

The Public Defense
of the Doctoral Thesis in Economics
by
Lajos Tamás Szabó
on

**Essays in Topical Labour Market Issues:
Evidence from Hungary**

will be held on
Monday, 27 September, 2021 at 14:00 pm
online via Zoom (registration: szimlerk@ceu.edu)

Central European University
Doctoral School of Economics

Thesis Committee:

Julius Horvath (Chair)

Balázs Reizer (External member)

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Examiners:

Rudolf Winter-Ebmer, Professor of Economics at the Department of
Economics of Johannes Kepler University, Linz
(External Examiner)

Sergey Lychagin, Assistant Professor at Central European University
(Internal Examiner)

The doctoral thesis is available for inspection
at the CEU Department of Economics and Business.

Abstract

In my thesis I present the indirect effect of the Hungarian public work programme on wages, the effect of the labour market tightness on wages and the importance of the composition of local labour markets in employment discrimination. In every chapter I use Hungarian micro databases. The conclusion of the first chapter is that the public work programme has a negative effect on the private sector wage. This is because the programme increases the labour supply since the majority of public workers were inactive before the programme. In the second chapter I find that the labour market tightness has a positive effect on private sector wages. The third chapter (co-authored with Gábor Kertesi and János Köllő) shows that the employment gap between Roma and non-Roma depends not only on local prejudices but also on the composition of the local economy.

Chapter 1 - The Effect of Public Work Programme in Hungary on Private Sector Wages

I estimate the effect of the public work (PW) programme in Hungary on private sector wages by using the difference in the public worker share in small homogeneous labour markets. My results show that the PW programme has a negative effect on private sector wages due to the increasing labour supply that was induced by the programme. To date, the public work (PW) programme has been the major active labour market policy tool since 2011 in Hungary. Between 2011-2017 Hungary spent 0.58% of GDP on PW programmes, which was the largest fund for direct job creation among OECD countries. A large portion of the public work funds was distributed among those districts which were below the country average development level. As the PW employment share was not even among districts, I can use this as a variation to identify the indirect effect of the programme on the private sector. I estimate the effect of public work programme on the private sector wage using a fuzzy regression discontinuity design. The treatment variable is the share of public workers in a district-occupational cell. According to my estimations, for the period 2013-2017 the private sector wage level is lower by 0.5% among the elementary occupations when the public worker share increases by 1 percentage point. The total wage effect is equal to almost one-year wage growth between 2013-2017.

Chapter 2 - The Effect of Tightness on Wages at the Regional Level in Central Europe

In this paper, I estimate the effect of tightness (i.e., the ratio of vacancies to unemployment) on wages in two Central European countries, Hungary and Slovakia. The estimation exercise is relevant for at least two reasons. Firstly, it tests the implications of the Mortensen–Pissarides model on Central European data. Secondly, wages are a major driver of inflation and are important from other macroeconomic policy perspectives. My main contribution is to identify the effect of tightness on wages from regional heterogeneity. More precisely, I instrument tightness by the distance of a district from the Austrian border, interacted with a dummy that marks the opening of the Austrian labour market to these countries in 2011. I find a positive effect of tightness on wages in the two countries, which is in line with the conclusion of the model. In Hungary a 1% increase in tightness leads to a 0.08% increase in wages, while in Slovakia the coefficient is somewhat larger. Nevertheless, in both countries the increase in tightness caused roughly one half of the wage increase between 2009-2017.

Chapter 3 - The Transmission of Ethnic Prejudice to Labour Market Discrimination - The Role of Small Firms

co-authored with Gábor Kertesi and János Köllő

The Roma is Europe largest and poorest ethnic minority. We analyse the employment gap between Roma and non-Roma adults in local labour markets to test the hypothesis that ethnic prejudices against a minority have a more substantial labour market impact if the proportion of small firms is high in the local economy. At small firms, the application process is less formal and there is, presumably, larger room for arbitrary decisions which can lead to discriminatory practices. We conduct the exercise using data from the 2011 census in Hungary. We use the vote share of the then far-right Jobbik party as a measure of general anti-Roma sentiment in a given district, and instrument it with the prevalence of foreign currency mortgage debts, a well-documented independent trigger of Jobbik support. Our results show that Jobbik votes or high share of small firms alone do not lead to significantly lower Roma employment probability while the interaction of these two factors does. The employment probability of Roma is 11 percentage point smaller in the districts, where the small firm share and Jobbik vote share is considerably larger than the country average.

Lajos Tamás Szabó

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EDUCATION

Central European University Department of Economics and Business PhD in Economics Supervisors: Andrea Weber, Róbert Lieli	<i>2016-2021</i>
Corvinus University of Budapest, Hungary Master of Science in Quantitative Economic Analysis, Faculty of Economics	<i>2009-2011</i>
Széchenyi István College for Advanced Studies Specialization: Public Economics	<i>2007-2011</i>
Corvinus University of Budapest, Hungary Bachelor of Science in Economics, Faculty of Economics	<i>2006-2009</i>

WORK AND RESEARCH EXPERIENCE

Magyar Nemzeti Bank (Central Bank of Hungary) <i>Economics Research Expert, previous position: Economist</i> Conducting research and policy analysis in various topics of labor economics and economic policy	<i>2011 - Present</i> <i>Budapest, Hungary</i>
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TEACHING EXPERIENCE

Instructor at Central European University Introduction to Quantitative Methods (4 times)	<i>Budapest, Hungary</i>
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CONFERENCE PRESENTATIONS

26th International Panel Data Conference <i>virtual meeting</i>	July 2021
Annual Conference of Hungarian Society of Economics <i>Budapest, Hungary</i>	December 2020
Seminar Series of Institute of Economics <i>Budapest, Hungary</i>	November 2020
Conference of Hungarian Society of Economics for PhD Students <i>Budapest, Hungary</i>	October 2020
Annual Conference of Hungarian Society of Economics <i>Budapest, Hungary</i>	December 2019
Labour Economics Conference <i>Szirák, Hungary</i>	November 2019

25th International Panel Data Conference <i>Vilnius, Lithuania</i>	July 2019
22nd IZA Summer School in Labour Economics <i>Buch am Ammersee, Germany</i>	June 2019
12th South-Eastern European Economic Research Workshop <i>Tirana, Albania</i>	December 2018

ARTICLES AND WORKING PAPERS

The Effect of Public Work Programme in Hungary on Private Sector Wages

MNB Working Papers 2020/7.

The Effect of Tightness on Wages at the Regional Level in Three Central European Countries

MNB Working Papers 2019/4.

Forecasting external demand using BVAR models

MNB Occasional Papers 134.

Labour Market

MNB Handbooks, No. 6., co-author: Dóra Bak

Estimates of the Non-Accelerating Inflation Rate of Unemployment (NAIRU) for Hungary

MNB Working Papers 2015/5.

The Russian Banking System (available only in Hungarian)

Hitelintézet Szemle (Financial and Economic Review), Special Editon, Vol. 14., Nov, 2015, co-authors: Gergely Balla and Balázs Váradi

The Effects of Emigration on the Hungarian Labour Market

MNB Occasional Papers 114., co-author: Katalin Bodnár

More Efficient Homes Macroeconomic Impacts - A Macroeconomic Analysis of a Significant State Support Scheme to Household Energy Efficiency Investments

co-author: Tamás Révész

LANGUAGES

Hungarian	native
English	fluent
Russian	intermediate

VOLUNTEER ACTIVITY

Széchenyi István College for Advanced Studies
academic director

2013-2017