BUSINESS SERVICES
HUNGARY
2020

REPORT ON THE HUNGARIAN BUSINESS SERVICES INDUSTRY

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An investor friendly business environment, a highly educated workforce and developed infrastructure: these are the factors that contribute to the success of the Business Services Sector (BSC) in Hungary. In the last decade Hungary has become one of the leading international hubs for business services within the Central and Eastern European region, with 131 companies employing 63,892 people. The Hungarian Business Services Sector has reached a high level of maturity and complexity, while maintaining the ability to engage and retain talent and to continuously attract new investment in the BSC sector.

The Hungarian Investment Promotion Agency (HIPA) is pleased to share its annually published, thorough overview of the sector’s results and prudent forecast, presenting key industry trends and tendencies. The report captures key features of a consistently progressing market that continuously innovates and incorporates increasingly complex, high value-added services, while being able to expand its potential for growth. The aim of HIPA is to help and support all the stakeholders, projects and new initiatives of the BSC sector. HIPA provides professional management consultancy services, tailor-made incentive offers, and information on location opportunities as well as the labour pool in order to encourage investment decisions regardless of the location of the activity within the country.

The Business Services Hungary 2020 report is the result of a careful multi-stakeholder analysis, achieved through a cooperative process in cooperation with the American Chamber of Commerce in Hungary, valuing direct industry representatives’ inputs and incorporating expert views of CBRE Hungary and Randstad Hungary. The two special reports cover the COVID-19 pandemic situation from property and HR perspectives and are designed to provide readers with a deeper insight into all of these themes as well as to explore topics for debate and suggest possible solutions for the future.

We strongly believe that the Hungarian Business Services Sector remains an attractive and dynamically developing segment of the Hungarian economy that is worth exploring further, and we hope that this report can provide an essential summary of its key features and potential.

We would like to thank all the participating companies of this survey who provided invaluable input that enabled us to present this up-to-date and comprehensive overview of the industry, the findings of which we trust will be useful and appreciated by every reader.

Most importantly, we hope you and your families remain safe and healthy throughout this difficult time.
Executive Summary

The Hungarian Business Services Sector has performed outstandingly over recent years and has become one of the leading industries of the Hungarian economy. The continuous growth of the companies and the number of employees confirm the attractiveness of the sector. As the sector’s representatives are continuously focusing on broadening the scope of high-value added activities there is much emphasis on talent management, innovation and educational cooperation.

2020 has brought significant challenges but also new opportunities for the sector. During the COVID-19 pandemic BSC executives were forced to make quick decisions and since the biggest step was that almost all jobs were moved to home-office and all activities managed from home, managers at every level were forced to rethink the way they work.

There is a shift in what it means to supervise, coach and train in today’s context. There is a clear sign of transitioning into new ways of working arrangements. Based on the responses there are a number of benefits and risks attached to allowing employees to work in a remote environment. Benefits include hiring from an expanded talent pool, allowing for more work-life balance, minimizing commuting time and expenses and greater flexibility. Risks identified include, for example, establishing and maintaining company culture, collaboration, fear of missing out, as well as infrastructure challenges and security. Business service centres have emphasized the importance of sector branding to target future talented individuals as well. More and more collaboration and new initiatives between industry stakeholders will be needed to raise awareness and the attractiveness of the sector. Executives clearly see that the workplace is going to be very different in an environment of social distancing. Based on the survey responses, employees would prefer to continue to work remotely as much as possible even when restrictions are lifted.

COVID-19 is accelerating the trends such as automation and AI, and has an impact on new job opportunities in IT and technology. The pandemic has also accelerated the shift to remote working as the digital world could support the transition with new tools and technologies. Working from home also raises the importance of telecommunication connectivity. Telecommunication networks are increasingly becoming the key infrastructure to support business activities. Companies are now looking at ways to transform their systems to more agile, cloud-based solutions to move more of their applications and services online. Technology has evolved to the point where virtual communication can substitute face-to-face meetings and new software tools will drive collaboration and productivity.

As the business services sector rethinks office space, it will have impacts on the future of cities and property. As companies move towards a hybrid operational model combining on-site and remote working, the need for quality and flexibility in office and residential space are climbing rapidly. The new office layout trends are showing a higher ratio of common space for interaction between employees, in order to support cooperation and engagement.
## Evolution of the Hungarian BSC market

<table>
<thead>
<tr>
<th>Year</th>
<th>BSCs</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>98</td>
<td>46,000</td>
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<tr>
<td>2018</td>
<td>110</td>
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</tr>
<tr>
<td>2019</td>
<td>120</td>
<td>55,000</td>
</tr>
<tr>
<td>2020</td>
<td>131</td>
<td>63,892</td>
</tr>
</tbody>
</table>

### Newly established BSC centres in Hungary

<table>
<thead>
<tr>
<th>Year</th>
<th>BSCs</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>54</td>
<td>30,387</td>
</tr>
<tr>
<td>2018</td>
<td>71</td>
<td>41,237</td>
</tr>
<tr>
<td>2019</td>
<td>64</td>
<td>41,870</td>
</tr>
<tr>
<td>2020</td>
<td>67</td>
<td>48,576</td>
</tr>
</tbody>
</table>

### Major investors in the BSC market

- BlackRock
- Hitachi
- Cisco
- Sanofi
- Nilfisk
- Tesco
- IBM
- Ford
- Sanofi
- Deloitte

### Operational model

<table>
<thead>
<tr>
<th>Year</th>
<th>Captive</th>
<th>Hybrid</th>
<th>BPO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>50%</td>
<td>24%</td>
<td>26%</td>
</tr>
<tr>
<td>2018</td>
<td>47%</td>
<td>33%</td>
<td>20%</td>
</tr>
<tr>
<td>2019</td>
<td>51%</td>
<td>32%</td>
<td>17%</td>
</tr>
<tr>
<td>2020</td>
<td>54%</td>
<td>27%</td>
<td>19%</td>
</tr>
</tbody>
</table>

### Number of BSCs and employees represented in the survey

<table>
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</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
<td>2020</td>
<td>67</td>
<td>30,387</td>
</tr>
</tbody>
</table>
Currently 21% of the BSCs participating in the survey plan to open a new service unit in Hungary in the next 1-3 years, and 12% of the total respondents plan to do it in the countryside. Locations outside of the capital would be ideal when it comes to the opening of a second site. This justifies the strategic plans and actions of several cities to attract investments from the Business Services Sector. Their efforts include the creation of new infrastructure (such as new office buildings, science centres etc.) and the support of educational institutions in developing curricula that prepare the potential workforce for BSC employment. In this way, not only is local talent retained in these towns, but international students can also be invited and are attracted to stay in Hungary and work at BSCs offering international career opportunities.

The sector has reached an advanced level of maturity.

