

# Chapter 5

## Hungary: Restricted terrain for self-organisation and action

Tibor Meszmann

### 1. Introduction

Hungary was among the first countries in central and eastern Europe to open its economy to multinational companies (MNCs) in the 1990s. From then onwards, foreign-owned companies have used their strong bargaining position to lobby for favourable legal conditions and for broad autonomy in the conduct of company-level industrial relations.

This chapter follows the development of trade unions and collective bargaining in MNCs in retail and automotives. Following interviews with sector trade union representatives, the initial hypothesis of differences between cases, reflecting the mode of MNC establishment (greenfield vs. brownfield) as well as company philosophy towards worker representation, is modified by two further factors. First, representatives highlight the differences between local-regional labour markets in which MNCs are established and in which trade unions act. In general, there remains a persistent, very significant difference between the more developed (higher wages, lower unemployment, higher employment participation rate) in the north-west of Hungary and the country's less developed south-east. Second, it is clear that trade union presence and activity vary between cases. As most companies are greenfield sites, the variation cannot be explained with the mode of MNC establishment, but uneven structural power due to different regional labour market developments might have strengthened union positions in some regions more than in others.

This chapter focuses only on those cases in which trade unions have attempted at least to fight for and, preferably, have actually been involved in establishing industrial relations at company-level. Trade union presence and action is also assessed using power resource theory.

The research is based on long-running observations and work with trade unions in Hungary (especially in automotives); secondary literature, media articles and company-specific background materials (collective agreements, codes of conduct, annual reports); interviews with two sectoral and two regional trade union representatives and officials in both retail and automotives; plus an informal discussion with a consultant who had been present at collective bargaining sessions in various companies and who could counter any possible union bias. Four in-depth interviews were also conducted with local trade union representatives or trade union officials. These interviews – listed in the Annex – covered the establishment of trade unions and collective bargaining,

union-management relations, details of industrial conflicts, international cooperation and the use of the media. All interviews were conducted in the first half of 2021.

The chapter is structured in the following way. The next section provides the context with a very brief history of the significance of MNCs in Hungary, introducing the institutions of worker representation and highlighting key findings from earlier research. In sections 3 and 4 I discuss trade unions and collective bargaining in MNCs separately for automotives and for retail. These sections also include two case studies in each sector. The final section provides conclusions.

## **2. MNCs and trade unions in Hungary: historical and institutional context**

MNCs appeared in Hungary in the early 1990s and became key actors generating and symbolising Hungary's integration into the global economy, also lobbying and shaping the regulation and institutions of the Hungarian labour market. MNCs typically sought to secure the highest level of autonomy in the company-level regulation of labour use and in industrial relations (cf. Makó and Simonyi 1997; Chikán 2010), efforts which received a further boost with the new labour code of 2012 (Gyulavári and Kártyás 2015; Laki et al. 2013).

This legislation weakened trade union bargaining positions, created organisational vulnerabilities, affected their financial capacities (Laki et al. 2013) and, except for wage bargaining, pushed them even further into adapting and accepting a new, weakened starting position of concession bargaining with managements. Further changes in the labour code, most notoriously the amendments approved in 2018 allowing companies to introduce extreme quantitative flexibility and higher amounts of overtime working, and which increased the reference periods for the latter, were dubbed by opponents as the 'Slave Law' and sparked major protests (Gagyí and Gerócs 2019; on the flexibility clauses of the Hungarian labour code see, for example, Gyulavári and Kártyás 2015; Fodor 2016). In addition, practice shows that, subsequent to the amendments, the employer could turn a blind eye to working with fewer employees than necessary for smooth production and promote the entrenchment of quantitative flexibility with elements of qualitative flexibility. Altogether, the law further formalised a very flexible, company-based system of work regulation.

In addition, there is a dual system of worker participation and interest representation: besides trade unions, works councils could be present in MNCs, sometimes without trade union backing which, in practice, means that the works council is established before a trade union is formed. This makes the overall map of Hungarian worker representation rather complicated as there are four modalities: there are companies in which both a union and a works council are present; companies with only one of either form of representation; and also some with no form of representation at all. Furthermore, if both are present, relations between a works council and the trade union(s) can be either cooperative or conflictual.

Since the introduction of the new labour code, works councils can reach company agreements in non-unionised workplaces. These regulate some aspects of the employment relationship, but works councils are not authorised to sign agreements on wages as that is considered an issue of potential collective dispute. Neither is a works council entitled to reach a collective agreement; however, they can be involved in ‘soft’ bargaining, meaning adopting a consultative role on working conditions including working time. This is especially important in that the 2018 amendments to the labour code either require an agreement from individuals to increase their overtime threshold or, where there is a collective agreement at a plant, an agreement with a trade union to do so.

Especially when trade unions are in the majority among elected representatives, works councils are instrumental in gathering relevant information and preparing for collective bargaining. When there is no cooperation with unions, works councils are at a high risk of management pressure and control. The map of worker representation is further complicated as, in many MNCs, two or more unions are present, sometimes including small management-friendly unions or organisations affiliated to competing sector unions and federations.

MNCs have also contributed to rising social and regional inequalities within the country. The jobs created by foreign-owned companies are concentrated especially around the capital city and also in the western border region. Therefore, internal regional disparities have persisted over decades in both employment and wage levels (Fazekas 2003; KSH 2008; Medve-Bálint 2015; KSH 2018), generating significant internal geographical mobility (Cseres-Gergely et al. 2004; Köllő 2004; Kertesi and Köllő 2000). Government policies and legislation, further accelerating with the introduction of the 2012 labour code, have attempted to create incentives also for investments in regions with higher unemployment, but that has not reversed regional inequalities. Thus across all indicators of unemployment and employment rates, wage differentials and net internal migration, a huge difference has persisted between the north-west and the south-east.

