

Hungarian Industrial Relations And Collective Bargaining in Wholesale and Retail Sectors

WIBAR3 Seminar: The Defense and Advance of
Collective Bargaining: Regaining Trade Union Strength?

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Major developments in wholesale and retail in postsocialist Hungary

- Major changes since 1989. Along with privatization and associated structural changes, MNC retail and wholesale chains used limited (technological) capacities and deficiencies of both domestic retailers and producers, especially dramatically after 1998.
- MNC share in total retail revenues reached about half of total revenues in 2005, which moderated to 40% during the local fiscal then global economic crisis, mostly due to the falling purchase power of the population. Domestic chains were struggling (ups and downs), along with many single-shops
- Concentration. Employment share in multinational retail and wholesale chains was about 40% (among companies employing at least 5) in 2013. Female employees are in slight majority, with increased share during crisis periods
- Labour-cost and taxation sensitive sector, as both directly and significantly affect sales turnover and profit. Moreover in Hungary: both relatively high social contributions to be paid after wages – a toll on employers (a derivative of an indebted country) and high VAT
- Falling revenues were recorded since 2006, reaching a low in 2009 and 2010. Employer strategy was to transfer the costs to employees, by cutting labour costs and introducing more flexible working time, and a rediscovery of an employment form. Result: a dramatic rise in part-time employment, and to some extent, outsourcing via agencies
- Most recently: introduction of online cash registers (pushes towards eradication of undeclared work), an increasingly regulated business environment, and further introduction of technologies (webshops) provide radical changes

Industrial relations in post-socialist Hungary: traditions, general characteristics I (1992-2010)

- A system of decentralized with elements of quasi-centralized collective bargaining (Héthy). Major characteristics:
- Peak level: consultation over legislation, regulation, bargaining over minimum wages, and wage development, allocation of social funds,
- Company level is the primary site of collective bargaining. The Hungarian Labour Code (LC) recognized the autonomy of social partners, autonomous collective bargaining and labor disputes: free bargaining without state intervention at the establishment (company) level (Makó & Simonyi 1997: 222).
- In the 1990s wage bargaining also shifted to company level. With the exception of setting the minimum wage, since 1993, wages were open to agreement between individual employers and company employees.
- Already in mid 1990s, the state had 'no means to ensure that these agreements are respected' (Makó & Simonyi 1997: 223) or in accordance with legislation.

Industrial relations in post-socialist Hungary: general characteristics II

- This being said: traditionally the major weakness of industrial relations system of post-socialist Hungary was the sectoral level. To remedy the situation, the reform of 2002-3 was to establish sectoral channels. Thus:
- Infrastructure at the sectoral level developed modestly in the 2004-2009 period, with the development of *sectoral level consultative bodies* (*ÁPB Ágazati Párbeszéd Bizottság*) with the involvement of sectoral association of employers and trade union federations.
- Until 2010 ÁPB has had a **relatively broad but shallow agenda**: discussions related to wages, wage increase, discussions on legal regulation and its implementation, vocational training, mutual information sharing, expert discussions, preparation of joint recommendations, reconciliation of interest, avoiding conflicts on the site of labour etc.
- ...but it had limited authority: it was first of all a consultative, regulation supporting body, without binding decisions. According to both social partners, the channel was used well for sharing and discussing different solutions, including sensitive issues of employment, and testing applicability of various regulations. The trade union could characteristically tell or veto if a solution would not be acceptable to the union rank and file. The Labour Code and its application was also thoroughly discussed, and the ÁPB offered a testing ground for reactions on concrete proposals. Why?

