Developments in Hungary in Staffing Practices - Results of Two Consecutive Cranet Surveys

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Abstract: *Management of human resources, the same as other fields of management, has altered significantly in Hungary since the democratic transformation and in many respects it is still changing. This paper – while describing the specific Hungarian staffing practice and its alterations – makes a comparison of the characteristics of the Hungarian samples of two Cranet surveys. Based on these, we outline the ratio of similarity between the Hungarian and the global (or that of the 32 countries participating in the network) HR practice and the features of HR practices of (6 network member) countries from the Central and Eastern European (CEE) region.*

Keywords: Human Resource Management, staffing, Hungary, Cranet

1 Research methodology and respondents

1.1 Introduction

- According to the most frequently cited definition of HRM; "Human Resource Management is a group of mutually interdependent functions that promote the efficient utilisation of human resources, with regard to both individual and organisational objectives." [1] The following basic functions of HRM are considered to be the most important:
- human resource strategy,
- planning and auditing,
- job and competency analysis and planning,
- staffing,
- performance management,
- human resource development,
- compensation and benefit
- employment relations and employee communication,
- HRIS (EEMIR) information system,
- change management.

Due to Pfeffer [2] the most critical questions of staffing are as follows; Where do we find the right candidates? How do we capture the attention of professionals who are important for us? The right answer to these questions „is to select the right person in the right way" .

1.2 Methodology

The applied *methodology* of the survey was formulated and has been developed by the research fellows of Cranet. Survey rounds (started in 1990) have investigated private and public institutions with the help of a standardised and predominantly constant *questionnaire*, which consists of seven main parts including about sixty questions requiring objective data, not private opinions. This way the survey research provides the chance of both spatial analysis (of countries and regions) and longitudinal analysis. The research data is processed using SPSS software.

Representing Hungary, the research team of the Faculty of Business and Economics, University of Pécs was admitted in Cranet in 2004, consequently our research team participated in the fourth round of the Cranet project in 2005.

Consequently, in 2008 we could utilize our former experiences in organizing our research as part of the fifth round of the project.

1.3 Respondents

The Hungarian sample consisted of organisations randomly selected from the Top 100 list, multinational companies and the directories of the Hungarian Chamber of Commerce and local authorities as in 2005. However, while formerly paper-based questionnaires were completed, in 2008 we contacted institutions electronically and used e-questionnaires. This resulted in an increase of 40% in responses; in 2008, the number of respondents was 139.

In 2005, a survey of almost eight thousand institutions from 32 countries was conducted and analysed, forming three samples of respondents. We compared the data of HR practices in 864 institutions from 6 Central and Eastern European countries (Bulgaria, the Czech Republic, Estonia, Hungary, Slovakia and Slovenia) to the total Cranet sample. Then the data gained from almost 100 Hungarian respondents were compared to the total Cranet data and the data of Central and Eastern European countries (CEE) to seek for similarities and differences.

Our second survey round in Hungary was finished in the summer of 2008, but many other Cranet research teams, scheduled to conduct the survey in the second half of the year, could not finish it because of the effects of the world economic crisis. Consequently this paper assesses only the Hungarian data from this round.

1.4 Similarities and differences of two samples

In respect of the *sectoral distribution* of the organisations participating in the 2005 research project, it can be seen (Table 1/A) that, while nearly half of the organisations in the total sample belonged to the service sector, organisations in the Hungarian and, to an even larger extent, the CEE samples were primarily engaged in building and manufacturing. The proportion of service sector firms in the CEE – and, similarly, in the Hungarian – sample was 40%, forming the second largest sector. The sectoral distribution of the organisations participating in the 2008 survey changed only slightly, but the two sectors changed places, bringing the Hungarian result closer to the distribution of the 2005 total sample.

Table 1.

Percentage of sectoral distribution and number of employees (%)

A. Sectors	H		CEE	T	B. Number of employees	H		CEE	T
	2005	2008				2005	2008		
Agriculture	0	1	2	2	- 250	39	63	42	33
Manufacturing	46	41	53	39	251 - 1000	34	20	43	43
Services	40	43	40	48	1001 - 5000	21	16	13	18
Other	14	15	5	11	5001 -	6	1	2	6
Total	100	100	100	100	Total	100	100	100	100

Source: Primary research by the authors

With regard to the *size of organisations*, in 2005 the data – as seen in the second segment (B) of Table 1 – indicates that more than two thirds of the respondents of the total sample are companies employing more than 250 people. The Hungarian sample is different in that while the proportion of the companies belonging to the two largest size categories is the highest (27%), the percentage of the smallest size category companies (employing fewer than 250 employees) is also high in the Hungarian sample. However, the CEE sample shows an even higher percentage of the smallest size category of companies.