Majority of the respondents of the survey have a well-established service operation in Hungary. Approximately 49% of the respondents employ more than 250 people, and almost all the major BSCs participated in the survey. It is also important to note that more than 40% of the centres were established before 2010, which indicates the maturity level of the sector in Hungary. Due to the attractiveness of Hungary the number of BSCs has steadily grown since then, and the maturity of the survey respondents reflects this positive trend.
Business Overview

- **131 BSCs in Hungary**
- **Established 11+ years ago**
- **Average headcount ~500**
- **Office presence in Budapest 82%**
- **Major BSC locations in Hungary**
  - 8 cities
  - Budapest, Debrecen, Miskolc, Szeged, Pécs, Székesfehérvár, Kecskemét, Győr
- **Highest number of languages supported by a centre**
  - 36
- **Global focus of activity 45%**
- **Captive centres 54%**
- **43% Established 11+ years ago**

Note: dashboard data is based on the responses of survey respondents.
The most common original industry profiles of the respondents’ parent companies are manufacturing, information technology, financial and business services. More than 50% of survey respondents provide their services in these industries.

In terms of their operational model 54% of the respondents are captive centres providing support for their parent companies. 27% of the companies are hybrid centres, and 19% are BPOs. These proportions have not changed significantly in the past few years. The relatively high ratio of hybrid centres indicates a higher maturity level. In this model well-performing captive centres are entitled to provide services to external clients as well, thus switching to a more profit-oriented operational setup.

The Hungarian BSCs are excellent in providing multi-language services. The most common foreign languages used in the Hungarian BSCs are English, German, French, Spanish and Italian. The largest number of languages used in a business service centre is 36. Services in exotic languages are often provided by foreign citizens, as native speakers. Budapest is a vibrant European metropolis and a growing number of foreign citizens (including students) come with the intention of living and working / studying in the capital city. Other large Hungarian cities are also becoming attractive for foreign employees and more and more BSC units carry out activities in them as well.
Regarding the functional areas supported by the responding BSCs the most typical functions are finance & accounting & controlling (approx. 76%) human resources (approx. 70%), Information Technology (approx. 67%) and customer service (approx. 57%). The share of R&D activities has significantly increased.
Continuous improvement of operational efficiency is on the agenda of the majority of survey respondents. Efficiency improvement targets include cost saving, scope expansion, improving cost efficiency per transaction and cost optimization by automation and digitalization.
The COVID-19 pandemic has had certain effects on the operation of responding BSCs in respect to efficiency. For most companies the efficiency level remained stable despite the transition to remote working. 19% of the companies indicated that their efficiency has improved during the pandemic situation and only 17% of responding BSCs reported a drop in efficiency.

BSCs that indicated an efficiency drop highlighted mainly people management, motivation and engagement related root causes behind the negative tendencies.

- 12% Engagement, motivation
- 10% People management reasons
- 10% Frustration of employees due the virus situation
- 7.5% Home office culture among employees
- 6% Missing home office equipment
- 2% Significant drop in efficiency
- 15% Slight efficiency drop
- 64% Same efficiency as before
- 19% Better efficiency as before
- 2% Significant drop in efficiency
Competitiveness Overview

- 64 higher education institutions
- 285,000 students
- 69% continuous growth expanded with new services in 2019
- 85% are planning to bring more value-added functions to Hungary
- 58% to increase service portfolio
- 935,000 m² office under construction in Budapest
- 133,500 m² office space in regional cities
- Global Nr.5 broadband coverage
- Corporate tax allowance
- Various Incentives
- Cash subsidy for training purposes
- Job creation subsidy
- Skilled & educated workforce
- Shift to value-added services

85% are planning to bring more value-added functions to Hungary.
Companies which are present in the Hungarian business services market are continuously introducing new services to their Hungarian business service centres. The main functions affected by these service transitions amongst survey respondents in 2019 were finance, accounting and controlling, Information Technology, human resources, procurement and logistics. The majority of the Hungarian BSCs manage complete end-to-end service processes that can also be associated with the global focus of the sector.

Did you introduce any new services in your Hungarian BSC in 2019?

If yes, what kind of functions did you introduce?

- **Finance & Accounting & Controlling**: 59%
- **IT**: 46%
- **Human Resources**: 30%
- **Procurement, Logistics & Supply Chain**: 26%
- **Customer Service (Internal & External)**: 24%
- **Sales and Marketing**: 20%
- **Research, Development & Innovation**: 11%
- **Banking, Financial Services & Insurance (BFSI)**: 6.5%
- **Legal Services & Processes**: 2%

Reasons for the outbound service migration

- **Cost**: 81%
- **Higher value added jobs were transferred to our centre; lower value added FTEs were transferred out**: 37.5%
- **Skills and/or Labour Availability**: 25%
- **Service Quality**: 19%
- **Efficiency & Productivity**: 12.5%
- **Technology Change**: 12.5%
- **Other**: 12.5%

Approximately 24% of the survey respondents reported that certain services / functions have been moved from the Hungarian BSC in 2019–2020. The main drivers of the service migration to another business unit of the parent company or to an external outsourcing service partner were reducing costs and the planned shift from transactional services to higher value-added functions.
The focus of BSCs in Hungary is gradually shifting from transactional / routine services towards more value-added services. In the case of 51% of the survey respondents the value-added services account for more than 50% of their complete service portfolio.

Further to that, 85% of survey respondents are planning to bring more value-added functions to Hungary in the future. Another key indication of this trend is that 61% of survey respondent are planning to increase the ratio of value-added services in their BSCs within the next three years.

Multiple investment incentives are available for BSCs in Hungary. Based on the current statistics, companies receive non-refundable cash incentives for job creation purposes outside of the capital, related to the establishment of new business centres or for an expansion project. Training subsidies are also available in the case of external or internal training for new and existing employees in Budapest and in the countryside. As of 1 January 2017, a new non-refundable cash-intensive scheme was implemented in order to support the establishment or expansion of Research & Development units/projects and activities.

Respondents reported typically having received cash subsidy for training purposes or job creation. Based on the positive development in the incentive system in the field of Research & Development, an increasing number of companies are expected to be entitled to this type of subsidy in the coming years, based on their R&D or technology intensive activities.

**Focus on value-added services**

- **6%** N/A
- **43%** More than 50% transactional / routine services
- **51%** More than 50% high value-added services

**Current maturity level**

- **25%** E2E processes, global process ownership, multisourcing, multi-location model, rightshoring, GBS (Global Business Services) model
- **11%** Launching the centre, centralization, consolidation, harmonization
- **24%** Higher value-added services integrated, outcome-oriented operation, charging back of full costs, market-based pricing, centre of excellence model
- **13%** Digitalization and automation, optimization with management methods (e.g. Lean6Sigma)
- **25%** Horizontal and vertical extension, standardization of service processes, building sophisticated SLA/OLA
- **19%** Yes, cash subsidy for training purposes
- **10%** Yes, job creation subsidy
- **4.5%** Yes, corporate tax allowance
- **4.5%** Yes, cash subsidy for R&D activities
- **62%** None of them

**Have you received any subsidies / allowances in the last 3 years?**
Outlook for 2021

Competitiveness

63% of BSCs responding to the survey expect to widen their service portfolio horizontally, and approx. 57% expect to move up in the value chain within the parent company group and expand vertically in 2021.

