

Hungarian unions under political and economic pressure

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1. Introduction

Among the post-socialist countries one peculiarity of the Hungarian model is the – so far – unique U-turn it has executed (Kornai 2015). In the political sphere this has meant a shift back from a pluralist democracy to a kind of ‘majoritarian’ regime. Although the regime enjoys democratic legitimacy through free elections, the current electoral rules and various practices of the incumbent government severely limit the chances of any opposition to challenge it. Additionally, the government favours a despotic governing style:¹ the elected government has been relentlessly centralising decision-making and side-lining opposition forces and social partners, save those who support its position wholeheartedly. The change in governing style has been accompanied by a statist and nationalist economic-policy turn and a shift from welfare to a workfare-based social policy (Tóth, Neumann and Hosszú 2012). In this chapter, we investigate the impact of the 2010 regime change and, more broadly, the economic and political crisis, as well as their impact on industrial relations and how major industrial relations actors, especially the trade unions, have responded.

In Section 3 of the chapter we analyse the sources of trade union power (following the model of Gumbrell-McCormick and Hyman 2013), highlighting the recent trends and current positions. From 2010 onwards centralisation of political and economic power also resulted in a break with established social dialogue practices, particularly national-level tripartism, the curbing of trade union operations by legislative means (by amending the strike law and overhauling the Labour Code) and state intervention that deliberately intensified the long-standing rivalry between trade union confederations. The government has chosen one or two preferred confederations (primarily LIGA and, to a lesser extent, MOSZ, organisations established on the eve of the political changes) and has neglected the other four allegedly Socialist-oriented ones. This trend poses the question of whether the U-turn will entail a return to the monopolistic union model, with a government-friendly union confederation.

2. Major economic policy developments since the start of the crisis

The crisis of the Hungarian economy began in 2006, when the European Commission demanded that the country meet the criteria of the Stability and Growth Pact. The government introduced a ‘stabilisation’ package in autumn 2006, which provoked a

1 On the despotic style of government see Montesquieu (1751/1989), p. 28.

recession. In early 2008 the economy had begun to return to growth. Nonetheless, autumn 2008 saw a deep crisis provoked by the worldwide credit crunch. Hungary had to turn to the IMF to avoid financial collapse. The IMF, in cooperation with the EU, demanded a 'stabilisation' package and the government obliged with cuts in welfare spending in the 2009 'reform' package. FIDESZ, the centre-right party then in opposition, rejected the reform package and promised the restoration of the welfare state, together with a state-induced new growth strategy. This promise was one of the main reasons for the support it then received from the majority of voters.

In 2010, after its election victory, FIDESZ declared that a 'revolution had taken place at the voting booth' and, crucially, that this entitled it to carry out a wholesale and profound re-organisation of the Hungarian state and economy, with the stated aim of replacing the failed model of post-transition Hungary. The political re-organisation of the state aimed to create a majoritarian democratic regime, in which the incumbent Parliamentary majority is entitled to create a strong government. The institutions created during the transition as checks and balances were reorganised and weakened, on top of which new, pliable leaders were nominated to run them. They were cadres of the governing party and could be trusted to follow the political line of prime minister Viktor Orbán. Re-organisation of the political system went hand in hand with reshaping the economy. The government thoroughly re-regulated and re-organised the economy within the possibilities afforded by EU regulations. This complex set of measures was labelled 'unorthodox' economic policy, as it mixed, on one hand, neoliberal measures, such as creating a more 'flexible' labour market and cutting back the welfare state, and on the other hand, measures to enhance the role of the state as economic actor and regulator of the economy at the expense of market freedom. We argue, however, that an underlying worldview – namely *economic nationalism* – explains the unorthodox economic policy measures.

The major directions of reorganisation were as follows:

- (i) A break with the IMF-sanctioned economic policy in order to pursue a state-led economic policy. As a political act this signalled to Hungarian voters the beginning of a new economic policy.
- (ii) Reinforcement of the role of the state as economic actor and regulator of the economy. The measures included scrapping the private pillar of the pension system, punitive taxes on the banking sector and selected service sectors, and imposing price controls in a number of key public utility sectors. These contributed to the stability of state budget and allowed the government to launch government sponsored re-organisation of the economy.
- (iii) Building up the domestic business class at the expense of foreign-owned firms. The government renationalised a number of key public sectors and eliminated the dominance of foreign capital in banking, in certain key public utility sectors and in retail trade. In addition, preferential treatment of certain groups of businessmen, known to be close to FIDESZ, helped to create their own business empires, mainly in sectors depending on government services and public tenders.
- (iv) Creating the most competitive economy in Europe for manufacturing and manufacturing-related business service firms, Most notably in this area the