While the sectoral distribution of the Hungarian organisations in the 2008 survey was mainly the same, there are *significant differences in the size of organisations, as almost two thirds of the respondents are SMEs*.

Therefore the representativeness of the Hungarian sample is better, as it is closer to real proportions in Hungary [3]; [4]; [5]; [6] and [7] it also shows more similarities to 2005 CEE sample. Beyond this change, though the number of the large and largest size companies in the Hungarian sample did not decrease significantly, their proportion is still just slightly over one third of all companies.

While the *distribution* of the respondent organisations coming from the *public or private area showed only slight differences* in the two Cranet projects – as the respondents' ratio from the private sector was dominant (about 70%) in all three samples – *the difference between the main markets of products and services was significant*. Hungarian respondents of the 2008 project mainly supplied local or regional markets, while respondents of the 2005 Hungarian sample were suppliers of the national or the European market and one fourth of them distributed their products and services in the global marketplace. This is a significant fact to consider when evaluating their performance factors.

As to the *ownership* of responding organisations the identity of owners was also examined in the 2005 Hungarian Cranet survey, in addition to the standard questionnaire. Organisations of domestic and foreign ownership were equally represented (50-50%) in the 2005 survey. The percentage of companies in domestic ownership increased to 63% while the rate of foreign ownership and joint-ventures was about one third by 2008. According to official statistics (KSH, 2003), fewer than 15% of organisations with less than 250 employees were in foreign ownership, however, 80% of large companies have foreign owners. The 2008 Hungarian sample can be considered more representative here as well than the former one in 2005.

2 Results

In this chapter we focus on staffing and resourcing function in Human Resources Management.

2.1 Staffing practices

Although the tendencies of changes in the total number of employees working for Hungarian organisations were not different, there was a variation in proportions. Most of the surveyed organisations were decreasing their workforce in both of the studied periods, but while it slightly exceeded 40% in 2005, the proportion of downsizing organisations increased to 60% in the 2008 survey. The proportion of companies that remained the same size was 20%, but the rate of growing companies decreased to under 20% in the 2008 sample from 40% in the 2005 one. Concluding from this, we can say that *more companies had to face the problem of workforce reduction than that of expansion.*

There was no change in the frequency use of the most and least common *workforce reduction methods*. The most popular ones were *recruitment freeze and redundancies*; outsourcing was reported to be the least utilised one. In addition to this, the *importance of recruitment from inside* as a form of staffing *grew* in all employment categories (see Table 2).

Table 2.
Proportion of the use of recruitment sources and channels in Hungarian samples (%)

	Managers		Professional / Technical		Clerical		Manual	
	2005	2008	2005	2008	2005	2008	2005	2008
Internally	56	75	28	63	25	57	13	39
Agencies and consultants	32	44	24	44	19	25	5	12
Advertisement	9	46	33	76	36	76	48	61
Word of mouth	3	38	7	55	13	51	25	51
Vacancy page on company web sites	0	38	2	59	0	65	5	45
Vacancies on commercial job websites	0	22	5	41	5	34	2	14
Directly from educational institution	0	6	2	43	2	25	0	22
Speculative applications/walk-ins	-	26	-	49	-	60	-	54
Job centres/public recruitment agencies	-	10	-	35	-	42	-	40
Other	0	16	0	10	0	10	1	9

2.2 Methods and sources of recruitment and selection

Multiple *methods of recruitment* were used in recruiting all categories of employees, both in traditional solutions (e.g. advertisement, word of mouth) and in electronic ones (e.g. company and commercial web pages).

Analysis of the 2005 survey on frequently implemented or mostly neglected *selection methods and techniques* shows the following features (see Table 3):

- All findings of the survey proved the *high emphasis on selecting managers*. Certain methods (e.g.: assessment centre) were used mainly when selecting applicants for these positions; and results from multiple techniques were used to support decisions on selection.

- Compared to the high emphasis on selecting managers, selecting manual workers meant the other extreme end of the scale. *Manual workers* were most often selected using less expensive and simpler methods.