Factors influencing the outlook for 2021

We also asked the BCSs to define what factors will influence their outlook for 2021. The major factors correlate with their expectations for expansion in 2021. More than 58% of survey respondents reported that increasing their service portfolio will have a major influence on their business in 2021. In addition, 40% indicated that managing the transition of new business / new customers to their centres will also have significant impact. The trend in digitalization and automation to facilitate further efficiency improvements is expected to be on the agenda of more than one third of the BSCs. 52% of the respondents highlighted the influence of the COVID-19 pandemic as a key factor on the outlook for 2021.
Office landscape
Prospects for long-term office size requirements based on recent experience during the COVID-crisis

Hungary provides a wide variety of office options both in Budapest and also in major cities in the countryside. Based on the survey, the recent developments of the COVID-19 pandemic might result in more attractive conditions in the property market for newcomers or BSCs willing to expand.

Significant factors considered when selecting office space

- Location: 84%
- Rental fees: 72%
- Flexibility of the office size (expand/reduce, break options): 54%
- Transportation: 57%
- Green office, environment protection: 34%
- Safety & security: 39%
- Facility management (infrastructure, IT etc.): 36%
- Safety & security: 39%
- Flexibility of the office size (expand/reduce, break options): 54%
- Transportation: 57%
- Location: 84%

51% We are likely to need less office space for the same headcount because of flexible working policies.
1% We are likely to need more space for the same headcount for health & safety reasons.
6% We are likely to need less office space because of decreased headcount.
6% We are likely to need more office space because of the increase of our headcount.
1% We are likely to need more office space for the same headcount for health & safety reasons.
21% We don’t see any direct impact of the COVID-19 crisis on our long-term occupational requirement.
15% We don’t know yet the impact of the crisis on our long-term occupational requirement.
6% We are likely to need less office space because of decreased headcount.

Business Services Hungary 2020
**Office markets affected by COVID-19**

**The Rise and Shine of Working from Home**

The successful transition to remote working earlier this year has led to a landslide transformation of work culture for most of the companies. While the proportion of home office workers has gradually been increasing over recent years, the Great Lockdown catalysed the digital transition of office space – in a similar way to which it accelerated the digitalisation of retail via the immense growth of e-commerce.

Although the current underuse of office space is temporary, and companies will return to the physical space – the new balance between remote working and office-based work will be different to pre-Covid times. Depending on the profile of the company, the long-term proportion of home office could be between 30 and 50% – any significantly higher proportion is unlikely given the profile and culture of companies making up the bulk of the office market in Budapest. Nevertheless, this is a significant enough change and office space must adhere to this. Most of the office occupiers have already expressed their wish to reduce workplaces in the office as they plan to keep a higher proportion of remote workers. Companies also plan to invest in technological support for the home office – for many companies there is still a long way to go to catch up with the more progressive industries in this regard.

The distance between the workplace and homes could increase and the market could become more decentralized and give deurbanization a new push after years of urban growth. The rise of remote working makes labour markets truly global and helps to attract new jobs and services from global gateway cities to smaller and more affordable locations. While this trend makes it easier to relocate a function from a global city to Budapest, it also creates immense opportunities for Hungarian regional cities to step up and create jobs for their local residents. Digitalization of the workspace benefits smaller cities with low living costs and a high quality of life, not only Budapest but also the major Hungarian cities are perfectly placed to become the winners in this transition.

Workplace layouts are changing as more occupiers are reducing the number of traditional workstations. While this might be a temporary change for some, with infrastructure remaining in place to return to full capacity at later date, it is clearly a long-term decision for many who cut back infrastructure as well. This change in desired lay-out is in line with the occupiers’ wish for reduced density in the office area. While modern ventilation in the buildings can cater for workplaces as dense as every 6 m², it is very likely that employees will not tolerate such sitting density any longer.

As a consequence of the epidemic, lay-outs will be more carefully planned: while a cellular split will not make a return to the average office, the era of the open-space is coming to an end. Activity based workplace design is not a new trend, but the current changes demonstrate the need for such detailed planning.

**Office Space after a Global Pandemic**

There is no question that COVID-19 is shaping the way occupiers are thinking about the office as physical space for good. While home office and remote working helps occupiers to reduce their actual office footprint requirement, stricter safety expectations will induce less dense office space in the future and a more tailored but still flexible design of the physical space.
Voluntary attrition rate: 18%

Formula of BSCs with internship / fresh graduate program: 70%

Ratio of foreign citizens among employees: 16%

Average training days per person per year: 9

Proportion of employees with some form of disability: 1.2%

Average age of employees: 32

Ratio of university or college graduates among employees: 81%

Ratio of female employees: 53%

Average annual salary increase in 2019: 5%

Ratio of BSCs providing 24/7 or 24/5 service delivery: 32.9%

Ratio of female employees among managers: 46.5%

Ratio of university or college graduates among employees: 81%

Average training days per person per year: 10

Ratio of BSCs with internship / fresh graduate program: 69%

Average annual salary increase in 2019: 5%

Ratio of BSCs providing 24/7 or 24/5 service delivery: 33%

Proportion of employees with some form of disability: 1.2%
The BSC sector is set to become an increasingly important area of employment. Survey respondents employ approx. 48,600 employees. 49% of the responding companies each employ over 250 employees.

The nationalities of the foreign citizens working at BSCs in Hungary show a very wide range. Large numbers of people are coming from neighbouring countries such as Serbia, Romania, Slovakia, and Croatia. Significant numbers of foreign nationals are coming from the EU (e.g. Italy, Spain, France, Germany, Czech Republic, Poland, Romania) but increasing numbers are from the non-EU countries as well (e.g. the USA, Brazil, Russia). The Hungarian Business Services Sector offers a multicultural and diverse work environment for all nationalities that come to work in the sector.

BSCs lead by example when it is about equal employment opportunities for female employees. The average ratio of female employees in managerial positions exceeds significantly the overall average in the Hungarian labour market.

According to the respondents, the most significant driver of fluctuation is salary. In addition, dissatisfaction with the work content, as well as lack of development opportunities and employment opportunities in other countries are the main drivers of employee fluctuation.

In order to better understand the factors contributing to the labour market attractiveness of their companies, BSCs use a variety of methods, including exit interviews, interviews with new employees at the end of the probation period, and benchmarking surveys.

The following methods are used to track labour market attractiveness:
- 92.5% conducting of exit interviews
- 64% interviews at the end of the probation period regarding the employee satisfaction
- 88% regular measurement of employee satisfaction
- 58% regular participation in compensation benchmark survey

BSCs apply various types of flexible employment approaches:
- 97% Home office/remote work
- 84% Flexible hours
- 70% Part-time working
- 30% Career breaks
- 18% Teleworking
- 16% Shift Systems
- 12% Term time contracts
- 4.5% Job sharing
- 3% Compressed hours

Besides using full-time work contract employment type, 70% of the respondents also use part-time work contract. In addition, in order to maintain their attractiveness on the labour market (especially in the targeted younger generations), BSCs apply various types of flexible employment approaches.
Top skills & competencies for junior positions

Respondents were asked about the top skills and competencies needed in their business service provision activities both in the case of junior and managerial positions. Based on the answers, communication, teamwork and willingness to learn are the most needed skills and competencies in addition to language capabilities in the case of junior positions.