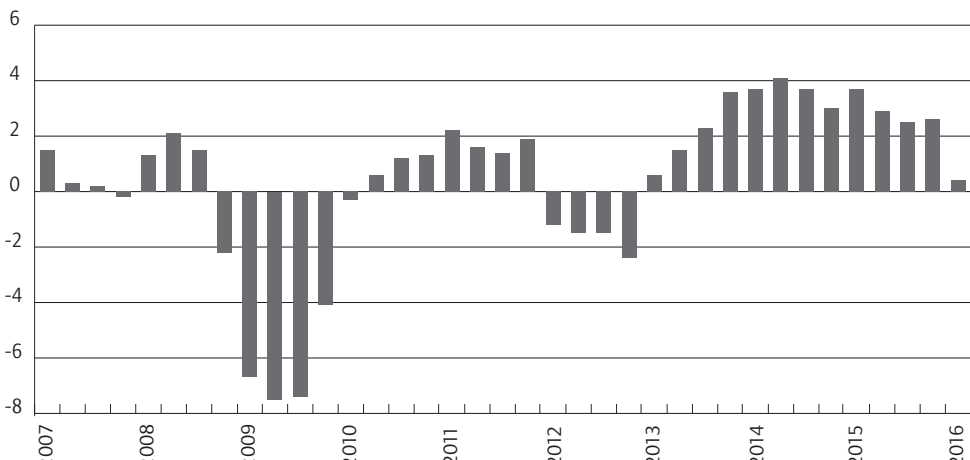
Labour Code was overhauled, with the aim of creating the most competitive and flexible labour market regulation in Europe. In its education policy, too, the government intends to serve the interests of manufacturing companies. The government also signed strategic treaties with major investors, mainly in manufacturing, to assure them that the government's sharp tone against 'foreign influence' would not harm their business prospects in Hungary.

- (v) A shift towards the model of a workfare state and to scrap the welfare state. In this area the most important measures were the reduction of unemployment benefit entitlement to three months and the introduction of compulsory public work for those whose benefit has expired and who have not been able to find a job. Other important measures provided tax reductions for working parents with children.

The reorganisation process was accompanied by a new economic slump in 2011 and 2012. This new recession and the difficulties arising due to reorganisation contributed to a new wave of protests by unions and civil movements, and also led to the formation of new left-wing political parties and protest movements. Nonetheless, FIDESZ manoeuvred skilfully through the recession period and fended off political contestation. The period 2013–2014 saw a consolidation of the new regime, accompanied by a return to economic growth. The 2014 general elections proved that the controversial and politically driven reorganisation of the economy had met with the approval of large sections of the electorate. FIDESZ gained enough votes to ensure another supermajority in the Parliament and continued its statist re-organisation of the economy.

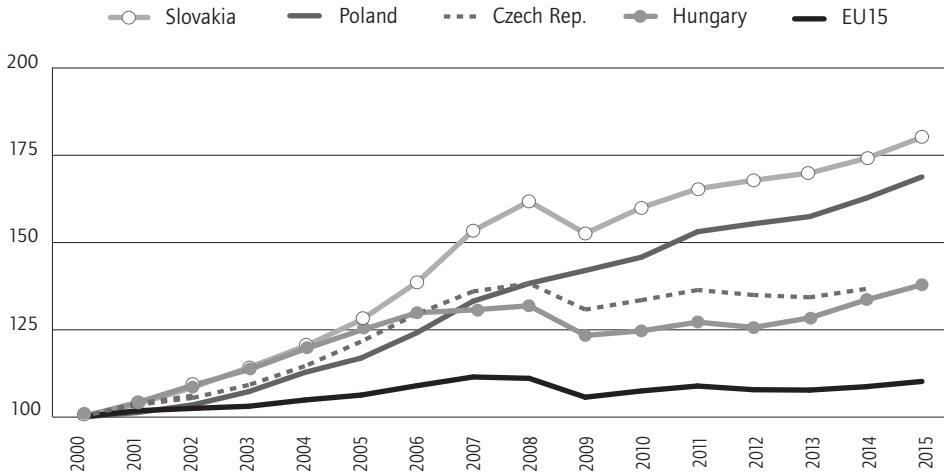
The economic impact of the new policies has been controversial. Economic trend statistics indicate that the economic development trend that began after the 2009 measures (Figure 1) had been halted by 2012–2013. Hungary's recovery from recession was also an outlier trend in the CEEC region (Figure 2).

Figure 1 **GDP growth, Hungary (2000-2014, %)**



Source: http://bbj.hu/economy/ebrd-revises-hungary-gdp-growth-forecast-upward_71775 and HCSO.