Trade unions and employers on sectoral level, in retail I

- **Employers' organizations** represent different interests, but they also **lack authorization** from its employer members to engage in collective bargaining. They are mostly limited to representing joint interests and influence regulation
- In retail, there are three employer organizations in the sectoral dialogue committee **employer** side the social partners are: Hungarian National Federation of Consumer Co-operative Societies and Trade Associations – ÁFEOSZ-COOP Federation (ÁFEOSZ-Coop Fogyasztási Szövetkezetek Országos Szövetsége, the National Federation for Interest Representation of Traders and Caterers (Kereskedők és Vendéglátók Országos Érdekképviseleti Szövetsége (KISOSZ), and the National Wholesale and Retail Federation (Országos Kereskedelmi Szövetség – OKSZ)
- ÁFEOSZ is a federation of cooperatives of retail franchise stores, gathering 3000 stores, with 32000 employees, and representing more than 1000 Hungarian small and medium sized entrepreneurs.
- KISOSZ is a federation of small, family-operated ventures in retail and tourist services: it represents almost 40.000 micro- and small enterprises, typically enterprises of small individual entrepreneurs or family businesses
- OKSZ is an umbrella federation, gathering large retail chains (most importantly, Tesco, Spar, Auchan, ALDI, the Hungarian chain Reál), domestic wholesalers, as well as medium and small retail businesses. OKSZ has a **limited authority in representing affiliated member companies**. Thus, OKSZ is **not authorized to conclude sectoral collective agreement**, and does not interfere or follow individual company level agreements. The level of competition among its members is high.

Trade unions and employers on sectoral level, in retail II

- The only representative **sectoral trade union** covering wholesale and retail is KASZ – *Kereskedelmi Alkalmazottak Szakszervezete*. The trade union typically gathers plant level unions from larger chains, mostly multinationals, and one domestic cooperative. Main problem is the **limited capacities (presence) and density**
- In general, in services, tourism, retail, and wholesale **trade unions density** is the lowest. Unionization is mostly limited to larger chains and domestic cooperatives. In retail and wholesale, among companies employing at least five the unionization rate was 4.9% (June 2012)
- KASZ offers expert help, as well as training for affiliated union members during wage negotiations, collective bargaining, procedures related to employee responsibilities at inventories, rules of working time regulation etc.

Changes in Industrial Relations since 2010: the decreasing role of social partners and the 2012 LC

- On the national level, since 2011 the government predominantly regulates unilaterally, without regular substantive negotiations or consultations with social partners.
- Except for minimum wages and recommendation for annual average wage increase, there is no regular social dialogue, but at best only on ad hoc basis (as on regulation/legislation)
- Social partners attempt to exert influence on regulation, **the policy agenda and process** in more informal way, with various success, depending especially on capacities to use more informal and public channels of influence. Such change in the system seem to be more advantageous to the employers.
- Since 2010, sectoral bodies (Sectoral Committees for Dialogue (*ÁPB*) have only experienced diminishing capacities and support, making for an insecure future.

Changes in Industrial Relations since 2010: Policies and Measures in Retail Sector

- Since 2010 the government intervened increasingly often in the sector, originally targeting with taxes and regulation large MNCs. Most importantly:
- in late 2010, the state introduced temporary 'crisis' taxes on retail businesses, targeting large retail chains with larger turnover.
- Since 2013, the government reformulated the tax system for companies in retail trade, unilaterally intervened in regulation of shopping hours in retail chains (Sunday closing time), and
- Announced a food chain store supervision fee, as well as a special supervisory employment requirement for spatially large shops
- In 2016 unilaterally lifted the Sunday closing time regulation, without granting earlier benefits to employees, without recognizing the autonomously reached agreement on Sunday supplements reached between employer and union federations

The Impact of the LC on Collective Bargaining: evidence from the first years I

- Longitudinal research (Laki et al.2013, Berki & Neumann 2015) showed how the introduction of the Labour Code of 2012 weakened trade unions, and **increased management powers**.
- The new regulation **decreased the bargaining power** of trade unions since the new LC implied no or limited wage supplements for shift work and overtime work, lower severance payment, the possibility of more flexible working time arrangements. This both narrowed the agenda of collective bargaining, and limited union manouvering space
- New regulation makes it more difficult and complicated for plant level unions to be a ‘watchdog’, to use its right to monitor and control e.g. in implementation of employment regulations, working time etc.
- The trade union also lost the instrument of initiating an objection (*kifogás*) to management regulation.