- 46% Communication
- 37% Teamwork & collaboration
- 37% Willingness to learn
- 30% Language
- 27% Flexibility & adaptability
- 24% Problem solving
- 16% Customer focus

Top skills & competencies for manager / executive positions

On the other hand, leadership, people management, communication skills, and a strategic and business-oriented mindset are the most important in the case of managerial positions. Education is the fundamental pillar in the development of talent. Young people will need to be trained for a future in which technology will play a key role. Demand is increasing for technical degrees in science, technology, engineering and mathematics.

- 31% Leadership
- 34% People management
- 28% Strategic & business oriented mindset
- 31% Communication (including presentation)
- 18% Stakeholder management
- 12% Change management
- 24% Flexibility & adaptability
- 27% Customer focus
There is very close cooperation with the biggest universities in Budapest (i.e. Corvinus University, Budapest University of Technology and Economics, Eötvös Loránd University, Óbuda University, Budapest Business School and selected regional universities operating in the countryside (i.e. University of Debrecen, University of Szeged, University of Pécs). BSCs have realized the importance of the establishment and development of dual training programmes with various higher-level educational institutions in order to narrow the gap between the competencies of the talented people to be taken on and the ones required to fill the given positions. In Hungary, companies cooperate smoothly with universities in this respect, and dual training programmes are becoming increasingly common.

More and more BSCs have realised the importance of co-operation with educational institutions. More than two thirds of BSCs participating in the survey have active relationship with Hungarian educational institutions. Ties are especially close with higher education institutions in order to prepare graduates to meet the competence requirements of BSCs.

There is very close cooperation with the biggest universities in Budapest (i.e. Corvinus University, Budapest University of Technology and Economics, Eötvös Loránd University, Óbuda University, Budapest Business School and selected regional universities operating in the countryside (i.e. University of Debrecen, University of Szeged, University of Pécs). BSCs have realized the importance of the establishment and development of dual training programmes with various higher-level educational institutions in order to narrow the gap between the competencies of the talented people to be taken on and the ones required to fill the given positions. In Hungary, companies cooperate smoothly with universities in this respect, and dual training programmes are becoming increasingly common.

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Cooperation with educational institutions

Do you have active relations with educational institutions?

- 69% yes
- 48% yes, with higher educational institutions
- 16% yes, with secondary & higher educational institutions
- 31% no
- 9% Partnering in dual educational system
- 13% Organising workshops for students
- 18% University co-operation resulting in credit points for the diploma
- 5% yes
- 13% Joint laboratory / research programmes
- 6% Sport related cooperation
- 18% Sponsorship & donations
- 27% Trainee or graduate programmes
- 31% Guest lectures
- 36% Company visits
- 36% Employer branding activities at educational institutions
- 46% Open days at educational institutions

Ratio of BSCs with internships / fresh graduate programmes

69%
BSCs place a major emphasis on the continuous development of their employees. Besides the new employee onboarding training programmes and technical skills training that can be set as an industry minimum, responding companies focus almost as much effort on management skills and soft skills development. In addition, more than 50% of respondents indicated that they also develop the foreign language skills of their employees.

As a special segment of internal development efforts, it should be noted that almost 50% of the respondents have special programmes for diversity and inclusion, thus they take an active role in the development of the Hungarian workplace culture.

Responding companies use a wide range of methods to build and strengthen their employer brand on the labour market. The most commonly used methods are organizing training and company events, providing career path opportunities, and participation at job fairs. In addition to those, meet-ups, the use of social media platforms & participation at conferences are also widely used methods. As a positive trend responding to the climate change challenge, more than 40% of the responding BSCs indicated that they have special programmes related to sustainability.

Do you have any special programmes for diversity and inclusion in your centre?

- Yes: 49%
- No: 15%
- N/A: 36%

Do you have any special programmes for sustainability in your centre?

- Yes: 43%
- No: 17%
- N/A: 40%
Outlook for 2021

How many people would you like to take on next year?

Planned home office measures

Helping to improve the workspace environment at the employees’ home (i.e. ergonomically designed furniture) with financial aid or providing equipment

Training the employees to be more effective in working from home (i.e. leadership or time management training)

Hiring people for entirely remote positions

Enabling employees to work from a co-working space

Supporting employees’ well-being while working from home (i.e. conscious work planning, mental health support)

Despite the anticipated global economic crisis due to the COVID-19 pandemic, a total of 22% of the respondents (15 companies) indicated that they would like to increase the number of their employees by over 100, while 13% of the respondents (nine companies) stated that the headcount increase would be more than 50 in 2021.

Responding BSCs are planning to adapt their HR practices to the unusual circumstances anticipated in 2021. The improvement of home office conditions is expected to be in the focus of development, mainly in the area of employee well-being, training and IT infrastructure.

Support to colleagues during the pandemic

Responding BSCs provide a wide range of help for their employees to support them in coping with the effects of the pandemic situation. Types of support include equipment, financial support, free virus tests, and most importantly virtual events and engagement programmes.

Effects of the COVID-19 pandemic from an HR perspective

Actions were made since the COVID-19 outbreak from the employment perspective

The COVID-19 pandemic has significantly affected the operation of responding BSCs from an HR perspective. At the time of the survey approx. 80% of the respondents stated that their employees work in home office. Based on their responses, BSCs expect to work at least partially from home office during 2021.

<table>
<thead>
<tr>
<th>Action</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>All employees went home office</td>
<td>81%</td>
</tr>
<tr>
<td>Partial home office</td>
<td>21%</td>
</tr>
<tr>
<td>Start training programs</td>
<td>18%</td>
</tr>
<tr>
<td>Reducing headcount</td>
<td>12%</td>
</tr>
<tr>
<td>Decreasing working hours for employees</td>
<td>9%</td>
</tr>
<tr>
<td>Salary reduction</td>
<td>3%</td>
</tr>
<tr>
<td>Virtual events, engagement programmes for all employees</td>
<td>78%</td>
</tr>
<tr>
<td>Provide financial support for equipment for home office</td>
<td>25%</td>
</tr>
<tr>
<td>Free virus tests</td>
<td>21%</td>
</tr>
<tr>
<td>Financial contribution to utility costs</td>
<td>18%</td>
</tr>
<tr>
<td>Allow office equipment to take home</td>
<td>25%</td>
</tr>
<tr>
<td>Extra healthcare benefits</td>
<td>28%</td>
</tr>
<tr>
<td>Start contributing to costs (internet etc.)</td>
<td>4.5%</td>
</tr>
</tbody>
</table>
The business services sector did a great job in switching to a new way of work from one day to the next in response to the pandemic. In 2020 HR trends have been massively driven by COVID-19 with new findings, studies, and also offering further opportunities to the sector to increase its awareness and attractiveness compared to other industries.