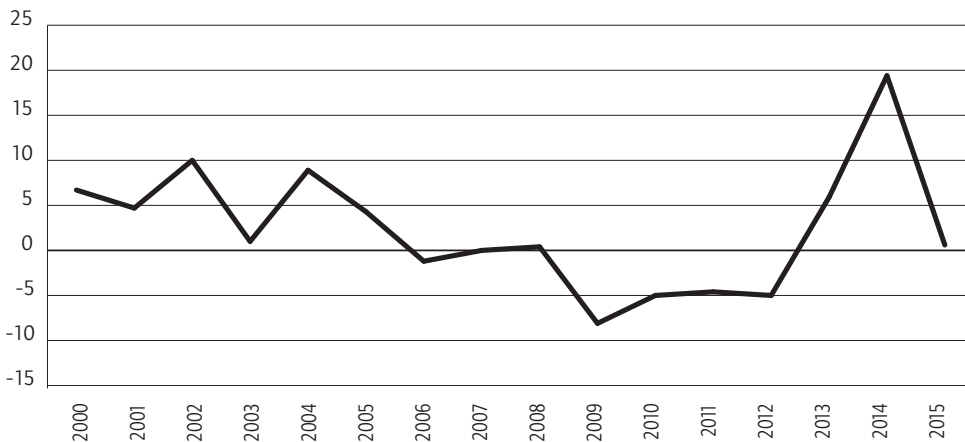
Figure 2 GDP growth in the V4 countries (2000-2014, %)



Source: http://bbj.hu/economy/ebrd-revises-hungary-gdp-growth-forecast-upward_71775 and HCSO.

The legal and economic instability caused by the punitive measures and legal uncertainties certainly contributed to the collapse of investment in the Hungarian economy by economic actors (Figure 3). The tide only turned in 2013, when GDP growth reached 1.1 per cent and picked up speed in 2014. Nonetheless, the main driver of economic growth was the use of EU funds. Apart from EU funding, each major investment project, such as the greenfield Mercedes plant in Kecskemét or the expansion of the Audi plant in Győr, and related investments of supplier companies, have provided one-off investment booms, but the trend of investment into manufacturing is more than troubling. No wonder that the fall in EU funding from 2015 onwards immediately translated into falling GDP growth.