In terms of collective bargaining,<sup>1</sup> MNCs had the potential to shut out, or at least weaken, trade unions by offering wages slightly higher than the prevailing level. Research has confirmed the presence of significantly higher wages in foreign-owned companies than in domestic ones (Kőrösi 2007: 55-56), accompanied by higher labour productivity in the former. In this context there is evidence from research on collective and wage agreements and wage levels that there is no wage premium for unionised companies once account is taken of the sectors in which MNCs are involved (Rigó 2013). However, the same author highlights the importance of non-wage benefits in unionised companies: in other words, trade unions have bargained successfully on redistributive non-wage items and this is the main real positive contribution of unions in raising the total value of employee remuneration. In 2018, the government annulled most low tax

1. In Hungary, company collective bargaining has two main outcomes: regular bargaining over wages (that occurs typically annually), that is, wage bargaining resulting in collective wage agreements; and negotiating for a collective bargaining agreement. Collective bargaining agreements are longer, more stable documents; they formally regulate industrial relations at the plant but also wage-tariff systems, working conditions, various social benefits, the position of the trade union, procedures for collective bargaining, etc.

or non-taxed non-wage benefits, such as subsidised meals, and unions lost a major substantive issue over which they had traditionally negotiated.

In both retail and automotives, MNCs have opened up the agenda for concession bargaining with unions. A typical example, especially in periods of crisis, is higher working time flexibility in return for a wage increase or employment stability (Neumann and Boda 2011).

Hungarian trade unions have increasingly concentrated their organising activity in retail and automotives towards MNCs. Large retailers, being concentrated in the capital, plus the comparatively large size of business units, present good environments for unionisation while the automotive sector also presents favourable conditions. Unions in both retail and automotives have thus experimented with the application of both structural and associational power in the easiest 'natural' locations (Wright 2000; Silver 2003). Unions aim to gain recognition and eventually to sign collective agreements as a means of securing institutional power (Brinkmann and Nachtwey 2010: 21). In their strategic use of the media, they have used societal power (Lévesque and Murray 2013), but very sporadically, only at critical moments and not giving the space for any questioning of their commitment to the success and good operation of the company.

For MNCs, there was at first little need to adapt to the host country's undeveloped regulatory framework (Koltay 2010: 18-19), characterised as it was by a very permissive business environment with lax regulations and a limited role for worker representation and collective bargaining (Neumann 2009). At best, in privatised companies with an inherited union and a collective agreement in place, the MNC and its new management were adaptive and more union friendly, acknowledging both the union and the existing collective regulation. It was significantly more difficult to establish unions and engage in collective bargaining on greenfield sites (Neumann 2000; Neumann 2009; Makó and Novoszáth 1995; Galgóczi 2003).

In automotives, union officials from Vasas Szakszervezeti Szövetség (Vasas; Federation of Hungarian Metalworker Unions) traditionally contend that countries of origin matter. In general, western European employers are likely to be union friendly; East Asian MNCs have a rigid transfer of domestic culture and thus organically oppose unions; while US MNCs insist on corporate identity and culture (Galgóczi 2003: 33). In refining the hybridisation thesis,<sup>2</sup> Meardi et al. (2009: 20) claimed that enterprise-level local unionism unduly strengthens some enterprise-oriented unions, leading to many variations rather than standardised, predictable outcomes. As a secondary variable, local management stance also seems to matter and this, as indicated below, varies between companies and over time as individual managers come and go.

In Hungary, the division between market-seeking and cost-reducing MNCs (Myant 2020), exemplified by retailers and automotives, plays out in an unusual way. MNCs clearly dominate automotives (KSH 2010; KSH 2019), contributing disproportionately

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2. Under which MNC employment practices are suggested as combining elements of home country practices with those of the host country (Meardi and Tóth 2006).

to exports and accounting for a high share of R&D expenditure (Chikán 2010: 5) and also being vital to the country's balance of payments. Their importance is rewarded with substantial state subsidies to support investment and this also gives them great lobbying power which they use in such areas as general competition policy, education and the liberalisation of the labour market (Chikán 2010: 13; Laki et al. 2013). Retail, although the second largest sector in Hungary with about half a million workers, many of whom work in MNCs, has much less political clout. The sector is highly regulated and has also been subject to politically motivated taxes and restrictive regulations after 2010, leading to MNCs cutting employment in partial compensation.

These differences affect the industrial relations climates operating within each sector. The privileged position of automotive MNCs enables them to treat trade unions at best as partners in concession bargaining. MNCs in retail appear more likely to seek better relations with unions. At least in the case studies discussed below, the difference is especially stark when there are conflicts and strikes: these tend to bring the parties closer together in retail but make relationships more difficult in the automotive sector.

### 3. The automotive sector

MNCs from Germany dominate automotives, with 52 present in Hungary in 2018 when they accounted for 45 per cent of employees in the sector. Japanese, US and Chinese companies took substantially smaller shares of employment, value added and net revenue. German companies pay higher wages (which also reflects the high representation of car manufacturers and their direct suppliers), but tend also to have significantly higher labour productivity. Compared to typically Hungarian manufacturers of metal products, all MNCs are substantially larger on average (KSH 2019).

Of the almost 500 companies registered with foreign ownership in the automotive sector, only 18 are registered in the collective agreements depository.<sup>3</sup> This database, which gives only minimal information on the actual content of agreements, is neither complete nor up to date as there is no penalty for failure to register an agreement or for not signalling its end. For car manufacturers as a whole, the bargaining coverage rate is very high but much lower in their direct suppliers for whom we can estimate a figure of about 20 per cent. The existence of collective agreements, however, does not mean that these companies are union friendly.

Both car manufacturers and suppliers appear to prefer 'independent', local union organisations, avoiding specialists from the sector union and other 'outsiders' during bargaining, while some evidence suggests that their preference for dealing only with employee representatives from within the company extends also to having works councils rather than trade unions (Interview 5.5). Certainly in some greenfield investments in the early years, MNCs preferred to deal with a works council rather than a trade union (Gerócs et al. 2021), being happier with less formal consultations with worker representatives who cannot legally take collective action. In contrast, sector

3. mkir.gov.hu website.

union representatives were often considered arrogant troublemakers who did not take company specificities and interests sufficiently into account. Thanks to international cooperation, however, Vasas knows which German companies are not union friendly and differentiates accordingly (Interview 5.2).

Table 5.1 collects information based on my own observations and from the media about automotive MNCs in which trade unions are active or in which they have attempted to gain influence. Such a constellation stems also from trade union strategies to prioritise activities in large companies in a good market position. In some MNCs there are main and minor unions (judged from membership and involvement in collective bargaining) and I have differentiated between them (e.g. 2+1 means two major and one minor union). Most of these MNCs are on greenfield sites and they have grown, especially in the last decade. Regular wage bargaining is characteristic of almost all companies, but fewer have collective agreements. An asterisk (\*) indicates those companies which have more than one plant in the country. I have also attempted to indicate changes over time in worker representation ('>'): for example, at Continental a works council was established before a trade union was formed; and there are also cases, as at LuK and at Mercedes-Benz, of an earlier, but no longer continuing, presence of an elected work council due to unsuccessful elections.