The BSC C-suite has unanimously reported that Hungary’s time zone and central location to European headquarters are achieving greater importance. The level of service quality is high based on the mother companies’ feed-back and the majority of centres are dedicated to further development.

Most captive and BPO centres see short- and mid-term growth despite the economic crisis hitting all at different levels. Due to the uncertain environment, the vast majority of companies had a temporary headcount freeze. Some reported (also voluntary) time cuts, benefit cuts (cancellation of salary increases, deleted or revised bonus budgets) but only a few redundancies.

Flexible work arrangements and remote work have already been widely provided by business service centres for a number of years at different levels, but these are now accelerating in importance. All BSCs reported a successful switch to working from home office and said that their operations managed to keep a high level of performance in the virtual working environment, proving that service excellence is not dependent upon location. An even better work life balance is highly appreciated: instead of commuting to work, employees tend to work more and to have a stronger sense of well-being and to “live” more.

Leaders have observed a lowering trend in the rate of absenteeism because of illness since employees have been working from home.

Measures have been set usually until the end of 2020, nevertheless all centres closely follow the authorities’ recommendations ensuring high HSE standards in the office environment, offering – compared to other business industries – more flexibility and freedom in their work arrangement to their employees. It seems the “new normal” will be 2–3 days per week in the office with strict sanitary and social distancing rules for the time being and 2–3 days working from home. All companies believe that some physical office work will still be needed to support induction, to promote teamwork to carry out strategic planning as well as to boost creativity.

There is a wide variety of ways of working in the sector, ranging from total office closure via voluntary commuting to A–B team splits for better risk management. Almost none of the BSCs force their employees to be physically in the office for work. In the case of traditionally more face-to-face intensive operations such as month-end financial close, line managers still see the added value of motivating teams to work from the office during the critical days of business, although practice has proved that even such processes can be performed remotely.

In order to avoid their burn-out, training them to handle people management in the new ways will not just be an important investment to ensure operational excellence but it might also have a massive influence on attrition and retention as well.

Leaders recommended the need for clear and comprehensive home-office regulations that also take sector-specific aspects into account in accounting considering that foreign employees are temporarily locked down in their home countries.

The office is expected to have a new look: Fewer or no fixed desks with neighbouring teams still seated close to each other. Leaders expect to design and take advantage of more collaborative and social areas to help build trust and develop teamwork. As digital meetings will stay a standard, more private space and smaller meeting rooms need to be created to make digital discussions and open space will be less popular. Based on the C-Suite feed-back and estimate, the current office space of most centres will be kept despite the future growth of FTE’s, while some centres reported their intention to reduce or sublease their office.

Resolute managers and settled teams have been showing even improving results, whereas young teams with less experienced managers have faced challenges. Front-line managers have been under pressure and tension.

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Changing Employee Experience in the Spotlight

Since the start of the digital transformation, employee experience has been the new buzzword in HR. However, in the (post-) pandemic phase companies will need to address a wide variety of employee experience factors, which in a widely remote work environment calls for a change in approach. Leaders anticipate this topic becoming a priority in 2020 and 2021. In the current world, organizations need to become more people-centric. Several years ago, a table soccer board became a by-default tool to engage and motivate. Will it soon be replaced by health and well-being programmes? As the majority of BSCs still have only a limited employer brand awareness on the market, i.e. future candidates usually do not associate their names with a perception, candidate or employee experience with limited physical tools, especially with a limited office presence and will require new and creative ways from both HR and front-line managers. Recruiting, onboarding and integrating new colleagues partially or entirely via virtual tools will call for new challenges in delivering credible and consistent employer values, to build and retain culture. Still, centres working hard on developing their brand awareness may have an opportunity to stand out from the crowd. Employees and candidates observe and would like to know what the company’s strategy is to handle the current situation. Their experience will greatly influence their intention to change or to choose between job offers.

Talent Supply in The Next Generation – Education as Opportunity

It is extremely difficult for the educational system to follow the development and changing needs of the various industries and thus the business service centres’ requirements too. C-Suite level leaders recognize a gap in the soft skills of young starters and maintain that fresh graduates still have a theoretical and less practical approach. Upskilling of graduates requires time and investment, in addition to that, it also has an impact on time to productivity.

Mid and higher education would need to pay more attention to the industry specifics as their actual and future importance are not yet recognized on the job market. Increasing investment to support the university curriculum, and expensive access to students could also be optimized. According to current estimates approx. 10,000 new fresh graduates are required per year to ensure the growth needs of the business services centres and to provide sufficient supply to cover the migration of bigger projects to Hungary.

In 2020 the centres used more time to train the employees due to Covid-19. Before this, people preferred offline training, with less time spent commuting working online is now also well accepted. The centres try to create multi-functional skilled people who can work in several functions like a “Swiss military knife”, and upskilling will also be another strategic task for centres in 2021.

Growth and Development Plans

BSC leaders forecast moderate short-term and steady mid-term growth. Besides taking the time now to revise internal processes, they anticipate a further increase in introducing automation and AI, making transactional and back-office type of jobs more efficient. By creating more complex roles that add higher value, companies can offer longer career opportunities and clearer career paths to employees, which among Millennials – who represent a significant population among BSC employees –, is one of the key drivers of loyalty. While captive centres anticipate development in roles where complexity, cultural alignment, and privacy handling require a better skillset, and processes are considered closer to core business, BPO’s leaders plan further growth in transactional functions (especially in IT and customer service) or in high-end tech jobs such as cloud technology, analytics and AI.

Compensation

The business service centres offer above average compensation and the salary inflation used to be higher than in Hungary generally during recent years. Based on the input of the C-Suite, higher salary expectations as a factor was the main reason for the attrition in this past year. Nevertheless, the above inflation salary tension decreased/disappeared, and the centres forecast a moderate increase in Hungary in 2020. However, salary growth will be performance based and not automatic.
Business Services Locations in Hungary

Office Market Overview

Major Hungarian BSC Locations

Budapest
- 103 BSCs
- ~51,000

Arconic, Harman
International, IBM, SAPA Profiles

Székesfehérvár
- 4 BSCs
- 3,250

Miskolc
- 4 BSCs
- 1,400

Szeged
- 8 BSCs
- 1,400

Baker Hughes, BlackRock, BP, BPODN Services, BT, Celanese, Citi, Corning, CPU, JOBS, CRH, Cushman&Wakefield, Deutsche Telekom IT Solutions, DXC, Eaton, Emirates, EPAM Systems, Ericsson, ExxonMobil, Flowserve, Friesland, GE, Grundfos, Howden, IBM, iiPay, IF, KLM, KUKA, Lexmark, LogMeIn, LogMeIn, LUFTHANSA TECHNIK, MÁV Service Center, Morgan Stanley, MSC, Mylan, Nilfrak, Nokio, NXP, Provident, Randstad Sourceight, Roche, Sanofi, SAP, Support Services Group, Sykes, TATA, TechMahindra, Tesco, Tetrapak, Thermo Fisher, Viacom, VODS-Vodafone, ZF *