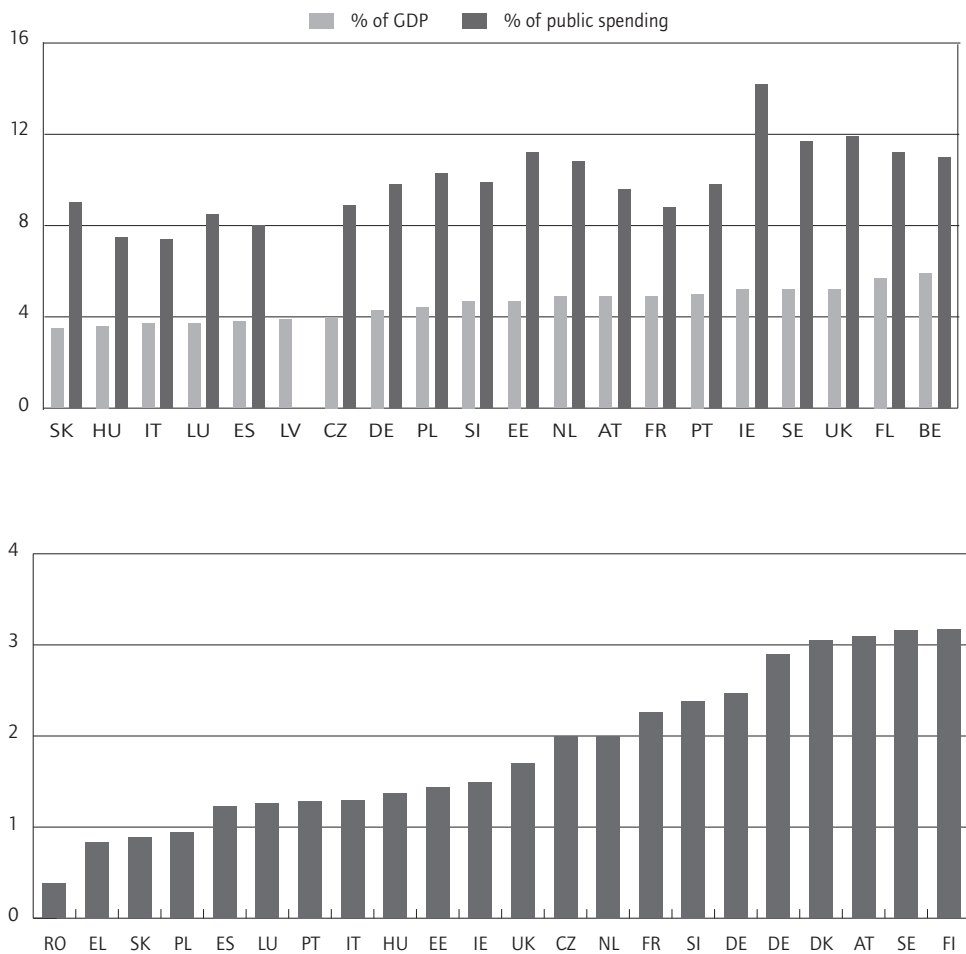
Figure 3 Investment trends in Hungary



Source: HCSO. – This source was given in the EXCEL file but is not mentioned in the references.

With regard to Hungary’s long-term competitiveness, one of the most worrying developments is the downward trend in public education. The Hungarian education system has not only undergone a government-inspired reshaping towards low quality vocational training (schools in which general subjects, IT skills and foreign language learning are missing from the curriculum), but this has been accompanied by cuts in the overall education budget. Hungary cut its education budget more drastically during the 2008–2009 crisis than any other member state. Unfortunately, the new government has not changed the trend, but has continued the cuts in the education budget. Partly related to the decline of tertiary education is the low level of R&D spending in Hungary, which is one of the lowest in the EU (Figure 4a, 4b).

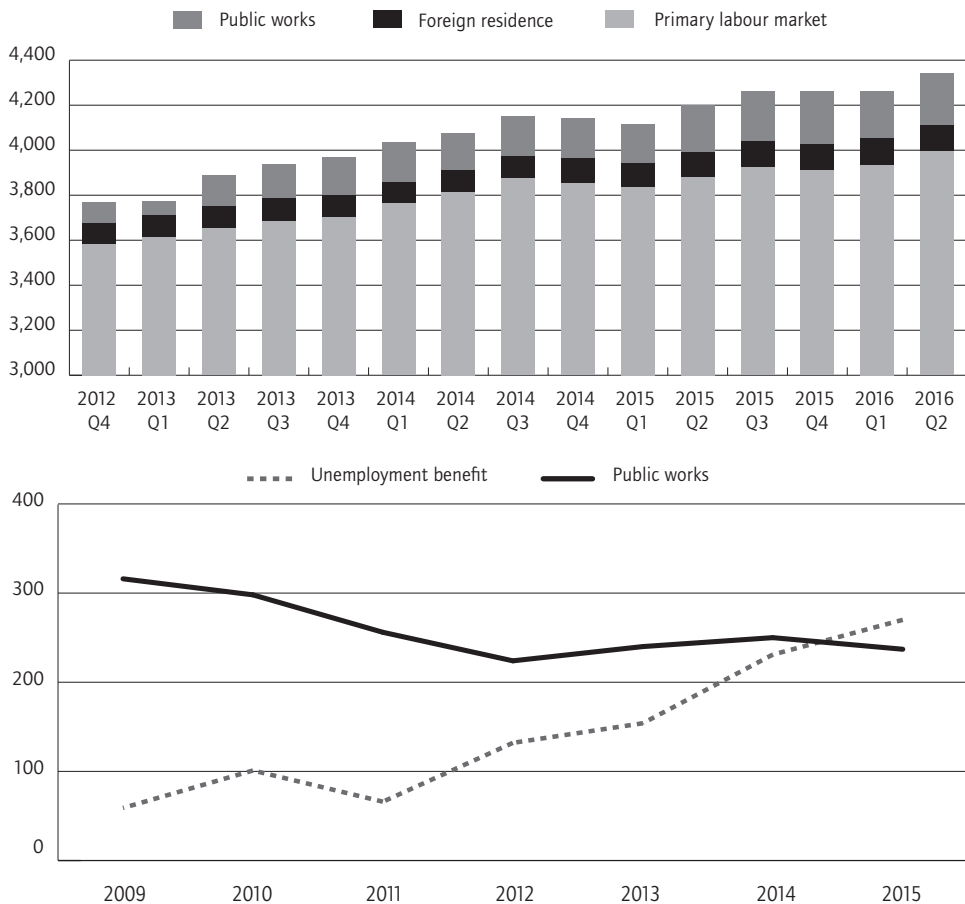
Figure 4a and 4b **Government expenditure on education and R&D as a percentage of GDP**



Source: OECD (2016); OECD (<https://data.oecd.org/rd/gross-domestic-spending-on-r-d.htm>; latest data available).

