobs with an update on the demand for skills.

Wages continue to grow despite labor productivity remaining below the regional average – the value added, and complexity of the economy remain still low.



### Nominal and real wage growth in Romania – Concordia internal report (2022)

While the unemployment rate remains close to historical low, the participation rate on the labor market remains low, with challenges on integrating NEETs and women as well as persisting regional disparities.



While skills matching is less of a problem in Romania as this is mostly sustained by a relatively low demand for high-skilled, sluggish skills development coinciding with skills shortages creates an alarming spiral of underdevelopment – more people unfit for the jobs on the market that will limit the added-value economic development will fuel an economic system unable to cope with higher wages and more people will leave the labour market. Quality also fuels quantity and limits the drain. The current inflow of non-EU workers is only partially compensating the gap for blue collar workers.

## POLICY PROPOSALS

Drawing from the current challenges of the Romanian labor market, current one and what we foresee for the future in relation to digitalization and transition to a green economy, in line with our commitment to promote a strong labor market development for a harmonious socio-economic development, a series of policy directions and measures should be considered.

As a general approach, while we recognize the Government maintains a policy initiative, the social partners should be closely involved with the view to better reflect the realities of workers and employers in any of the proposals. Besides comprehensive consultation, the role of the partnerships should be redesigned to ensure more effective leverage over each partners' resources. Also, the autonomy of the social partners should be not only respected but encouraged and ensure appropriate support for building of their capacities respectively.

1. Design flexible, accessible, navigable upskilling and reskilling options, and give priority to greater availability and financial support of short course training for in-demand skills. This should ensure a fair transition to a more digitalized economy and quality jobs for workers while they part of their tasks are being automated, new technologies are being introduced, and/or the job profile is transitioning to the green economy, while the companies will ensure access to quality skills. Priority should be given to micro credentials and new forms of learning.
2. Promote a culture of lifelong learning, which can create talent pipelines through targeted matchmaking programs, paying particular attention to career management services, showing that holistic and personalized advice is important to support especially low-skilled workers.

3. Redesign the employment services with focus on personalized advice and career management with a focus on unemployed and inactive individuals. Ensure the effectiveness and relevance of onboarding, skills development, and follow-up with a view to ensuring sustainable employability in relation to both labor market demand and individual's abilities. A holistic approach should include assessment, general skills (e.g., digital skills), cognitive and social skills and specific skills for the job (technical skills) with guided advice and evaluation.
4. Strengthen the social policies, paying particular attention to an optimal integration of social policy with (re)integration in employment, and ensure diversity and affordability of childcare and long-term care options. The legal and fiscal framework should be aligned with a flexible approach in relation to work-life balance. There is solid evidence that the participation of women on the labor market is directly correlated to effective care availability<sup>2</sup>.
5. Create and support active partnerships (with the involvement of social partners) for the analysis of needs in the field of training, including digital skills, development of learning opportunities for adults, with the participation and cooperation of all interested parties and transparent monitoring of the results of the measures applied.
6. Periodically evaluate the current government incentives to increase their participation of elderly and young people (NEETs), and other vulnerable groups into company initiatives in the labor market and redesign them based on the outcomes. Fiscal incentives should be paired with skills-related opportunities.
7. Design a short-time work scheme that could be used in emergency situations to avoid unemployment. While the past years have seen multiple crisis that impacted the economy and businesses, there is strong evidence<sup>3</sup> that short-time work schemes proved their efficiency in avoiding a longer-term impact on the unemployment. Working time reduction should be also supplemented with upskilling training in the non-working time (acquiring targeted skills, specializations, advanced training, at all levels).
8. Develop and implement a strategy and an action plan for attracting (also) white collar migrants to reduce the labor force deficit in the higher added-value sectors. This should include also early-stage

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<sup>2</sup> See, for instance, European Commission's [EUROPEAN SEMESTER THEMATIC FACTSHEET WOMEN IN THE LABOUR MARKET](#);

<sup>3</sup> See, for instance, OECD's [Job retention schemes during the COVID-19 lockdown and beyond](#) (October 2020);



enablers such as university education and should be paired, for both white-collar and blue-collar workers, with multi-stakeholder dialogue to enable cultural and social integration

9. Develop green skills awareness and guidance to ensure a step-by-step introduction in the plans for reskilling and upskilling for various sectors/levels. A growing demand in both exiting role as they undergo transformation and in new green sectors and organizations in ensure by the regulatory landscape transformation and business response.
10. Increase the relevance of the social dialogue through a more active involvement of the social partners in the monitoring and analysis / evaluation of the results of public policies in the fields of adult training and employment, as well as in the design and implementation of measures before and after measuring the results.

