

# COOPERATION FOR A MORE COMPETITIVE HUNGARY

2018

RECOMMENDATIONS OF THE AMERICAN CHAMBER OF  
COMMERCE IN HUNGARY, BASED ON DISCUSSIONS ENGAGING  
CORPORATE AND GOVERNMENT REPRESENTATIVES  
ON STIMULATING THE HUNGARIAN ECONOMY

*EXECUTIVE SUMMARY*



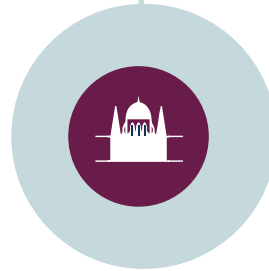
# MULTI-LEVEL CONSULTATION



## WE REPRESENT

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**351** AmCham members from 23 countries  
**232,000** employees  
Approx. **36%** of Hungarian export  
Total net revenue of more than HUF **18,3** trillion in 2016  
Wide representation of industries



## DIALOGUE WITH GOVERNMENT

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Ministry of Human Capacities  
Ministry of Justice  
Ministry of Foreign Affairs and Trade  
Ministry for National Economy  
Hungarian Investment Promotion Agency  
National Authority for Data Protection and Freedom of Information  
National Research and Development Office



## EDUCATION PARTNERS

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**15** Universities  
**200** high school teachers  
**450** high school students

# SHARED GOALS, COMMON GROUND



## AMCHAM CONFERENCES

III. BUSINESS MEETS GOVERNMENT SUMMIT  
III. COMPETITIVE EDUCATION CONFERENCE  
BUSINESS MEETS UNIVERSITIES PROJECT AND WORKSHOP

## CONSULTATION

MINISTER AND STATE SECRETARY-LEVEL MEETINGS  
COMPETITIVENESS COUNCIL

## GOVERNMENT INPUT

GOVERNMENT INITIATIVES  
OFFICIAL RESPONSE OF THE MINISTRY FOR NATIONAL ECONOMY ON AMCHAM'S RECOMMENDATIONS



# SUCCESS STORIES WE CAN BUILD ON



GAME CHANGER: 9% CORPORATE TAX

„INVENTED IN HUNGARY”