The labour market impacts of these policies are complex and controversial. In one hand, the expansion of public work schemes stabilised unemployment figures at a relatively low level within the European context. Nonetheless, the favourable overall figure is misleading on two counts. The bulk of the increase in employment is, in one hand, due to the large-scale public works projects funded by the state, which mainly substitute former welfare provisions and by no means lead to a return to the genuine labour market in most cases. Private sector job creation has been minimal and to a large extent dependent on state funding. On the other hand, in recent years Hungarian migration to the old EU member states has accelerated in response to the crisis and uncertainty in the Hungarian economy. Especially the younger, better trained and more entrepreneurial strata of the population migrate. Though outward migration has contributed to apparently favourable employment statistics, in the long term, especially the migrants do not return, this will harm Hungary’s human resource capacity (Figure 5a) and undermine the welfare state, especially the pension system in an aging society.

Figure 5a and 5b **Labour market statistics and welfare spending**



Source: Portfolio.hu; Index (<http://index.hu/gazdasag/2014/11/13/szocialpolitika/>).

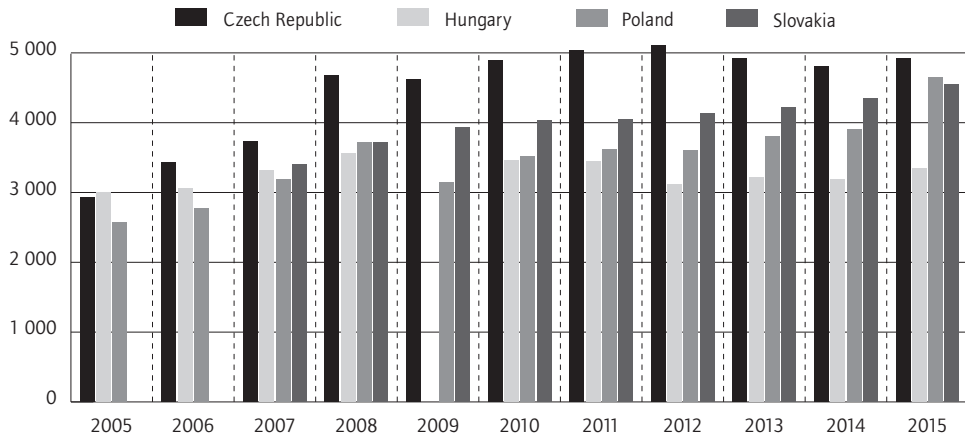
The cost of funding public works has already outpaced the welfare costs of unemployment (Figure 5b). The main concern in this respect is how the government's public works programme can be sustained as the economy slows.

From the trade union perspective government wage policy is of paramount importance. One of the key government measures was the introduction of a 16 per cent flat income tax. This in practice meant lowering the tax burden for high and middle class wage earners, while raising the tax level of low wage employees. The government tried to balance the negative impact of tax raises for lower wage strata by increasing the statutory minimum wage by 30 per cent. At the same time the government created a lot of jobs with sub-minimum wages through its large-scale public work projects. On the other hand the tax wedge for lower wage strata is one of the highest in the EU, which among other things has maintained the high level of undeclared employment, thereby hindering job creation in the business sector.

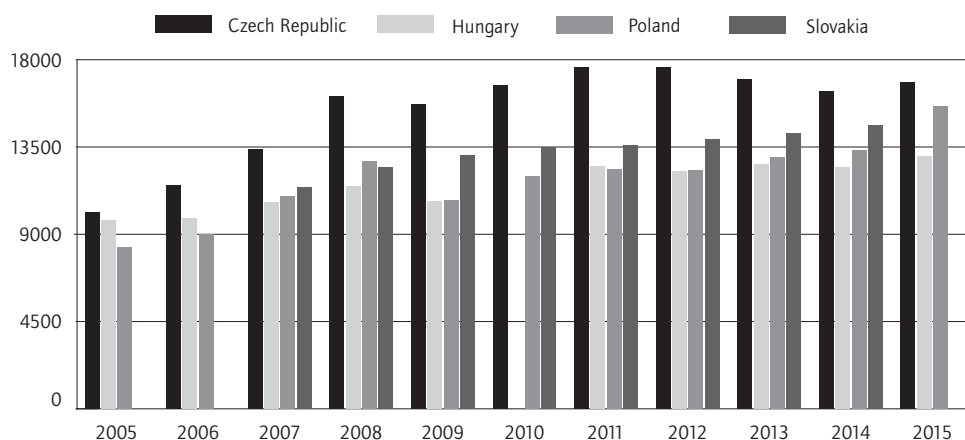
As far as net earnings are concerned Hungarian wages, despite regular huge increases in the gross minimum wage in a deflationary environment, have stagnated since 2010 due to the growing wage levies. The overall picture in Hungary is one of stagnating wages, poverty and lack of a future in many sectors. Of even more concern is the public perception of an apparent decline in Hungarian wages compared with those in neighbouring countries, such as Slovakia or Czechia. Figure 6 shows the changes in net earnings in two typical households: a young low-wage single person and a lower middle-class family of two wage earners and two children (Borbély and Neumann 2015).