The aim of Table 5.1 is to show the major industrial relations characteristics of automotive MNCs, among both car producers and supplier companies. There are only two privatised brownfield sites. Greenfield sites are typical and German MNCs also dominate. There is variation in terms of union fragmentation: two unions are typically present but at some sites there are three. Typically there is a union associated with Vasas but this is not the case in all plants. There are independent company unions (the most important being at Audi and LuK), some directly associated with the LIGA confederation and some belonging to two other loose sector unions, *Éltre Tervezett Munkavállalók Országos Szakszervezete* (ÉTMOSSZ; National Trade Union of Employees Designed for Life) and *Mérnökök és Technikusok Szabad Szakszervezete* (MTSZSZ; Free Trade Union of Engineers and Technicians). In Suzuki there is no recognised trade union, only a works council; in other companies there is only a works council; and others where neither is established.

When Vasas establishes a local union and increases its membership, it introduces itself as a moderate, responsible, down-to-earth and transparent organisation and starts putting a relationship in place leading to a cooperation agreement including the deduction of membership fees, securing an office or space for trade unions, ensuring the application of labour law protections and gradually moving to issues of wage negotiation and collective bargaining (Interview 5.2). Vasas works to strengthen union leaders by providing education and training, while it has put great effort into international cooperation, information exchanges and training programmes.

Table 5.1 Employee representation in the main MNCs in the Hungarian automotive sector

Company	Type	Country of origin	Greenfield	No. of unions	Recognised by management	Works council (WC)	Union domination of WC	Collective agreement	Good collective agreement	Regular wage bargaining	Conflicts, strikes, protests
Audi	Car manufacturer	Germany	N	1+1	Y	Y	Y	Y	Y	Y	Y
Mercedes-Benz	Car manufacturer	Germany	Y	2+1	Y	Y	Y	Y	Y	Y	Y
Suzuki	Car manufacturer	Japan	Y	1	N	Y	N	N	N	N	Y
GM Opel	Car manufacturer	US/ French/ NL	Y	2	Y	Y	NA	Y	NA	Y	N (>Y)
Bosch*	Tier one supplier	Germany	Y	2	Y	N	NA	N	NA	Y	Y
Continental*	Tier two supplier	Germany	N>Y	1	Y	Y	Y	Y	Y	Y	Y
LuK*	Tier one supplier	Germany	Y	2	Y	Y>N	Y>NA	Y	N	N>(Y)	Y>(N)
ZF	Tier one supplier	Germany	N	1+1	Y	Y	Y	Y	Y	Y	Y
Denso	Tier two supplier	Japan	Y	1	Y	Y	NA	N?	NA	Y	N
Valeo	Tier one supplier	Germany	Y	(1)	Y	NA		Y?	NA	?	N
Autoliv	Tier one supplier	Sweden	Y	1	Y	Y		N	NA	Y	Y>N
Hanon Systems (Visteon)*	Tier one supplier	South Korea	Y	2	Y	N?	Y	N	NA	Y	N

Notes: \* company operates more than one plant in the country; '>' changes over time; major union '+' minor union; '?' unclear  
Source: Author's own research from interviews and published sources

The experience of Vasas is that MNCs have established a strong economic position, backed by the political environment, in which they could dictate conditions of work and employment. This position is most pronounced on non-unionised greenfield sites. In contrast, union establishment in general has been hindered by a political environment that does not favour workers' rights and self-organisation but has prioritised investments and employment. All MNCs are well informed about wages and working conditions in similar jobs, within a city and in a specific sector, and they can offer better wages. In the context of looming unemployment or poor opportunities for quality employment,



workers also prefer relatively well paying jobs and a good working environment; insisting on self-organisation and rights has not emerged as a necessary requirement.

Moreover, different patterns have emerged in the north-west and the south-east of the country: in the former, due to continuous investments and relative job stability, the fear of losing one's job is low and workers can nevertheless opt for 'exit' as well as developing 'voice'; in the south-east, however, unemployment, or at least poorer employment prospects, has remained a constant labour market constraint for employees, negatively affecting unionisation from the start. In the words of a retired regional representative from a more depressed southern region (Interview 5.9), MNCs in many places had the upper hand, developed a paternalist management style and effectively discouraged collective interest representation. In some places, an MNC's actions collided with the law:

But the vast majority of workers [...] are ultimately unaware of their own rights. ... Many times employers tricked employees (to accept arrangements against their interests). ... Even where trade unions were formed [a situation was created where] an MNC used its power and intimidated people [not to join the union]. (Interview 5.9)

There is reportedly a huge difference between west European and east Asian companies (Interview 5.2; Interview 5.9). Although western, especially west European, companies also differ in their stances towards unions, 'they have a corporate culture which means that, no matter whether the management dislikes or suppresses unions, there are certain standards to which these companies adhere' (Interview 5.2). East Asian companies are extremely anti-union and enter into conflicts rather than seek compromise. There 'it's damn hard to establish a union, especially in Chinese MNCs' (Interview 5.2). Indeed, Vasas has entered litigation with several Chinese companies.

Two years were not sufficient to sign a cooperation agreement between the trade union and the employer. And they use all opportunities to undermine the union and the union leadership.... They disregard the trade union [and] workers' rights, but also health and safety regulations. (Interview 5.2)

In terms of adaptation to local conditions, there is a difference between whether an MNC appeared as a greenfield or a brownfield investor, while its country of origin is also important (Interview 5.2; Interview 5.9; Interview 5.11), not least in the sense of traditions of industrial relations and collective bargaining. This extends to the terms of recognition of the institutions of worker participation. Thus, there is less need to explain the need for electing a works council or allowing unions into a plant at a German company than at a Swiss or an Asian one. Companies adapt in two hybridising ways, one which plays out in a 'positive' stance with regard to trade unions and the other in a 'negative' one. In MNCs taking up a 'positive' stance, legal requirements are fully respected although there is a variation in the level of openness to unions and collective bargaining. In the second group are companies that, acutely sensitive to costs, are attempting to cut costs by all means.