The *use of specific selection methods varied* in the three samples, as follows:

- A common feature of the studied 20005 samples is that *the interview* almost certainly has a role in selection, but at least it is the flagship method among the most often used techniques.
- *Application forms* rank as the second or third most important method in almost all staff categories of the total sample. Although the frequency of use of this method is usually lower in the Central Eastern European countries, its place in the ranking of techniques is similar. The exception is Hungary; where only about 20% of the organisations reported using it irrespective of staff categories in that time.
- In the total sample, *references* are used across the board, although at slightly decreasing rates: applicants for management (61%) and professional positions (58%), clerical (52%) or manual jobs (40%). However, while Hungarian respondents do rely on references for management positions (42%), they hardly use them when selecting manual workers (8%).
- *Psychometric tests* are mainly, but not too often (35% of the total sample), used in management selection. A similar trend can be observed in every CEE country (see Table 6) but at a frequency of about 10 percentage points lower.
- Finally, *graphology* is the most neglected selection method. In none of the subsets of the survey does its reported rate of use reach 5%. Hungarian organisations are the exception here, too, as respondents claimed that they relied on graphological information (among other sources) in the case of professional and management positions (6.2% and 14.4%, respectively).

Table 3.

Selection methods applied (%) in different staff categories

Selection methods	Managers				Professional staff				Manual			
	H		CEE	T	H		CEE	T	H		CEE	T
	2005	2008			2005	2008			2005	2008		
Interview panel	70	28	48	61	64	32	41	50	31	18	17	25
Interviews	52	71	57	56	41	76	64	60	38	60	51	54
Application form	19	36	30	43	19	44	37	49	19	41	40	47
Psychometric test	25	26	25	35	20	19	19	25	8	5	6	8
Assessmentcentre	11	11	12	19	5	9	6	10	0	3	1	2
Graphology	14	2	3	4	6	2	3	2	1	1	1	1
References	42	71	46	61	29	64	43	58	8	32	24	40
Ability tests	-	22	-	-	-	30	-	-	-	14	-	-
Technical tests	-	6	-	-	-	19	-	-	-	18	-	-

The findings of the 2008 Hungarian sample showed that *application of specific selection methods moved closer to the 2005 total sample*. Reliance on references ranked as the second most important method and the use of application forms almost doubled, while using graphology as a selection method became less accepted (see table 3).

2.3 Forms of employment and working arrangements

The 2005 total sample showed that *traditional forms of employment* with matching *working arrangements still prevail* in the organisations. The actual use of the various forms shows similarities and some significant differences:

- In all the studied samples *overtime* is by far the most frequently used working arrangement.
- Similarly, there is a rather coherent picture in our samples on *shift work*. Nearly one third of the organisations reported that they did not use this working arrangement. Those who do (up to one quarter of the respondents), however, have the majority (over 50%) of their employees working in this arrangement.
- *Flexi-time* is also used by the organisations in all three samples in similar and quite high proportions (55-60%).

- The working arrangements that the majority of the organisations in all three samples reported *not to use* are *home-based* work, teleworking and the compressed working week. In this respect the Hungarian practice stays even below the low values of the total and the CEE samples. If an organisation happens to have such arrangements, it will only offer them to a small group of employees.
- *Job sharing* and *annual hour's contracts* are working arrangements that are known and used – though on a small scale – by organisations in the total and the CEE samples. These solutions are hardly, if ever, adopted by Hungarian respondents.
- *Part-time* work and *fixed-term contracts* are widely known and used by organisations in the total sample. Hungarian respondents report a frequency of use similar to that of the total sample, while in other countries of Central Eastern Europe a surprisingly high proportion (around 40-50%) of respondents claimed not to use such arrangements.

The 2008 Hungarian sample showed no significant divergence in the area of working arrangements, but smaller shifts in practices are discernible:

- *traditional forms of employment and working arrangements* (overtime, shift-work) are still prevalent;
- home-based work, teleworking, job-sharing and the compressed work week are still underutilised;
- *flexi-time and fixed-term contracts*, however, became more widely used.

Conclusions

About half of the applied *solutions in the field of HR key functions in Hungary were similar to the 2005 total sample*. The *2008* Hungarian sample shows changes due to modernisation, and *more than half of them were similar to the total sample or converging to it*.

The mostly *unchanging elements* in HR key functions in the two Hungarian surveys, also being features of the total sample, *seem to be universally adopted practices*. One of these is the fact that *managers are in focus of the practice of HR key functions*, as they have the *highest prominence in terms of staffing*, since both the most numerous and the most expensive, modern techniques of selection are used simultaneously to select them.

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