Figure 6 Annual net earnings development in the Visegrad Four countries

6a Single person without children, 50% of AW (EUR)



6b Two-earner married couple, one at 100%, the other at 67% of AW, with two children (EUR)



Source: Eurostat (<http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>; <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>). Note: AW=average wage.

All these developments contributed to the stagnation of real wages – they are at about the pre-crisis level – but it is largely owing to the public sector pay freeze maintained since 2008. As regards the social impact, besides the persistently low employment rate, during the years since the crisis inequality has grown continuously and the poverty rate has risen alarmingly,² from 28.2 per cent in 2008 to 33.5 per cent in 2013. Government policies have not halted the upward trend so far.

In conclusion, we could state that the new policy of ‘economic nationalism’ (Tóth 2015) has to date done very little to revitalise the Hungarian economy. The private sector is still, perhaps even more dependent on FDI and strategic foreign investors, while the outsized state and state services are increasing the need to tax private business activities. All in all, the Hungarian growth and employment model has basically remained FDI-driven and export-oriented with strong manufacturing focus. However, within manufacturing Hungary has generally shifted towards the dominance of ‘low-road’ industries and workplaces by neglecting higher education and R&D activities. The public works projects and swelling public employment only mask the problem, but in the long term they are likely to contribute to a new fiscal crisis. The real concern is the return of a new bust after the end of this state-driven and EU-funded boom. Once, Hungary was praised as the country of ‘goulash socialism’, but now it is beset by crony-capitalism.

² The Gini coefficient measuring inequality of disposable income after taxes and transfers increased significantly (from 0.252 to 0.28) between 2008 and 2013. In Hungary the percentage of people at risk of poverty before social transfers is particularly high (27.1 per cent in 2012). Also high and growing is the share of severely materially deprived people (23.1 per cent in 2011 and 25.7 per cent in 2012). Social transfers have had some mitigating effect: the figures were 13.8 per cent in 2011 and 14 per cent in 2012 (source: Eurostat data).

3. Trade union power resources

As for organisational structure, the post-socialist Hungarian unions have traditionally been fragmented, with weak sectoral and national centres in terms of finance and authority over their company chapters. With the split of SZOT, the monopolistic socialist trade union centre, into four successor organisations in 1989–1990, the 19 sectoral federations also broke up into smaller industrial sub-associations. Partly due to new statutory requirements introduced by the 1990 Association Law (voluntary membership, representation of workers' interests as the objective of association declared in the charter of organisation, democratic internal structures and so on) and partly in response to grassroots pressure, the previous top-down model of administration was turned into a bottom-up structure and company unions evolved as the basis for governance within the 'reformed' union confederations as well.

Even though not all company trade unions are registered as independent legal entities, they do enjoy a high degree of autonomy in the sub-sectoral federations in terms of both shaping their company-level interest representation policies and controlling membership dues. Company trade unions were free to decide which federation they wanted to join. Instead of a clear hierarchy, this resulted in a complicated web of affiliations, which makes union organising, sector-wide union actions and sectoral bargaining extremely difficult.

3.1 Structural power

The economic changes during the transition in the 1990s hit unions hard at the workplace. With their formal rights curbed by the Labour Code (1992) and with their bargaining position weakened by a slack labour market, trade unions often encountered fresh employer militancy that sometimes used newly imported and sophisticated human resource management techniques to push them further back. Although by the end of the 1990s the consolidation of the economy brought about a growth in manufacturing employment and wage increases, unions have been unable to translate these improving conditions into a rejuvenation of their organisational base. Nonetheless, although company trade unions have survived in most of the larger privatised companies both in manufacturing and in public utilities, the industries that have remained union strongholds are those that remained in state ownership (transport, education, health care).

In Hungary, like the other post-socialist countries, the (economic) liberal post-socialist governments proactively reshaped the welfare state in order to pacify high-risk category groups and lower their collective action capacities and inclinations (Vanhuysse 2006). Indeed, when the country lost roughly 1 million jobs during economic restructuring in the 1990s there were few notable protest actions in the private sector or in privatised companies. During these years the government maintained almost fully the welfare provisions inherited from the socialist state. Moreover, it generously offered the escape route of early retirement for redundant workers (which later caused enormous problems in the pension budget) and 'sweetened the pill' by issuing free employee shares for those who kept their jobs in privatised workplaces (workers' participation).