Debrecen
- 16 BSCs
- 4,500

Aldi, Anderson
Group, Concentrix, Deutsche Telekom IT
Solutions, Lexington, Unisys, Viessmann, Softflow/Foss

Győr

Kecskemét

Pécs
- 8 BSCs
- 1,240

112-Miskolci
Hívásfogadó
Központ, Callfactory, United Call Center, Vodafone

BP, Deutsche Telekom IT Solutions, Magyar Telekom, NKM Áramhálózat, Provident, TelGo Call Center, Telenor, Transcom

*Ist of company names participated in the survey

AGCO, Albermarle, Arm, Avis Budget Group, Baker Hughes, BlackRock, BP, BPODN Services, BT, Celanese, Citi, Corning, CPU, JOBS, CRH, Cushman&Wakefield, Deutsche Telekom IT Solutions, DXC, Eaton, Emirates, EPAM Systems, Ericsson, ExxonMobil, Flowserve, Friesland, GE, Grundfos, Howden, IBM, iiPay, IF, KLM, KUKA, Lexmark, LogMeIn, LogMeIn, LUFTHANSA TECHNIK, MÁV Service Center, Morgan Stanley, MSC, Mylan, Nilfrak, Nokio, NXP, Provident, Randstad Sourceight, Roche, Sanofi, SAP, Support Services Group, Sykes, TATA, TechMahindra, Tesco, Tetrapak, Thermo Fisher, Viacom, VODS-Vodafone, ZF *
Budapest / BSCs

AGCO, Albemare, Arm, Avis Budget Group, Baker Hughes, BlackRock, BP, BPION Services, BT, Celanese, Citi, Conning, CPL Jobs, CRH, Cushman & Wakefield, Deutsche Telekom, IT Solutions, DXC, Eaton, Emirates, EPAM Systems, Ericsson, ExxonMobil, Flowserv, Friesland, GE, Grundfos, Howden, IBM, iPay, IFF KLM, KUKA, Lexmark, Liferay, LogMeIn, Lufthansa Technik, MAV Service Center, Morgan Stanley, MSCI, Mylan, Nilfisk, Nissan, Nokia, NXP, Provident, Randstad, SourceRight, Roche, Sanofi, SAP, Support Services Group, Sykes, TATA, TechMahindra, Tesco, Tetrapak, Thermo Fisher, Viacom, VOIS-Vodafone, ZF *

* companies represented in the survey

103
Major BSCs in the city

Population
3,047,000
(greater area)

~51,000
Employees of the sector

Higher education
33,133
University graduates

20,074
Foreign students

South Buda

Current stock
433,000 m²

Current vacancy
5.5%

Pipeline under construction
197,000 m²

Availability in the pipeline
53%

Annual office take-up
81,000 m²
(22% of all Budapest take-up)

Main occupiers’ profile
IT & Telecom

British Telecom / Ericsson / Estée Lauder / Evosoft / IBM / Lufthansa / Nissan / TATA / Viacom

Ring Road

Current stock
513,000 m²

Pipeline under construction
95,000 m²

Current vacancy
8.0%

Availability in the pipeline
62%

Annual office take-up
28,000 m²
(8% of all Budapest take-up)

Main occupiers’ profile
IT & Telecom

City / Docler Services / Morgan Stanley / Vodafone

Váci Corridor

Current stock
955,000 m²

Current vacancy
5.9%

Pipeline under construction
162,000 m²

Availability in the pipeline
30%

Annual office take-up
152,000 m²
(41% of all Budapest take-up)

Main occupiers’ profile
Manufacturing & Industrial (SSC)

BlackRock / BP / British Petroleum / City / Docler / Ericsson / Frieslandcampina / IBM / Givaudan / Roche / Sanofi / Thermofisher

South Buda

Current stock
433,000 m²

Current vacancy
5.5%

Pipeline under construction
197,000 m²

Availability in the pipeline
53%

Annual office take-up
81,000 m²
(22% of all Budapest take-up)

Main occupiers’ profile
IT & Telecom

British Telecom / Ericsson / Estée Lauder / Evosoft / IBM / Lufthansa / Nissan / TATA / Viacom
The property market is going through unprecedented times – impacting different businesses to various extents. While activity on the office market is clearly restricted for now, the business services sector remains one of the key demand drivers for office space in Budapest. Following years of short supply and increased occupational costs, market conditions are now favouring occupiers. Markets will rebalance with the general economic recovery in the next few years – however, until then markets remain in excessive supply, benefiting occupiers planning to make a move to Budapest now.

**Office Stock**

The modern office stock in Budapest amounted to 3.8 million m² as of October 2020, making Budapest the largest office market in the Central-Eastern European region – second only to Warsaw. Following the relatively limited new office supply in previous years, 2020 saw a considerable new completion volume, setting off what is expected to be the largest annual new supply wave since the financial crisis. In the first half of the year six new office buildings were added to the market with a combined volume of ca 128,000 m², four-fold that of the corresponding period last year. The new completions this year are scattered across the major office submarkets of the city on both sides of the Danube. The office construction market saw some turbulence in the spring – but all of the developments under construction are moving ahead now as planned. By the end of the year, the total new completion will reach 256,000 m² – a level not seen for the last ten years.

The office market does not seem to be losing its steam and this is expected to continue. The new supply scheduled for next year amounts to 207,000 m² and to 224,000 m² for 2022 – all of this volume is already under construction. In total, the volume under construction has only slightly changed over the last six months and there is now ca. 560,000 m² of office space under construction across Budapest. The geographic concentration of the ongoing development pipeline has rebalanced for the first time in years as a result of recent completions and commencements. The South Buda submarket is now home to the largest ongoing volume with 33% of the citywide total, ahead of the long-dominant Váci Corridor with 29%, followed by the Ring Road area with 17%. Taking into consideration all planned developments, the Budapest office stock could – depending on demand – expand by up to 935,000 m² of new space in the next couple of years.

While the supply side of the market remains relatively unimpacted, office demand clearly contracted due to the restrictive economic measures related to COVID-19. Overall, the first half of the year brought a total leasing volume ca. 30% down on the same time compared to the previous year. Companies opted to renew their leases and to relocate or expand only when absolutely necessary. In addition to many tenants adopting a defensive ‘wait-and-see’ approach in the current economic uncertainty, mobility restrictions posed a logistical challenge in relocation processes, particularly in respect to property viewings. Looking at the long term, the Budapest office market has a history of an annual take-up level of around 350–400,000 m², consisting of around 500 transactions a year. Following a stabilization of the business conditions, we expect the market to gradually get back to this level, until then, however, occupiers can take advantage of a market situation influenced by lower demand and a higher supply level than in previous years.