### **Co-creation workshop project proposals**

A two-day co-creation workshop that gathered, in mixed teams, all relevant stakeholder for the labor market (employers, trade unions, decision-makers, experts) with a view to respond to current digital transition challenges. The mapping was based on the outputs of the oil&gas and automotive skills & jobscape report and participants 'own experience and expertise. The main directions of the concepts developed include:

- Stronger involvement of the employers and social partners for curricula updates/upgrades and better use of business human resources for transfer of knowledge
- Build networks of schools that benefit from direct support from social partners and local authorities
- Reverse mentoring for Gen Z and mentoring for vocational education
- Improve the reputation of craftsmanship, technical and blue-collar work
- Develop a national platform to manage atypical labour contracts, including job-sharing
- Private-public partnership to improve efficiency of the employment services
- Digitalisation of the employment services with a human-centred approach
- Right to disconnect

## Slovakia

### GENERAL CONSIDERATION GIVEN NATIONAL SPECIFICITIES

In the context of the ongoing fourth industrial revolution, Slovakia is faced with the question of how to effectively prepare its companies and employees for it and thus maintain its competitiveness vis-à-vis the rest of the world. As an industrial country, Slovakia is one of the most vulnerable countries in the OECD - soon, up to two out of three jobs will be at risk because of the Industrial Revolution. The nation has to choose – either it will significantly modify its predominantly industrial economy and adapt it to modern trends, or it will lose its ability to compete with foreign countries, resulting in its performance decline. Jobs will either be massively transformed, or they will face massive losses. Either for Industry 4.0 and the new demands of the labor market, it will begin to adapt its current and future employees with intensive retraining as soon as possible, or in a few years, employers will have no one to employ. Most jobs will undoubtedly be added in sectors where new Industry 4.0 technologies directly or indirectly increase demand through increasing income and wealth, such as artificial intelligence, specialized personal development counselling, but also professional care, and telemedicine. Digital skills will be mandatory equipment for more than 90% of employees. At the same time, up to 65% of today's primary school pupils will, after obtaining a degree, take up jobs that do not exist today. Therefore, we must look to the future and prepare for the changes that will inevitably occur. Without an effective set-up of the system of compulsory, vocational, higher education and lifelong learning, government cooperation with the third sector, and a genuinely functional social dialogue, we will not succeed in this challenge.

As for the barriers to digitalization and automation, the research carried out identified that among the biggest obstacles for businesses are high procurement costs, lack of free financial resources for investment in this area, and the time-consuming implementation of new technologies in the production/production process (associated with the need for time for employees who, in addition to their regular work duties, would need to have a certain amount of time allocated for the acquisition of new skills and competencies, which represents a cost increase on the part of business entities).

Both researched (the trade and food) sectors differ significantly from traditional manufacturing industrial sectors and industries where automation and digitalization have been very pronounced for an extended period. Therefore, significant job losses are not expected in these respective sectors. As the interviews with employers also showed, they expect some jobs to disappear in the future due to outsourcing or, due to the impact of digitalization and automation, a reduction in the number of employees in some production, administration, or maintenance positions, but none of the respondents could predict in advance whether this would happen in one, two- or five-years-time.

The research and discussions carried out in the project, however, provided an insight (to some extent at least) into the needs and at the level of the national economy in general, beyond the specific aspects of the (food and retail) sectors studied, for the labor market to take advantage of the potential of technological development in a way that is beneficial rather than detrimental to all concerned actors within the labor market.

#### PROJECT CO-CREATION WORKSHOP KEY MESSAGES

IT jobs across sectors and IT services expect the fastest growth of any sector - it could already employ 20 million employees in the EU in 2030, compared to 8 million today. However, automation and robotization create already highly demanded positions with a need for a more skilled labor force today. How to solve this problem must immediately become a priority for the government. At the same time, strengthening a realistic and genuinely functional social dialogue is the only tool we can use to manage digital transformation and related challenges successfully. Co-Creation Design thinking workshop "Skills that will predetermine our future" under the auspices of the WorkTransitionCEE project creates such a space for collaboration. Representatives of ministries, trade unions, academics, education experts, and employers from the sectors of the economy concerned came together to find an answer to the question of how to manage the digital transformation so that it does not harm any of the articles concerned – public finances, the national economy, and domestic enterprises, but also their employees and their families.

The practice and concrete, practical outputs of the Co-Creation Design thinking workshop confirmed that our previous habits, methods, and techniques of human resources management must necessarily be comprehensively changed and respond smartly to the multiple changes that will soon come. The expert-packed debate has produced the desired results in the form of practical proposals for solutions. It is thus a steppingstone for further cooperation and even closer cooperation between the social partners in the field of lifelong learning, digital transformation, and the skills of the future, which are vital attributes of the success of any digital economy, incorporating change in an inclusive and sustainable approach.