We have already discussed the recent stagnation of the general employment and unemployment rates. What is new in recent years is the steeply growing outward migration, especially of the young and partly of the prime age workforce. Indeed, it entails skill shortages in certain trades, although unions have not been able to capitalise on the tight labour market. The only exception was the young doctors' action (see below), which resulted in a deal that raised physicians' and nurses' wages, separating their wages from the general salary scale of public service employees. For the rest of the workforce, however, particularly the low skilled, a labour surplus is the prevailing phenomenon, in which one cannot expect robust union action; even organising is minimal in the contingent workforce. A brand-new development is companies facing labour shortages voluntarily announcing sizable wage increases. The first notable example was Auchan, the Belgian owned supermarket chain, which reported that following negotiations with the company union, three-quarters of supermarket employees were to receive a 10 per cent raise from October 2015. The beginning of 2016 witnessed a wave of wage agreements with similar raises at major manufacturing companies exposed to the growing labour shortage.

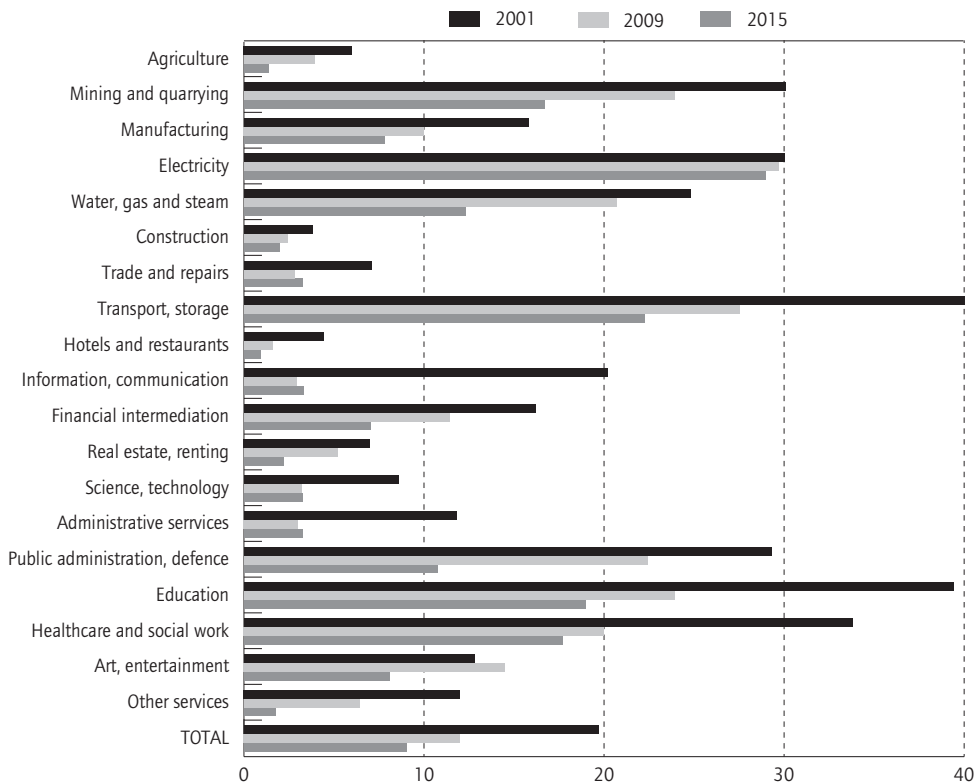
In general, *Hungarian unions represent the core workforce, not precarious labour*. This is striking, given that the share of fixed-term and temporary agency workers has been growing continuously in the past two decades, a phenomenon exacerbated during the recovery from the crisis. During the crisis, despite the decreasing importance of national-level discussions, company trade unions played an important role in fighting layoffs at certain companies. According to a case study, in order to preserve the jobs of the core workforce, trade unions were willing to bargain concessions in wages and flexibility, and often managed to reach agreement with the employer on partial compensation for loss of earnings due to shortened working hours. These accords basically served the job security of the core workers, sometimes on the expense of deteriorating the position of the contingent workforce (for example, agency workers, employees of supplying firms) (Neumann and Boda 2011). Labour economic research has found significantly lower than average redundancies in companies with a collective agreement (Köllő 2012). Temporary agency workers are hardly or not organised at all by the user company's union. Union representatives claim that temps cannot be organised as they are outside the legal boundaries of company collective agreements. This is true de jure, but the Hungarian legislation that transposed the EU's Temporary Agency Work directive requires equal treatment, including wages and fringe benefits, therefore indirectly – de facto – the user company's collective agreement is in force. It is very rare that company unions admit the real reason for non-organisation: the core workforce (represented by the union) considers temps a buffer contributing to their job security.