CONSISTENT AND STRUCTURED DIALOGUE SINCE 1989

CAREER ORIENTATION IN PUBLIC EDUCATION

A MORE BALANCED INDUSTRIAL PORTFOLIO

COOPERATION WITHIN THE VOCATIONAL TRAINING SYSTEM

FAVORABLE ENVIRONMENT FOR R&D

CONSULTATION ON THE  
IMPLEMENTATION OF GDPR

# DEVELOPMENT OPPORTUNITIES FOR ENHANCED COMPETITIVENESS



## WIDENING THE LABOR POOL

GRADUAL PHASE-OUT OF CRISIS TAXES

PROMOTION OF WORKFORCE MOBILITY FOR FAMILIES

FOCUS ON KEY SKILLS AND COMPETENCES IN PUBLIC EDUCATION

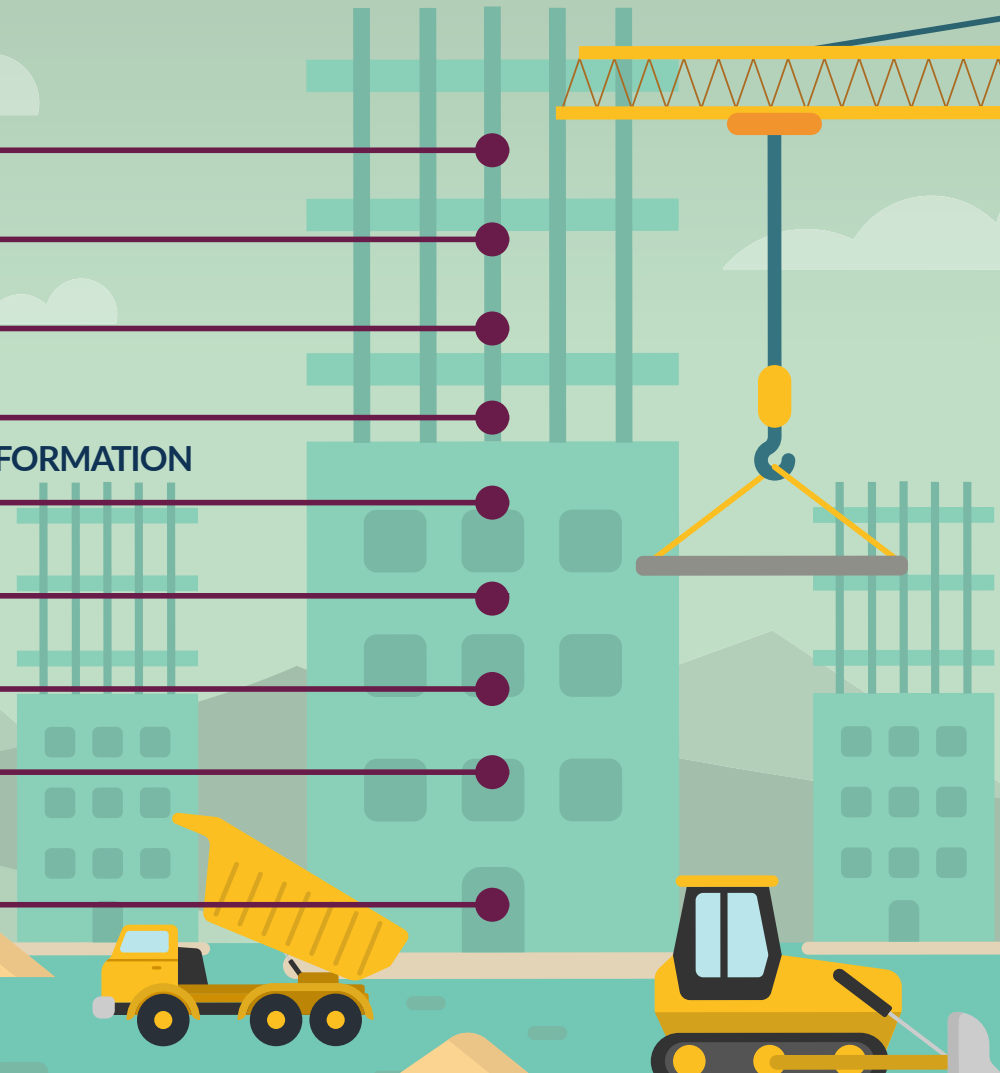
FURTHER INCREASED BUDGET FOR THE EDUCATIONAL SYSTEM'S TRANSFORMATION

A MORE STRUCTURED COOPERATION OF BUSINESS AND EDUCATION

A MORE EFFECTIVE LANGUAGE EDUCATION

A MORE SUPPORTIVE INNOVATION ECO-SYSTEM IN HIGHER EDUCATION

INTERNATIONAL COMPETITIVE ADVANTAGE THROUGH REVOLUTIONARY DIGITAL PROJECTS



# I. GENERAL BUSINESS CLIMATE



1. **We have further recommendations to successfully advance the paradigm shift to “Invented in Hungary”.**
  - a. We recommend that the southern regions of Hungary, less affected by workforce shortage, be favored with respect to promoting investments.
  - b. We recommend the creation of designated R&D areas receiving increased support (e.g. provincial university towns and their agglomeration).
  - c. We recommend the promotion of workforce mobility via a new support system that covers the nuclear family of the employee.

# I. GENERAL BUSINESS CLIMATE

2. **The Chamber recommends that a competitive and predictable tax regime be provided for businesses.**
  - a. We recommend the gradual phase-out of crisis taxes.
  - b. We recommend widening the list of possible deductions on local business tax.
  - c. We recommend that an upper cap to the employer's social contribution / security tax be established.
  - d. We recommend that the eligibility of educational and health care institutions for support be allowed the same way as sports and culture are eligible for support by offering the corporate tax as a donation to preferred purposes.
  - e. We recommend the revision of the vocational training levy system, so that the company paying the contribution may decide on the utilization of a significant part, ideally up to 50%, of the levy: 25% should be directly donatable to the secondary vocational schools, and 25% should be utilizable for the education of the company's own employees according to the Industry 4.0 concept.
  - f. We stress the importance of promoting circular economy through the changes made to the rules regarding the environmental product fee.

# I. GENERAL BUSINESS CLIMATE



3. **We recommend the government to support the operation of Shared Service Centers (SSCs), including the expansion of high value-added activities in particular by providing a supportive regulatory environment.**
  - a. We recommend that measures to promote part-time employment, teleworking, and other flexible forms of employment be taken.
  - b. We recommend changes to the training aid system.
  - c. We stress the importance of modernizing the statistical background for identifying the SSC sector, and clarifying its economic and employment data.
  - d. We find that infrastructural development is necessary in order to strengthen the rural locations of businesses in particular.



## II. COMPETITIVE WORKFORCE AND COMPETITIVE EDUCATION



4. **The government should promote the increase of the workforce supply in every possible field in order to increase the availability of the workforce necessary for maintaining existing investments and attracting new ones.**
  - a. We recommend the extension of the contribution and tax rebate to all retired employees, regardless of the form of employment.
  - b. We stress the importance of continuing the dialog about a regulatory environment that enables the spread and expansion of new flexible forms of employment.
  - c. We recommend that the permission procedure of the employment of non-EU nationals may take place as a simplified process with respect to additional positions (that require high qualification, such as a financial analyst) and countries.
  - d. With respect to the public works scheme, we recommend further facilitation of the redeployment to the private sector.
  - e. We recommend cooperation and collaboration for a more efficient labor market access of youth not in employment, education or training (the so-called NEET youth).

## II. COMPETITIVE WORKFORCE AND COMPETITIVE EDUCATION



5. **In order to increase workforce mobility we recommend that a new mobility incentive scheme is developed, supporting the mobility of families.**
  - a. We recommend the promotion and support of rental housing construction programs.
  - b. We recommend the review of all state and local authority grants and the amendment of their calculation in order to prevent the disadvantaged position of those who would move together with their family.
  - c. Families need to be granted more competitive living conditions and better life quality close to their workplace.
  