### Occupiers’ Profile (2020 H1)

**23%**

IT & Telecom

**21%**

Business Services

**11%**

Industrial Companies

**7%**

Financial Companies

**6%**

Public Sector

**6%**

Professional Services

**5%**

Consumer Services

In terms of the sectoral background of new demand, 2020 has been marked as the year of the renaissance of the technology cluster. IT & Telecom companies once used to be the driving force on the Budapest office market, but their prevalence has faded in the last couple of years. During the turbulent times caused by the general lockdowns, however, these companies again demonstrated greater activity, while other sectors, including companies primarily linked to traditional manufacturing industries remained more moderate on the market. Following this re-bounce of the technology cluster, these companies have a 22% share in the total Budapest office footprint, neck-to-neck with the large global service centres, linked to manufacturing with an industrial background. Financial companies and public institutions have a share of 11%, each, while other sectors have a share under 10%.

### Vacancy Rate

7.3%

The significant new supply coupled with suppressed demand resulted in the average vacancy rate across Budapest reverting upward from its record low level at the end of 2019. By the end of the summer, the vacancy rate stood at 7.3%, amounting to ca 278,000 m² of immediate availability across the city. While ‘A’ category assets still have the lowest average vacancy by a good margin at 5.5%, this segment demonstrated the greatest relative increase since the beginning of the year, mainly stemming from new availability in the recently completed projects. This trend is likely to continue with more office properties lined up for completion in the coming quarters. In addition to the new availability, more and more space is available for sub-leasing – creating a great opportunity for occupiers considering more flexible rental terms than the average market standard.

### Rent

15.7 €/m²/month

Grade “A”

The rental levels reached a plateau during 2020, although increasing further compared to 2019. Average asking rent levels among ‘A’ category assets stands at € 15.7, across the ‘B+’ segment it was € 13.6. Geographically, rents remain highest in the City Centre, while Ring Road and the out-town submarkets remain the most affordable. The consistent rent increases across the existing stock and new developments have probably come to a halt, but typical asking rents for new ‘A’ category space in semi-central locations are still between € 15–19 / m² / month. Prime rent in best-in-class properties in the City Centre is quoted at € 25–32. Any near-term decline in pricing is likely to be seen through in the underlying incentive packages rather than in asking rents – early signs point to rent-free periods increasing to ca. ½–1½ month per contracted year, up by ca. ¼–½ months from the pre-COVID norm. Meanwhile, fit-out contributions have become more difficult to gauge but they seem to show less movement, typically still ranging between € 450–550 / m² for standard, newly developed ‘A’ category premises, although landlords may show increasing flexibility in fit-outs particularly tied to lease renegotiations.
Debrecen is the second largest city in Hungary and has a significant role in the nation's business services industry. As the major cultural, educational and economic centre of Eastern Hungary, the city offers accessibility by road and rail, while the international airport operates regular flights to various destinations from Debrecen. In addition to this, the city provides a good combination of a dynamically evolving economic life and a liveable environment at affordable prices.

The city has a modern office stock of ca. 124,500 m² – making Debrecen the largest office market among the regional cities. The stock consists of several newly built and refurbished projects. The completions in recent years added ca. 32,500 m² of “A” category vacant space across three modern “A” grade office buildings, available to tenants wishing to expand in the city, or to new companies coming to Debrecen. The office stock is evenly spread across the city at strategic locations with high visibility and good access by car or public transport. Average rental fees of category “A” offices range from 10–13 EUR/m²/month, whereas category “B” offices can be found from 7–8 EUR/m²/month. Besides the existing availability, the future pipeline is also massive with five projects on 35,000 m² GLA. The planned completions include expansion, refurbishment and new office developments as well. Once realized, modern office stock will grow by an additional 30% – creating a great opportunity for new companies to establish their businesses in Debrecen. The city is already home to numerous international companies with a wide range of functions and sectors from IT and telecommunications through financial services to high added-value engineering activities.
Győr

Győr is the most important city of northwest Hungary, the capital of Győr-Moson-Sopron County and the Western Transdanubia region, and – halfway between Budapest and Vienna – situated on one of the most important traffic arteries of Central Europe. For almost three decades now Győr has been a top destination for international manufacturers, most notably Audi, who have established one of their leading engine and car factories here and as a result attracted a wide array of renowned suppliers.

Although Győr is seen as a major industrial hotspot anchored by Audi, the city has a considerable service sector as well. The growing importance of the tertiary sector is reflected in the development of the office market. The largest office complex in the city is located directly in the city centre on ca 23,000 m² GLA with current availability around 2,000 m² in three buildings. Besides the centrally located offices, there is a significant modern stock in the industrial park in the vicinity of the Audi plant with a considerable office element (ca 20,000 m² across various buildings). Office space is available in the city for a rental rate of 9–12 EUR/m²/month.

9–12 €/m²/month
Average rental fee 'category A'

43,000 m²
Stock

23,000 m²
Largest office complex

Quality office spaces

Higher education

Population

780,000
(greater area)

13,009
Students

2,535
University graduates

605
Foreign students

Institution

Business Services Hungary 2020
Kecskemét benefits from the city’s strategic position being half-way between Budapest and Szeged and has developed dynamically since the opening of the Mercedes-Benz plant in 2012. The city is undergoing an industrial property market boom, which is accompanied by a growing interest in office space as well. Besides offices available in the industrial park, new developments are planned along the main road connecting the city centre with the main motorway exit.

Offices are available in modern facilities across the industrial parks close to the motorway and also in historical buildings in the city centre. Rates start from 6 EUR/m². The municipality has a clear aim to further enhance the profile of the city and has started a mixed-use development on ca. 16,000 m² combining educational, business and leisure functions on the back of close cooperation with business and engineering companies in the wider region of Kecskemét.

Quality office spaces

16,000 m² development

Higher education

1 Institution

Population

711,000
(greater area)

Students

4,504

University graduates

725

Foreign students

141
Miskolc is the largest city in North-Hungary and is the seat of the most populous county in Hungary. Miskolc succeeded in transforming its economic character and managed to shift the focus from heavy industry and mining to high value-added production and business services.

The emergence of the service industry as a key economic driver is also reflected in the rapid growth of the office stock. The existing office stock has rather limited availability, and is scattered across several historical buildings in the city centre. When the projects in the pipeline are realized, the stock could double by end of 2023. Miskolc is a reasonable choice for cost-sensitive companies as rents start from 6–8 EUR/m²/m for “B” grade properties, while modern “A” category office space available at 9–13 EUR/m²/m.

On the demand side, Miskolc city is home not only to services directly linked to the buoyant manufacturing industry, but also to various other back-office operations, mostly customer service centres. There have been four major business service providers in Miskolc for 20 years, employing currently ca. 1,400 people. Close cooperation between the city, the University of Miskolc and the existing businesses are facilitating further growth in this sector. Besides attracting and retaining talented young people and an active workforce, the city is actively supporting the local Research & Development activities and working on a Smart&Green Miskolc concept to further increase the liveability and attractiveness of the city.
Pécs

Population
450,000
(greater area)

8 Major BSCs in the city

1,240 Employees of the sector

Pécs is the largest city in South-Transdanubia and is the main educational and cultural hub in the region. The city used to have an industry-driven economy focusing on mining, manufacturing and food; however, there has been a gradual development of high-tech industries establishing in the city (including electronics IT network manufacturing).