Like the majority of local employers, some MNCs appear not only as anti-union, and against collective bargaining, but also adapt flexibly to legal requirements, reinterpreting laws to their advantage especially when it comes to workers' rights. In these cases, unionisation is not encouraged, underpinned by the argument that says the company provides everything so there is no need for a union. They cite relatively high wages and, sometimes, additional premia or welfare provisions. On occasion, as well as attempting to shut out unions in a 'positive' way, companies exert pressure on union organisers and members, up to the level of waiting for key unionists to make a mistake and offering termination of their employment via mutual agreements so they could not say they had been summarily dismissed. In response to such situations, neither Vasas headquarters staff nor their regional representatives had an effective counter strategy (Interview 5.2; Interview 5.3; Interview 5.9).

The nationality of an individual manager was judged by two union officials to be of secondary importance, with company culture being the decisive factor (Interview 5.2; Interview 5.11). Thus, in the case of Bosch, one HR manager, previously working at a union friendly workplace, took over and proceeded fundamentally to change her stance towards the union. However, not all interviewees agreed: according to the retired regional representative (Interview 5.9), especially in MNCs originating from countries with an entrenched tradition of worker participation, chiefly Germany and Austria, the management typically put in place at the start of production is foreign. It tolerates a union and is open to negotiation on rules establishing channels of communication, interest reconciliation and the like. Local managers, especially from a younger generation, are much less sympathetic. They are not aware of union roles, nor are they sufficiently informed about the purposes of collective bargaining. Their 'hostility' means that union-management relations typically face a period of strain. In companies with higher levels of turnover amongst management, the management stance towards unions and bargaining is rather negative or, if a positive tradition had earlier been established, it then enters a more fragile phase. A strike absolutely makes the relationship worse and is usually accompanied by a change of management within six months.

The presence of more unions in a company undermines workers' power and the employer takes advantage of that. The union which is able to sign a collective or wage agreement decides with management whether to include other unions or keep them away from the table.

Vasas uses public media but also its own channels of communication, such as its website and Facebook, while influencing media discourse against a specific MNC only rarely, as in the case of Suzuki. There, it did help towards a wage increase and also provided backing for a court case against the victimisation of a trade union representative, but it did not alter the company's hostile attitude towards trade unions.

### 3.1 Mercedes-Benz (Daimler)

Mercedes-Benz is an interesting case as the company philosophy is, overall, union friendly. However, it undertook a greenfield investment in 2010 in Kecskemét, centre of

the Southern Great Plain, at a time of relatively high unemployment, when wages were lower than the national average and there being little presence of automotive MNCs. The plant reached 4900 employees in 2022 with an assembly shop, a body shop and a paint shop.

The company's own group-wide Integrity Code declares that it works with unions 'in a spirit of respect and trust' and stresses 'constructive collaboration' with worker representatives. This was a good entry point for a local union initiative. Building up a strong union presence was, at the initiative of the then Vasas regional representative (Interview 5.8), linked with international cooperation between German and Hungarian union counterparts from the very beginning in the form of the exchange of information. Moreover, the Vasas regional representative carefully and diligently developed good personal contacts with company representatives and was present at crucial meetings, even before the start of production. The terrain being painstakingly prepared, it was not difficult to form a Vasas-affiliated union at the plant.

In the first years, company representatives and those from the union cooperated and developed together. The union could present itself to newly hired employees, leading to a very high unionisation rate, stemming also from the good communication and organisational skills of the person who then headed the union at the plant. In order to strengthen the spirit of trust and cooperation, the union helped in the recruitment of skilled workers from more distant places, thus contributing to a smooth start to production. After successful works council elections, in which the head of the union also became the chair of the works council, a collective agreement was signed in 2012 (Interview 5.8; Interview 5.9).

In 2012-13 the union organisation suffered an internal crisis as the leader of the union at the plant was replaced while a competitor union also appeared. Since then, the works council and the trade union have had different heads from rival unions, creating problems in communication with workers and members. There was also a change in management followed by a period in which relations were less friendly, culminating in the first industrial conflict (Interview 5.9).

In late 2016, Vasas organised a strike as part of a wage dispute while the other union signed a wage agreement.<sup>4</sup> According to a local union representative (Interview 5.8), the strike was instrumental in overcoming the union's organisational crisis, after which membership also stabilised. Nevertheless, the relationship with management became even colder and the local management was then replaced. The strike also featured at the labour court, which reached a verdict that it was not in line with the legislation although management did not press for financial sanctions against the union. A third, newly established union appeared at the plant in 2018-2019 and works council members were also split in their union affiliations. The public appearances of the head of the Vasas local union, and his speeches during the protests over the 2018 amendments to the labour code, were not received well by management. Subsequently, wage bargaining

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4. Sztrájk volt éjjel a kecskeméti Mercedes-gyárban 24.hu November 24 2016.  
<https://24.hu/fn/gazdasag/2016/11/24/sztrajk-volt-ejjel-a-kecskemeti-mercedes-gyarban/>

has not been easy but the union has managed to reach deals it judged as good (Interview 5.9).

The company and the management do not question the legitimacy of the union and its situation during wage negotiations. In these times, the union is more active in its communication with (potential) members and attempts to increase its membership base, often quite successfully. The local union also enjoys international support thanks to the cooperation undertaken at that level by Vasas. It launches opinion surveys regularly so as to fortify its presence in the plant and prepare for collective bargaining. However, it is only during wage negotiations that the company is open to union initiative and collective bargaining (Interview 5.9). At the beginning of 2022, an unsuccessful round of elections for the works council occurred when, according to the union, management actions hindered the participation of all employees and had an impact on the results. The trade union appealed to the court and won the case.

### 3.2 Schaeffler – LuK and FAG

Schaeffler LuK Savaria established its clutch-producing plant in Szombathely, in Western Transdanubia, a region that has attracted significant amounts of foreign direct investment, as a greenfield site in 1996. This expanded from a few hundred employees to more than 3000 in 2019.

The company adopts a rather hostile stance towards unions (Interview 5.3) and its ethics code corresponds to its negative, control-driven stance towards unions and collective bargaining. This states that the company respects the right of employees to freedom of association but it also identifies that, irrespective of this right, the company always allows its employees to represent their interests directly; that is, individually.<sup>5</sup> In practice, it seems that individual interest representation is preferred above that of the collective. The company's philosophy is to attain the most flexible regulation of work and employment allowed by the labour code while accepting only the legal minimum in regard to union formation, worker representation and collective bargaining. The company tolerates only that trade unionism which does not create any conflict or lead to a collective dispute.

