

# Hungarian Industrial Relations And Collective Bargaining in Metal Manufacturing

Seminar: The Defence and Advance of Collective Bargaining:  
Regaining Trade Union Strength? September 23, 2016, Bratislava

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# 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, allocation of social funds, bargaining over minimum wages, and wage development
- 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* with the involvement of sectoral association of employers and trade union federations.
- Achievements: better communication, and pre-testing of proposed solutions, increasing capacities of sectoral organizations. Limitation: no real collective bargaining took place. Why?

# Trade unions and employers on sectoral level, in metal

- Although **employer** density in some sectors and subsectors is quite high (e.g. automotive suppliers, but much less so in electronics or car manufacturers), employers' organizations lack authorization to engage in collective bargaining. They are mostly limited to representing joint interests and influence regulation
- In general, plant level **trade unions** were not motivated and lacked incentives to form strong sectoral federations. Some are plant level unions are direct members of confederations.
- Further problem: plant level trade unions seem to adopt an insider strategy by default, which limits both the domain of union action but also interest. Unionist fight is typically fought only within factory gates.
- There is only one **sector level trade union** covering metal manufacturing: VASAS. The trade union typically gathers plant level unions from larger companies, especially in those with higher demand for skilled labour. The sectoral level organization act as an umbrella organization with soft coordinating and supporting, advisory powers (providing expertise in collective bargaining, legal advice, education and training etc.)

## Recent Changes in Industrial Relations: 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. Especially in the public sector, the government increasingly turns to chambers to decide on policies and labour market solutions (including wage increases for specialized professions, new regulation etc.)
- 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.

# 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 LC on Collective Bargaining: evidence from the first years II

- The 2012 LC decreased the **organizational power** of trade unions, as:
- There was a change in the level of employment protection of plant level trade union officials and representatives. In earlier legislation, all union officials enjoyed protection from dismissal. The new regulation sets the number of protected officials, depending on (calculated from) union membership, not directly, but calculated according to worksites.
- the number of protected union officials was radically cut (at least a 50 percent decrease). Plant level union reorganized and redistributed their tasks. Union officials felt **less safe in initiating dispute or conflict at the workplace** - due to less guaranteed protection, but also restrictive new strike legislation.
- Trade unions lost especially severely in terms of the number of independent officials (*függetlenítették*).
- Union lost opportunities to increase funds, and there were less resources for community based activities, (cultural days, sport days) as well as the fund for various social assistance. A difficulty for unions to attract and/or keep members

# 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)



## 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 (more skilled-educated) or the Public employment programme (less skilled)

# The Changing Context: Opportunities for trade unions I?

- Labour market developments: lack of skilled and trained labour in manufacturing: a good starting ground for collective bargaining
- In general, decreasing commitment of employees: extremely high turnover in many manufacturing plants. A union role in attracting and keeping workers/employees?
- Many employers prefer, or would prefer to work with trade unions and not with temporary agencies

# 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
- low capacities and social prestige of unions
- **Main question for the future:** Do trade unions have sufficient capacities to organize not only within the plant, but also to reach out, establish solidarities across plants (i.e. sectorally), and become an actor which is active and present in social life? (e.g. links with activist groups etc.)

# References

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