Current modern office stock is estimated to reach 27,000 m² – including properties with full occupation. The stock consists mostly of smaller floor plates in refurbished historical buildings or in ‘B’ category facilities. Newcomer companies can choose from among 10 office buildings of various quality with a total immediate availability of ca. 7,000 m². Two projects are scheduled to bring ca. 3,700 m² of modern ‘A’ space available in city centre locations in the next two years. Based on existing plans, a further 14,600 m² of office space could be developed upon tenants’ enquiry at a later stage. The headline rents vary from 5–6 EUR/m²/month in ‘B’ category properties up to 12 EUR/m²/month in ‘A’ category stock.

As a milestone of this economic transformation, in 2006 Concentrix (Convergys) opened a customer service with 200 employees in Pécs. Since then other companies from a diverse range of industries opened their new service centres in town – including IT Services, Unisys and more recently Viessmann and Aldi. The shared service sector is estimated to employ ca. 880 people with ambitious expansion plans in the future. Nevertheless, there is still room for other shared service centres to start their operation in the city given the quantity and quality of the available labour pool. The economic backbone of the city is currently the domestic service industry and the smaller and medium sized enterprises present in the region. Nevertheless, the skilled workforce coupled with relatively high unemployment and lack of other shared service operators create a great opportunity for new employers planning to set up operation in Pécs.
Szeged is not only the seat of the South-Great Plain region but also the EU’s gateway city to the Southeast. The city is an important scientific centre, home to various medical, biological & biotechnical research centres and to the ELI-ALPS laser research institution. The Science Park is a planned scientific research centre to accommodate start-up businesses and innovative companies next to ELI-ALPS. The business services centre industry has emerged as an important driver of the local economy. The city has been a cultural and educational centre of the region, hence its economy strongly relies on the service industry.

The current office stock is estimated at ca. 20,000 m², however, the majority of this space is occupied by long-term tenants. Currently there is ca. 6,000 m² available office space across six buildings, including a business incubator space operated by the municipality to provide temporary office solutions to newcomers. There is 22,800 m² of “A” grade office space in the pipeline, out of this 14,800 m² is scheduled to be delivered in 2021 – and is still available for lease and sub-lease. The headline rent for new office space is in the range of 12–15 EUR/m²/m, whereas smaller office needs can be accommodated in current vacancies at a rent of 6–10 EUR/m²/m.
Székesfehérvár is the largest city with ca. 97,000 inhabitants in Central Transdanubia and is the economic centre of the region. The city’s proximity to the capital city and its strategic location on main railway and road connections have attracted a number of foreign investors to the city since the 1990s.

Foreign direct investment has played a crucial role for the city in its maturing into one of the major Hungarian economic hotspots, accounting for one third of the regional GDP. In addition to the city having become the centre of the electronic manufacturing in Hungary, the service sector – especially IT – also has a growing importance in Székesfehérvár. The business sector is estimated to employ ca. 3,000 people. The modern office stock is mostly concentrated in the industrial parks in mixed-use premises; however, there is ca. 10,000 m² office availability in city centre for rental rates starting from 8 EUR/m²/m.
HIPA Hungarian Investment Promotion Agency (HIPA) is the national investment promotion organisation of Hungary.

**Introduction**

We contribute to the economic development of the country by promoting Hungary as an ideal location for investments and by providing management consultancy services to investors and prospective investors. In the framework of our policy advisory activities we mediate between business and government and collect company feedback in order to prepare policy proposals to further improve the business environment. We are also responsible for investment incentives and work as the managing body of the VIP cash subsidy system based on individual government decisions. We provide management consultancy services in the fields of location selection, supplier development and mergers and acquisitions in a one-stop-shop service model on a free of charge basis.

*Please contact us!*
Address: 1055 Budapest, Honvéd utca 20.
Customer service: investment@hipa.hu
Tel.: +36 1 872 6520
Web: www.hipa.hu

**How do we support your BSC project?**

Before
You make a decision we offer You...

- meetings with HR & real estate agencies, law firms and other consultants based on your needs.
- location search, evaluation & site visits.
- one-stop-shop management consultancy services to address your business needs.
- reference visits at companies that are already established in Hungary.
- tailor-made incentive offers and information packages on the business environment, labour market, tax regulations, etc.
- assistance with your incentive application.

After
You have chosen Hungary

- we support your further expansion and plans.
- we are open to your feedback and offer mediation between government and business based on your inputs.
- please contact us!
Incentives for BSCs

For the establishment of a new business service centre or for the expansion of BSCs different type of incentives are available in Hungary. The subsidies for training and R&D - in the form of cash grant - are available throughout Hungary.

The VIP cash subsidy is available based on the individual decision of the Hungarian Government and may be combined with the development tax allowance (CIT allowance) up to the regional maximum aid intensity threshold in locations that may be supported by regional aid according to the European regulations. The theoretical maximum amount of the subsidy – influenced by the number of jobs created by the implementation of the investment and the level of development of the region where the project will be implemented – depends on the location of the investment.

VIP cash subsidy and development tax allowance

The VIP cash subsidy is a non-refundable, post-financed cash grant, regulated by Gov. Decree No. 210 of 2014 (VIII. 27).

The incentive procedure – managed within the framework of the one-stop-shop service system of HIPA – commences with the submission of an application form (request list) describing the investment to be subsidized.

Conditions and eligible costs

The VIP cash subsidy system is designed to support the establishment and the expansion of business service centres. The aim of the project to be subsidized determines those indicators (activity, number of new jobs), which shall be met for eligibility in respect to the subsidy.

The activities to be performed by the investor company as a result of the subsidized investment – creating at least 50 new jobs – shall comply with the activities listed in Annex 1 of Gov. Decree No. 210 of 2014 (VIII. 27).

The eligible costs are 24 months of personnel related expenses of the newly hired employees within a three-year-period.
Training Subsidy

The Hungarian Government also offers a VIP subsidy for the training of employees in case of establishment or expansion of business service centres. The subsidy is available to investors creating at least 25 new jobs in the field of business service activities, complying with the Gov. Decree mentioned in the VIP cash subsidy section. This subsidy is provided for internal or external training projects covering up to 50% of the eligible training costs (personnel related costs of trainees and trainers, cost of travelling and accommodation, material costs, etc.) The amount of the subsidy may not exceed EUR 5,000 per training participant and EUR 2 million per training project regardless the location of the project.

R&D Subsidy

The aim of VIP cash subsidy for R&D projects is to promote the R&D activity of large enterprises and the creation of R&D competence centres in Hungary. The incentive scheme provides the opportunity to grant aid for R&D projects implemented in Budapest and in other parts of Hungary if at least 25 new R&D position is created. The level of the cash incentive is based on several factors in relation to the R&D projects, namely, the location of the project, cooperation of the company with research partners, ownership of industrial property protection, etc. The amount of the incentive may not exceed 25% of the eligible costs of the subsidized R&D projects (personnel related costs, depreciation of assets, material costs, etc.)
Survey Respondents
Thank you for your co-operation