In the Szombathely plant, an independent trade union was established first and registered at the court in 2008 (Szombathelyi Autóalkatrészgyártó Dolgozók Szakszervezet; known in brief as Szakad FSZ: the Free Trade Union of Car Component Manufacturing Workers from Szombathely). Nevertheless, this was some ten years after the start of production, such a late formation indirectly demonstrating the non-encouraging stance of the company. In the first years, managers made sure of higher wages and comparatively good employment standards in order to shut unions out. Dissatisfied with the low record of achievement of Szakad FSZ, a union affiliated to Vasas was formed in 2012

5. Code of Conduct Schaeffler Group Transparency, Trust, and Teamwork, p.19 [https://www.schaeffler.com/remotemedien/media/\\_shared\\_media/o8\\_media\\_library/o1\\_publications/schaeffler\\_2/brochure/downloads\\_1/code\\_of\\_conduct\\_de\\_en.pdf](https://www.schaeffler.com/remotemedien/media/_shared_media/o8_media_library/o1_publications/schaeffler_2/brochure/downloads_1/code_of_conduct_de_en.pdf)

by some ex-members of Szakad FSZ. The relationship between the unions was uneasy, mostly confrontational, with various historical resentments on both sides, and marked by fragile cooperation.<sup>6</sup> The works council operated only briefly, from 2011 until 2012, before dissolving itself as a result of disagreement between the unions. Over the course of time, and especially since 2016, the Vasas-affiliated union has become stronger in terms of membership but it remains effectively locked out of collective bargaining.

A few collective actions have taken place: in 2016 a car protest during wage negotiations was organised by both unions, as well as a protest for the reinstatement of a union member who had been dismissed.<sup>7</sup> These sporadic actions were fruitful, at least in the short run: there was a wage rise in 2017 and a collective agreement was signed, albeit only with Szakad FSZ, in late 2016. On the negative side, the fixed-term contracts of union activists were not renewed. After the wage agreement, Vasas organised another protest which may have ensured that it was not invited to the collective bargaining negotiations.

An official from the sector union judged that collective agreement to be non-beneficial to employees (Interview 5.3) as it reinforced high qualitative and quantitative flexibility in exchange for higher job security and higher severance pay provisions, the realisation of the latter also being tied to the judgment of a welfare committee which has yet to be established. The collective agreement does strengthen the position of Szakad FSZ as a representative union; and it is consulted regularly. However, it states that strikes and protests should be avoided (especially during wage negotiations) while the union is specifically instructed to avoid damaging the good reputation of the employer. Furthermore, during wage negotiations, the agreement also states that unions are able to address employees only when management is also present, which seems to contradict the right to free and independent association.

With the unions thus disarmed, high labour turnover became the norm even in conditions of a labour shortage.

Such conditions give no chance to deepen collective bargaining and interest representation, but a spontaneous production slowdown was organised by workers in 2019, in the ending of which the Vasas union participated, thus establishing a reputation as a constructive union both among management and workers. In the judgement of the union leader (Interview 5.10), a non-aggressive, non-confrontational approach specialising in welfare and mutual assistance, and occasionally assisting in conflict resolution, is tolerated and accepted by the management which has subsequently provided information and consulted the union meaningfully. On behalf of ordinary

6. Soproni H. Lajos Szövetség helyett marják egymást – Van, hogy rivalizáló érdekvédők gyengítik a munkások esélyeit Népszava 2020.09.17. [https://nepszava.hu/3092244\\_szovetseg-helyett-marjak-egymast--van-hogy-rivalizalo-erdekvedok-gyengitik-a-munkasok-eselyeit](https://nepszava.hu/3092244_szovetseg-helyett-marjak-egymast--van-hogy-rivalizalo-erdekvedok-gyengitik-a-munkasok-eselyeit)

7. Autós demonstráció a szombathelyi LuK-nál - A szakszervezetek készek a sztrájkra is May 13 2016 Nyugat.hu [https://www.nyugat.hu/cikk/autos\\_demonstracio\\_luk\\_szombathely\\_beremeles](https://www.nyugat.hu/cikk/autos_demonstracio_luk_szombathely_beremeles). Vasas alone participated in the next protest, which targeted the abolition of the wide use of fixed-term contracts which have a particular impact on union activists. Ismét tüntettek a szombathelyi LuK-nál MTI June 8 2016 <https://autopro.hu/beszallitok/ismet-tuntettek-a-szombathelyi-luk-nal/174119>

members, the union has been able to step in to solve individual problems and grievances, a position that has helped in raising union membership: from a few dozen members in 2012, by 2018 the Vasas union had gathered 186 members while, in 2020, it counted 514.

This case study highlights an instance where the trade union was not able to overcome a negative company philosophy, even in conditions of a tight local labour market, being only able to establish itself as an organisation of a community of workers with a highly limited role.

Schaeffler also opened a plant in 2016 at Debrecen, in the less industrialised Northern Great Plains region. In its FAG plant, which produces bearings, the Vasas regional representative and a specialist (Interview 5.3; Interview 5.2) claimed that management had organised its own ‘yellow’ union which concluded an agreement on collective bargaining and subsequently started wage negotiations, thus effectively locking out the Vasas union.

It was at a speed worthy of winning a Nobel award: they managed to create a plant level union in four months and conclude a collective agreement and a wage agreement. So we can’t set up a union organisation in 4 months [and they] already have a collective agreement and a wage agreement. (Interview 5.2)

In January 2022, in an Instagram post, the HR manager proudly boasted of the existence of the company union, the collective agreement and the new wage agreement.

#### **4. The retail sector**

Based on the annual reports of ‘Trade Magazin’,<sup>8</sup> there were six dominant multinational retail chains in Hungary in the 2007-2019 period: Aldi, Auchan, Lidl, Penny Market, Spar and Tesco.<sup>9</sup> Calculations by Központi Statisztikai Hivatal (KSH; Hungarian Central Statistical Office) show that companies from Germany have the highest labour costs per employee, followed by the Austrian and French retail companies, but also the highest labour productivity (KSH 2019). As at 2020, the union representative (Interview 5.1) estimated that MNCs paid a gross wage some 50 000 forint (around one-third of the minimum wage) higher than domestic retailers. Due to automation (self-service checkouts) and online sales, however, employment levels are likely to decline, possibly by 30-40 per cent, in the future (Interview 5.1).