The Impact of the 2012 LC... III

- Allowing territorial wage inequalities (esp. in regions with higher unemployment)
- **moving towards single issue bargaining (wages)**
- “Moreover, the new Labor Code modified negatively the labor conditions and the bargaining power of the individual employees as well. Not only the decreasing wages and salaries but the shortened allowances, the growing working time the worsening conditions of probation, severance pay and of firing (from the point of view of the employees) showed that the new Labor Code increased the power and the space of maneuver of the management and restricted these conditions of the employees.” (Laki et al. 2013)

Employer strategies in collective bargaining: OKSZ

- AFEOSZ is the most present independently at all levels of social dialogue, but represent only Hungarian cooperatives. OKSZ is the most active, and leads the employers' side in sectoral social dialogue committee.
- OKSZ represents its associated members via formulating common recommendations to influence regulation. The employer organization lobbies the government either directly, or via employers' confederations, and with its recommendations and analyses attempts to positively influence the government and thus also prospects of domestic retail and wholesale traders.
- OKSZ stance was similar to employers during the modifications of the new LC in 2012, and supported the flexibilization measures. Specific issues where OKSZ contributed with recommendations addressed employee working time arrangements, as well as taking out extra-bonuses (income) for afternoon shift work, lower taxes on businesses etc.
- OKSZ is not present during collective bargaining of its members – employers. OKSZ operates a legal working committee, which provides advice on application of new regulations of LC, informs affiliated members about statutory minimum wages to be paid etc.
- The general standpoint, and strategy of the employers side in the domain of retail chains, might have come close to a standpoint of far-stretched business unionism. First it posits that **flexibilization of employment is in the long run in the interest of employees too – since it is securing more stable jobs, and second, that it is not in the employers' interest to tread out his or her employees, but to have motivated employees satisfied with his or her wage.**

Trade union strategies in collective bargaining

- On the national level, KASZ lobbies together with other trade unions for higher consultation and voice, and also resists unilaterally declared governmental measures. With other trade unions it engages in actions for lower taxation of wage supplements. As for lobbying and protest activities, the KASZ representatives wrote protest letters to government representatives, but also appeared in the media targeting governmental unilateral decision making without trade union involvement.
- For affiliated companies, KASZ provides legal help to rank and file members, and organizes open days to employees in retail. KASZ also offers expert help, as well as training for affiliated union members in wage negotiations, collective bargaining, procedures related to employee responsibilities at inventories, rules of working time and breaks in retail.
- The role of KASZ is especially important in collective bargaining and wage bargaining at multinational retail chains. The federation representatives either actively supported affiliated unions, typically also participating during wage bargaining or intervening with statements on various regulatory issues.
- *In collective bargaining, the union follows a general strategy to both increase wages (with employment additional benefits and bonuses) and securing and increasing the number of jobs.* The general assessment of the union is that the generally high work intensity in the sector requires more jobs in the sector, but also, that wages (incomes) are too low.

The Haunting 'Exit' option (Hirschman, 1970)

- What is now happening: weakened social and employment rights of employees, very weak autonomous regulatory and concertation powers in the hands of social partners, especially trade unions, creates alarming outcomes: unresolved conflict (problems of work organization, overburdened 'core' employees, i.e. penalties to committed workers) and/or little commitment to incorporate 'newcomers', and, on part of employees, striving to *exit* the Hungarian labour market via immigration (younger) or the Public employment programme (older)

Recent trends – opportunities for trade unions?

- Business size concentration: Multinational chains fight for increasingly higher shares in total sales, pushing out from competition or pushing against the wall domestic chains
- Spatial concentration: high degree of concentration especially in the metropolitan area of Budapest, the area of the largest purchase power of population (both in terms of employment and revenues)
- Employers need to incorporate unions in solving collective disputes or preventing industrial conflict (strike preparation, procedures after bankruptcies)
- Density of the labour market. Whereas employment levels in retail and wholesale has not reached the 2008 level, labour market in 2016 became very tense. There is a high competition among companies for workers (especially: wage competition) putting a high pressure on domestic retail chains and small shops, but, in the countryside, other higher-income sectors (automotives) also attract labour from retail shops

The Changing Context: Opportunities for trade unions II?

- **But:** hostile government, weak political allies (low/limited political opportunities)
- High wage competition among companies, territorial inequalities, significant mobility of labour, especially the young
- low capacities, low density rates and social prestige of unions
- The general strategic priorities of job preservation (opening) and higher wages dictate a distorted, potentially contradictory unionist agenda, with different challenges faced across regions, workplaces, social strata. For example, more regulated, employee (family) friendly working time arrangements collided with wages and job security in the sector, extreme working time flexibility made some to give up their jobs etc.: a great challenge for the trade union

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