The main conclusions of the high-level work group presented at the WorkTransitionCEE Co-Creation workshop:

#### NATIONWIDE LLL SUPPORT CAMPAIGN

With statistics on the percentage of Slovaks involved in the lifelong learning process, it is clear that an intensive nationwide campaign is well overdue. Given the EU's goals of increasing involvement in lifelong learning, a working system, information dissemination, and a powerful motivational system to boost people's interest to participate are needed. It is and should be one of the main goals for the state to support this topic and invest significantly in it to avoid future costs related to unemployment and growing social disparities.

#### REGIONAL PROMOTION OF BEST PRACTICE EXAMPLES AND EXCELLENCE CENTER

Experts at the workshop pointed out that one of the critical aspects of the awareness problem is the widespread denial of a change given the lack of information on existing solutions and accessible tools, including upskilling options for workers today — also a low promotion of best practices, excellent centers, and innovative workplaces. Local/regional promotions of accessible and relatable examples were proposed as a solution.

#### CONSULTATIONS AND SKILLS ASSESSMENT PROGRAM

Lack of awareness or, rather, lack of time to assess the risks properly on the side of businesses is, to some extent, caused by the inability of the government to implement functioning solutions in tackling Covid19 and, later, the energy and inflation crisis leaving the business leaders on their own. Given the need for more expertise and other factors such as time and financial resources, the state should provide a free or at least highly supported consultation service providing HR and skills assessment program for companies and employees to address the changes needs and point out options available for both employees and employer in the process of digital transformation. Service coordinated by the state would be in a unique position to help and efficiently coordinate regional changes based on existing information available in the ministry databases and locally collected data.

#### INTENSE EMPHASIS AND PROMOTION OF STEM IN THE EDUCATIONAL SYSTEM ON ALL LEVELS

The significant threat potentially undermining successful digital transformation in terms of labor force and skill set in the future is the lack of support for STEM education, especially mathematics. In terms of school leaving exams, mathematics is not among the mandatory subjects in Slovakia since 1990, and the underachievement rate demonstrates the lack of emphasis on the subject in mathematics and the trends since 2015. A proposed solution by the high-level working group in the workshop would be to reinstate mathematics among mandatory subjects and to launch a widespread inclusive campaign to include more girls in stem-specific programs in the early stages of the educational process. Also, a need for a change in the thematic mix of study programs was identified up to university education. Young workers reaching the labor market would otherwise be prone to worsen the upskilling problem, efficiently requiring a reskill or upskilling from the moment of leaving the school system.

#### ACTION PLAN FOR THE DIGITAL TRANSFORMATION OF SLOVAKIA FOR THE YEARS 2023-2026

The action plan regulates the measures implemented from 2023 to 2026. The financing of the measures is linked mainly to the Programme Slovakia 2021 – 2027, the Recovery and Resilience Plan of the Slovak Republic, and directly managed programs of the European Union. The areas of the Action Plan are based on a combination of the vision of the Slovak Republic defined in the Digital Transformation Strategy for Slovakia 2030 and strategic documents at the level of the European Union, including the European social partners' framework agreement on digitalization. The areas are:

1. digital transformation of the broader economy, development of skills for intelligent specialization, industrial transformation, and entrepreneurship;
2. development of digital infrastructure, deployment of fast broadband, and creation of a sustainable digital ecosystem (development of high-performance computing infrastructure and quantum communication infrastructure);
3. support the potential of artificial intelligence;
4. digital transformation of society, development of digital skills, support of women's participation in the digital economy and society;
5. protection of mental health in the digital space;
6. linking green and digital transformation.

NUE generally supports the draft of the Action Plan with some comments on specific points relevant to the project goals listed below. Employers consider the option of translating FA principles into the adopted version a significant step on the path to FA adoption and implementation.

### **Support of innovative companies**

To support innovative companies, it is essential to dialogue with interested parties (e.g., entrepreneurs, start-ups, and non-profit organizations where possible) about the direction of development, the legislation being prepared, and the conditions for the functioning of the digital environment in the country. Long-term dialogue between all parties is critical, as it leads to accelerated growth and the motivation of entities to build the digital ecosystem together and better reflect the needs of new technologies.

### **Digital skills**

NUE fully supports the development of digital competencies and is ready to assist. The transformation of education leading to more IT professionals and consequently to the improvement of digitization in the country is a complex process starting at an early age, passing through universities, and ending with lifelong learning of the general public. All new means of education should reflect not only basic digital skills and digital and related media literacy but should also focus on practical aspects of digitization - for example, working with the cloud as a technology enabling the discovery of artificial intelligence and machine learning, working with data and other tools necessary in the digital age. Companies offering similar services often provide access to the latest learning technologies to various groups of people for free.

### **Green and digital transformation**

We completely agree that digital technologies can significantly contribute to achieving the goals of the European Green Deal. Innovation is generally the key to achieving sustainability goals. Challenges such as decarbonization or water conservation can be addressed using technologies that drive sustainable

transformation. Cloud computing services allow customers to create sustainability solutions such as carbon tracking, energy saving, or waste reduction, using cloud services to receive, analyze and manage sustainability data quickly.

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