Unions operate almost exclusively in MNCs after Kereskedelmi Alkalmazottak Szakszervezete (KASZ; the Trade Union of Commercial Employees) gradually lost its position in all domestic retailers. However, many employees who lost their jobs in retail had earlier gained experience of being in a trade union, so this was a group with which union organisations could be built in MNCs.

8. <https://trademagazin.hu/hu/tag/aruhazak/>

9. As agreed with the trade unions, the specific companies appear in the following case studies anonymously.

MNCs started out, as did unionisation, from Budapest. One union official interviewed for this set of case studies – a representative of the area around the capital and a labour law specialist – followed and intensively supported the establishment of unions and also helped in some organising initiatives (Interview 5.6). As it was allowed by the law, she used the opportunity to visit individual union members in their workplaces and encouraged the establishment of workplace union organisations, for which the law stipulates a minimum of 10 members. There were no problems with brownfield investors, but typically it was more difficult to establish a union on a greenfield site. It was rarely possible for a union official to meet members in their workplace and so they had to meet in a nearby restaurant. Unionisation was more difficult in rural areas where, as unemployment was higher and job opportunities fewer, people feared losing their job.

In all companies where the sector union has members, the company is supposed, by law and at the request of the employee, to deduct union dues from personal gross income and transfer it to the union. The first company where the employer refused to do this features as one of our case studies (Company Z).

In the shops there are no special rooms or spaces for the union; all materials etc. are sent out from and collected at county level and central headquarters.<sup>10</sup> KASZ's general strategy for establishing a union in MNCs started with recruiting two or three members, followed by solving a relatively minor issue by addressing management on behalf of the members (Interview 5.6). From there, alongside recruiting members, the path was to move systematically to taking up bigger and bigger issues, up to wage negotiations and reaching a collective agreement.

Ultimately, according to the president of the sector union (Interview 5.1), MNC policies towards unions are dependent on the senior management in the host country, but, even then, there are differences according to managers' country of origin, which acts as a cultural-institutional factor. Thus a Scandinavian manager was evaluated the best and a Hungarian the worst. KASZ has been keen to learn about industrial relations and management habits in different countries, from which it surmises that no MNC has openly taken an outright anti-union stance, with the possible exception of Lidl where relatively high wages have been part of a strategy to keep the union out. Nevertheless, a range of anti-union strategies has been applied while the approach of individual companies also varies, depending on individual managers. New managers frequently prove to be more hostile towards unions and collective bargaining. In some MNCs, especially where the union has few members, those members could lose their jobs if management learned about it. More generally, MNCs use various means to keep the union out or to prevent it from developing. These include solving the problems raised by the union, but without involving it; consulting the union but keeping details of the deal secret; and infiltrating a pro-management member to obstruct the union's work.

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10. Where there is a regulated relationship with management, local shop managers tolerate regular visits from specialists and representatives and allow the use of common spaces, such as the kitchen, for union meetings with a group of employees.



In terms of industrial relations, the union has established itself firmly in four MNCs and has signed collective agreements in two. The coverage rate is about 35 per cent in multinationals and 15 per cent across the whole sub-sector of non-specialised mixed retail. The union representative states that relationships with other unions differ and depend on many factors; if it is not a 'yellow' union, cooperation is possible. In general, its relationship with another sector union of significant size is mutually supportive. As far as international cooperation is concerned, KASZ is a member of UNI Global Union's solidarity network and takes part in the fair wages campaign. At the network, useful information is exchanged although cooperation is more intense with unions from neighbouring countries. Meetings take place every 2-3 months where information is shared on new trends, practices, etc.

KASZ uses the media in a limited, but strategic way. The union operates a very active Facebook group and has pioneered online meetings and 'open hours' with representatives. The union leader recognises that there is also a need for the union to create its own channels as the media distorts many events. MNCs seem not to want any kind of publicity, either in connection with union-friendly practices or where there are examples of bad ones. A check of media cuttings indicates that KASZ has used the media strategically to exert comparative pressure on MNCs and shops to increase wages, but has also put pressure on the government at the time of the introduction of working time regulations as well as ahead of incomes policies.<sup>11</sup>

Up to 2020, there were only two significant strikes in MNC retailers, both of which occurred in conditions of a tightening labour market: Company Y (when more than one-third of supermarkets were closed); and another MNC retailer. In both cases, managers were too stubborn and not cooperative. The strikes led to local management gaining approval from more senior managers to increase wages and retain more jobs. The strikes actually helped in establishing better relations as the union was, from then on, taken more seriously.

Table 5.2 summarises the main characteristics of the four MNCs with a trade union presence. These companies are present at least in Hungary's large towns. Information is based on union interviews and the quality of collective agreements is as judged by union officials. Similarly to Table 5.1, changes over time in worker representation are indicated by the symbol '>'. Wage bargaining is regular, but there are years in some companies when agreements are not reached. Compared to automotives, a maximum of two unions are present in the shops although in Company Y a new union has appeared due to the acquisition of a logistics company. Other than in UK-based Company Y, works councils are also established in all companies, with elected union candidates. In only two companies are there collective agreements, but wage negotiations occur in all of them. As will be detailed in the case studies, there have been dramatic changes in terms of union recognition and conflict, leading to improvements in union-management relations.

11. Valkai Nikolett "Nem zökkenőmentesek az idei bértárgyalások" *Piac és profit* January 29 2020. [https://piacesprofit.hu/kkv\\_cegblog/nem-zokkenomentesek-az-idei-bertargyalasok/](https://piacesprofit.hu/kkv_cegblog/nem-zokkenomentesek-az-idei-bertargyalasok/)



Table 5.2 Employee representation in Hungarian retail sector MNCs

	Country of origin	Greenfield	No. of unions	Union recognised by management	Significant union presence	Works Council (WC)	WC union control/led	Collective agreement	Good collective agreement	Conflicts, strikes, protests
Company A	Germany	Y	1	Y	Y	Y	Y (fully)	Y (+)	Y	N (Y>N)
Company B	Austria	N	2	Y	Y	Y	Y (partly)	Y (+)	Y	N
Company Y	UK	N	1+1	Y	Y	N	NA	N	Y	Y
Company Z	France	Y	2	Y (N>Y)	Y	Y	Y (partly)	N	Y	Y

Notes: as Table 5.1.