6. **We recommend that the government provides the highest possible support and budget for the educational system's transformation that aims at developing key competencies and providing a competitive workforce.**
  - a. We recommend the targeted development of competencies and skills that facilitate adaptation to a dynamically changing labor market.
  - b. We recommend that a marketable and practice-oriented foreign language education be prioritized.
  - c. We recommend that the government furthers the enhancement of teachers' social prestige through their professional and financial appreciation.

## II. COMPETITIVE WORKFORCE AND COMPETITIVE EDUCATION



7. **We recommend that the intensive cooperation between businesses and educational institutions take place at every level of the educational system.**
  - a. We recommend that career orientation is handled as a priority, with a special focus on the subjects of the “STEAM” fields (science, technology, engineering, art, and mathematics).
  - b. Teachers should be granted the opportunity to have professional training opportunities with businesses.
  - c. We stress the importance of establishing a multi-stakeholder platform that would facilitate regular public consultations between the spheres of education, business and government for the continuous renewal of the educational system.
  - d. We recommend making Hungary-based internships more attractive, the better communication of these opportunities, and the removal of its administrative barriers.
8. **We recommend the transformation of the training aid system, so that more companies may have access to this form of aid.**
  - a. We recommend a considerable cutting of the red tape related to the training aid.
  - b. We recommend that the government body responsible for the administration of the training aid be strengthened, thus enabling client-friendly administration.

# III. INNOVATION AND RESEARCH & DEVELOPMENT



9. **We recommend that a more supportive ecosystem is developed at universities in order to increase their activities resulting in industrial property and to enhance a more efficient utilization of intellectual property.**
  - a. We recommend that a consensus on decision making principles be achieved regarding the protection, management, assessment, and utilization of the intellectual property created at universities.
  - b. Based on the high level of research competencies demonstrated by universities and research facilities, an increased focus should be given to patents filed by universities, and to the commercialization of research results and experiences.
  - c. We recommend that the university ecosystem is strengthened to enhance activities resulting in industrial property and a more efficient utilization of intellectual property. We also recommend the revision and modification of the legislative background determining the role of the university in intellectual property management.
  - d. We recommend the provision of adequate and state-of-the-art infrastructure, since its availability is a prerequisite of creating intellectual property at universities.

# III. INNOVATION AND RESEARCH & DEVELOPMENT



- 10. In order to manage the higher education institutions' business-driven R&D assignments, we recommend the establishment of a professional institutional structure and management.**
  - a. The concept of the Higher Education and Industry Collaboration Center ("FIEK") is an exemplary initiative, and thus we recommend its development ("FIEK 2.0") as well as the special support and country-wide spread of the concept.
  - b. We recommend that the institutions use professional marketing for their R&D competencies (by commissioning an external expert, or by generating competence in-house).
  - c. To enhance the international prestige of Hungarian higher education institutions we recommend that increased support be provided for university excellence programs.
  
- 11. In order to develop research infrastructure, we recommend the strengthening of the "entrepreneurial function" of higher education institutions.**
  - a. We recommend the exemption from, or at least simplification of, the public procurement obligation of higher education institutions in relation to R&D projects realized in cooperation with business (or otherwise).
  - b. We recommend that the higher education institutions may have the possibility of VAT deduction in relation to R&D projects realized in cooperation with business (or otherwise).

# III. INNOVATION AND RESEARCH & DEVELOPMENT



- 12. We recommend the strengthening of practical trainings in higher education institutions.**
  - a. We recommend the further strengthening of the dual education, and the promotion of other forms of cooperative trainings and business collaboration at the same time.
  - b. We support that the framework of the “industry PhD” (PhD research financed by the business) be established and spread.
  
- 13. We recommend that apart from the current aid intensity of 25%, the Government Decree on the support of R&D projects based on an individual government decision allow a maximum of 50% aid intensity for industry research.**

## IV. DIGITALIZATION



14. **We recommend that the government find and support new “revolutionary” digitalization opportunities which may position Hungary as a leader in the global competition.**
  - a. We recommend the following steps to achieve this objective:
    - I. Selection of a specific area or project for development (see Annex 1).
    - II. Make public data specific to the selected area or project available for re-use by business (controlled data sharing while preserving anonymity).
    - III. Establishing public-private cooperation in the utilization of the data.

## IV. DIGITALIZATION



- 15. In order to strengthen a digitally competent society the Chamber recommends performing actions in the educational field that are in line with the Digital Educational Strategy, but provide results in the short term, and also stresses the importance of establishing objectives and output indicators that are accepted by every stakeholder and easy to communicate.**
- a. a. We recommend that actions providing results in the short term (so-called “quick wins”) be performed:
    - I. Organizing digital channels;
    - II. Pilot transformation of a school subject by involving an external expert teacher;
    - III. Fostering the recognition of digital teaching methods, e-learning, and digital learning materials.
  - b. In order to strengthen a digitally competent society, every stakeholder’s collaboration is needed to achieve the objectives and output indicators that are accepted and easy to communicate.
- 16. We recommend the responsible implementation of the GDPR (EU’s new general data protection regulation) with special regard to the aspects of competitiveness.**