Source: as Table 5.1.

## 4.1 Company A

Company A, a hard discount retailer, was established on a greenfield site in 1996 and has its headquarters in a small town within the Budapest conurbation. In absolute terms it is more present in the wider area than in the capital itself; the largest number of its outlets in Hungary are in that wider area followed by places where wages are lower on average and, consequently, the population's purchasing power is smaller. In the years around 2020, it had about 4000 employees. The company seems to maintain a positive stance towards unions. Its outlets are rather small, averaging about a dozen employees; in addition to the stores, there are three regional logistics centres. The union has faced disadvantage in terms of both structural and associational power as a result of the chain's small, geographically dispersed units, many in high unemployment regions, and its price sensitive customer base – these are people who are least likely to turn their back, or boycott, the shop due to poor employment standards.

The union official (Interview 5.6) recalls that KASZ started its successful campaign a few years after the opening of the first shop, in 1998-99, encouraging workers to join the union and then to choose a representative among themselves. After this, the union was entitled by law to enter the workplace. Across the country, all shops were visited by regional representatives with whom a joint mapping of non-unionised shops was carried out.

A major difficulty in organising, especially in rural areas, is employees' fear of losing their job, tending them towards compliance at all costs with the requests of their superiors even where this is contrary to existing legal regulation. Consequently, there are many irregularities, especially around working hours. In the view of the union official (Interview 5.6), it was the regional area managers in charge of sales performance who green lit slack labour standards, forcing employees to work overtime; they were little concerned with the legality of such production rhythms, even to the point of ignoring a warning from the company's own lawyers. After the union voiced concerns on legality,

as well as the cases that subsequently appeared in court, management responded by gaining tighter control internally. However, the relationship with the union became strained, with management showing hostility towards KASZ and its local affiliate.

The union coped with this challenge by recruiting, aiming to establish a strong union which management could not ignore. A special tactic was to target and convince shop supervisors (a position below that of shop manager) that the union represented their interests too so that they would at least tolerate shopfloor union activity. With the election of shopfloor representatives, one being elected as secretary of the union, a channel was established for representing individual members and for taking up cases with local management. Successful representation either internally or at a court brought a growth in, or at least stabilised, the number of union members.

The trigger for a major union offensive came in 2004, with a case of a multiple violation of employee rights. In one shop there was a significant, unexplained shortage in the inventory, after which the area manager and the store manager came up with the notion of taking the personal data of employees to a fortune teller who then determined which workers were 'actually' stealing. The case triggered a major uproar and media interest, leading to a campaign not only by KASZ but also by a national confederation. The media campaign was followed, in the next two years, by an icy relationship with management. However, a union with many members could not be ignored and this pushed the company to reconsider its union philosophy and attitude to labour law.

According to the union official (Interview 5.6), management realised that, in the long run, the company needed stable employment and thus had to avoid a 'work till you drop' burnout policy or workers having no motivation. Successful elections for a works council were organised in 2006, with all members from the trade union list being elected. Having fulfilled the legal criteria of representativity to engage in negotiations for a collective bargaining agreement, union-management cooperation started with 'shouting and harsh words', but the exchange resulted in acceptable and good solutions. There was a shift in personnel in the company and the legal department increased its weight vis-à-vis the sales department.

The process of drafting a collective agreement lasted two years before it was eventually signed in winter 2008. The union received support in the form of UNI Global Union's public call for solidarity from unions in other countries. Membership grew continuously before density stagnated around 25 per cent although it has fallen back to about 20 per cent since 2019.

The collective agreement regulated issues that had earlier featured in the courts and included provisions on quantitative flexibility, working time and annual leave. It also increased legal security with specific clauses. The agreement regulated personal grievance procedures in which an employee can be accompanied by a representative, including from a trade union, and set out the rights as well as the obligations of employees. The union specialist drew attention to the collective agreement being written in a way that was understandable to workers. Ultimately, the effect was that the number of court

cases at Company A was reduced to an insignificant number. Some of these solutions became benchmarks, used when revising collective agreements in other MNCs.

The union secretary at Company A had not participated in international exchanges (Interview 5.6), although international collaboration is important to KASZ. The local union has not used any media channels after the intense publicity surrounding the case in 2004; Company A does not like publicity which, in view of the subsequently improved relations, the union is able to respect (Interview 5.1).

## 4.2 Company Z

Company Z started out in Hungary in 1998 as a distinct hypermarket chain before expanding both in terms of the absolute size of its stores and geographically, with differentiated units. It started life as a greenfield enterprise. Subsequent to the financial crisis, employment stagnated between 6000 and 7000 and the number of stores even decreased. In contrast to Company A, unionisation relied on greater associational power (via large units) and greater structural power (via the higher price sensitivity of customers).

There was no attempt to form a union until a shopfloor conflict arose in 2002. According to the president of the KASZ-affiliated union, there were many irregular practices deployed by management which ‘treated workers like robots’ (Interview 5.4). The conflict came to a head when a manager of one of the hypermarkets forced employees to work overtime for an extra two hours on a Sunday evening on the pretext that ‘the work (inventory) [was] not finished’, locking the doors of the warehouse and preventing employees from using their phones or the toilets. This sparked a move by the initiator of the union to look up the contact details of the sector union and inquire about employee rights and the possibilities for their protection.

With the support of the sector union, the local organisation started out with 20 members out of which three were registered and their names communicated to management while the rest remained in secret for more than one year. The reaction of the management was to send the three shopfloor representatives to departments and jobs for which they lacked qualifications so as to make their work more difficult. Thus one was moved from the cheese department to the fish counter; another from shoes to meat. One of the representatives turned to Állami Népegészségügyi és Tisztiorvosi Szolgálat (ANTSZ; the National Public Health and Medical Officer Service) and, on learning that this was irregular, initiated an appeal. Other employees were forbidden to talk to the representatives, who were also made to fulfil additional requests such as cleaning. They were, however, prepared to bide their time and received training and support from the sector union’s specialists. The union’s strategy did not shy away from confrontation. Interestingly, the union leaders were typically women, and our interviewee also highlighted that men seem to be less prone to take up conflicts openly.

Besides providing support for the shopfloor representatives, the reaction of the sector union was two-tiered. On the one hand, they started a court case with the company,

a case that lasted for nine years, all the way up to the Supreme Court, before it was eventually won by the union. The second leg of the strategy was to turn to the media. In addition to an article in a daily newspaper on the (suspected illegal) redirection of the union representatives, there was another incident when a representative was not allowed to join the company's 1 May celebrations in a union T-shirt, an incident which was also communicated to the media. The strategy turned out to be fruitful. After the legal case had been won, the attitude of the company changed to permissive-cooperative.

The union then grew quite quickly, especially in departments where it had representatives, and largely within the Budapest conurbation. Activists from the largest hypermarket also soon expressed interest and shopfloor representatives were elected there, too. Retrospectively, the hostile environment proved to be beneficial as a training ground in running a union. By 2005, the union had about 800 members and, by 2009, a network of elected shopfloor representatives had been established in all hypermarkets. In these conditions, union candidates also ran for positions on the works council, achieving a majority. This in turn made it possible to tear up a company agreement reached previously with the works council which, at the time, contained no union representatives; this also included unfavourable clauses such as envisaging 300 hours overtime per year.

Union membership grew to a height of 1656 members in 2014 and a density of 24 per cent in 2016. Membership was concentrated in the central metropolitan area of Budapest and in Pest, on average accounting for 77 per cent of all members in the 2014-20 period. However, membership also stagnated, despite the union's efforts to visit all units and to develop its social media profile. In some departments, such as logistics warehouses, it remained difficult to unionise workers due to high turnover and the presence of many non-local workers.

According to the KASZ-affiliated union representative (Interview 5.4), managers play an important role in the development of relations with the union: anti-unionism is not due to a company philosophy. In this respect, Hungarian managers were considered the worst. Company Z does not really assess how its managers deal with their employees as long as their sales numbers are good. The KASZ representative sought out and established contacts with representatives in the home country headquarters with a view to normalising union status in Hungary – which process seemed to go relatively smoothly (Interview 5.4).

Nevertheless, after the union was established and negotiations had started on its status and operation, management supported the idea of an 'independent' local union, not affiliated to the sector union, which the union representatives successfully prevented.

Collective bargaining has remained very difficult and conflictual. There is no collective agreement at the plant and annual wage negotiations often end without agreement; only in 2016 did the union succeed in reaching an annual wage agreement. In 2006, the year which saw the first attempt at wage negotiations, the union threatened a strike. It did not succeed in launching one, however, opting instead for protest actions which proved effective because of the company's sensitivity to its reputation. Company Z is

built on corporate responsibility and it launched PR actions accordingly. The union was able to exploit this, for example publicly asking how a socially responsible employer could fail to treat its employees well or pay them decent wages.

The local union cooperates with other unions in the company in other countries, especially via UNI Global Union, and is well integrated in the European Works Council which the unions have succeeded in taking over. The union has exchanged information and participated in solidarity support actions with local unions in Poland and Romania.

## **5. Conclusion**

In sum, union organisations have developed at enterprise-level in large MNCs but have strengthened unevenly. They have done better on a few brownfield sites and in companies with a cooperative attitude towards unions and collective bargaining, but in retail also in some initially hostile, but large, MNCs. In contrast, in the automotive sector, unions have not been able to establish themselves at all in companies on greenfield sites in depressed regions as a result of anti-union philosophies. Unions in automotives have fewer instruments to stabilise their relations than in retail.

MNCs in Hungary vary in their stances towards unions and collective bargaining. On greenfield sites, unions typically find less leverage, but company philosophy seems to matter too, as does the regional labour market. The legitimacy of independent collective employee interest representation, especially the validity of strike action, is challenged especially in automotives. MNC stances thus differ on sectoral lines. In effect, retail employers are more cooperative with unions and in collective bargaining than are those in automotives. This may be explained in that, especially since 2010, there has been a radically different attitude of the government towards MNCs in retail (constraining) and manufacturing (supportive), which also seems to have shaped the differing managerial attitudes towards unions and collective bargaining. Interestingly, strikes have been less common in retail but better relations seem to develop there following industrial conflict whereas in automotives strikes led to poorer relations.

In regions with higher unemployment and worse job prospects unions have been able to find less leverage and the means to counteract MNC actions regardless of sector. In regions with a more active trade union legacy and presence, union actions could modify, but have not been able radically to influence, company philosophies. The country of origin of companies does matter: management's familiarity with the institutions of works councils and unions in the home country has made it easier for worker activists to establish these institutions in Hungary.

Based on this limited number of cases, it seems that management stance also matters, but only as a secondary variable and more so in retail than in automotives. Furthermore, MNCs seem to prefer company unions over union organisations affiliated to sector unions. Management, at least in automotives, would rather deal with unions that are not able to strike or are hesitant to do so. Here, when confronted with a militant union, management may encourage the formation of more 'friendly' unions.

We have to accept that generalisations must be tentative in view of the small sample and because the research is limited to companies in which the largest sector union or its affiliated members were present. Nevertheless, the following three main factors emerge as dominant determinants of MNC stances towards unionisation and collective bargaining: company philosophy; type of investment (brownfield – with an ‘inherited’ union and collective agreements – as opposed to greenfield); and the regional location of the plant. In addition, three ‘secondary’ factors also appear important: country of origin of MNCs; sectoral differences; and management stance.

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All links were checked on 03.10.2022.

## Annex

### List of interviews

ID	Position / Organisation	Sector / Level	Date of interview
Interview 5.1	President / sector trade union	Retail, national	3 February 2021
Interview 5.2	Union official / sector trade union	Automotive, national	11 February 2021
Interview 5.3	Union official / sector	Automotive, regional	18 February 2021
Interview 5.4	President / local trade union	Retail, local	25 February 2021
Interview 5.5	Independent specialist / manufacturing	Manufacturing, local	25 February 2021
Interview 5.6	Union official / sector trade union	Retail, national	25 February 2021
Interview 5.7	President / local trade union	Retail, local	25 February 2021
Interview 5.8	Union official / sector trade union (retired)	Automotive, regional	1 March 2021
Interview 5.9	President / local trade union	Automotive, local	1 March 2021
Interview 5.10	President / local trade union	Automotive supplier, local	3 June 2021
Interview 5.11	President / local trade union	Automotive supplier, local	11 June 2021