3.2 Organisational/associational power

Union density is now below 10 per cent. Official data from the Labour Force Survey are available for 2001, 2004, 2009 and 2015. The latest survey showed a 9 per cent overall density, with substantial differences across industries and workplaces with different company size and ownership structure (HCSO 2015). While the electricity industry (29 per cent), transport and postal services (22 per cent), education (19 per cent) and health care (18) are still trade union strongholds, while at the other extreme hotels and catering

(1 per cent), construction (2 per cent) and retail (3 per cent) are customarily barely organised. The strategically important manufacturing sector was also slightly below average with 8 per cent unionisation. Not independently of the sectoral distribution, unions traditionally fared better in larger companies and state/municipality-owned workplaces. However, since 2009 public sector unions have suffered the most serious drop in their membership. Teachers' union density has fallen by 21 per cent, unionisation in health care and social work has dropped by 12 per cent and by as much as 41 per cent in the water, gas and steam industry. The record high loss, however – 52 per cent – has occurred in public administration and defence, which was attributable to a decree of the Internal Minister which phased out the check-off system, that is, the automatic deduction of union dues by the employer. Labour Force Survey data support the results of a 2015 population survey on a smaller sample, which indicated a mere 5 per cent union density in the private sector (Dabis *et al.* 2015). Administrative data are also available for the public sector (without state/municipality owned companies and public works schemes), because unions have to report annual membership data in order to prove their representativeness in social dialogue forums. These data show a 25.5 per cent membership decrease between 2011 and 2014, which means a 19.9 per cent drop in the unionisation rate if we take the 8 per cent headcount shrinkage into account (Dura 2015).

Figure 7 Trade union density by industries (2001–2015)



Source: HCSO, various years.

The Labour Force Survey also allows the study of union membership in various demographic dimensions. While density is almost equal between women and men, age differences show an increasingly aging membership (with the highest unionisation rate, 12.2 per cent, above 55) and extremely low unionisation among the young (2.3 per cent under 25s). Concerning occupational distribution, there has been a remarkable shift towards white-collar jobs and now the highest unionisation rates are among managers and professionals (15 per cent). Accordingly, the higher the respondent's educational attainment, the higher the unionisation rate in their category. Naturally, the bigger the workplace, the higher the unionisation rate. Not so surprisingly, union density is lower among part-time workers (4 per cent) and those with a fixed-term contract (1 per cent) or employed through temporary work agencies (4 per cent). Nonetheless, one may doubt the accuracy of the latter data due to the small size of the sample (2,000 union members); they roughly show the trends of union organising patterns.

The organising activity of Hungarian unions has been very modest since the mid-1990s. (The exceptions are rare grassroots union formations and the greenfield sites of foreign companies, provided that the trade union or works council of the mother company ensured a permissive environment, notable cases being the two large German automotive plants, Audi and Daimler-Benz.) While theoretically the union leaders agreed on the necessity of an 'organising unionism' model, they generally argued that they cannot afford large-scale organising campaigns. Instead, most union leaders are convinced that enhancing union services to members (cheap mobile phones, union-organised holiday facilities, social events, financial assistance for needy members and so on) would be attractive for non-members. In this respect local union financial resources are decisive. The new Labour Code has substantially decreased support from companies. In the past 15 years or so the union confederations LIGA and, to a smaller extent, MOSZ have invented a new way of growing, poaching members from other confederations. In the spirit of 'economies of scale', they did not poach single members or challenge incumbent unions, but rather targeted whole sectoral organisations. With the right-wing electoral victory, from 2012 LIGA received huge state support, among other things, for organising purposes. Not surprisingly, it has kept on poaching large sectoral unions, which has further aggravated the long standing divide between confederations (Tóth 2013).

At both the confederation and sectoral levels, the main obstacle to an appropriate quality of interest representation is *lack of specialised staff*. Until the tripartite committees were up and running (that is, before 2010) trade unions had hardly enough experts to fill the available positions; the same people often participated in meetings that required very different kinds of knowledge and specialisations. Nowadays a confederation or an industry federation rarely has more than a dozen employees, except for LIGA, which has temporarily inflated its staff to 100 due to generous state support. Therefore the union centres persistently suffer from a lack of professional experts and organisers, which a few volunteers can hardly make up for. The available staff are obviously insufficient for organising and performing interest representation tasks in the strict sense, which in Hungary also includes assistance to company unions in decentralised bargaining.

The shortage of experts is the result of the trade unions' dire financial situation. In the decentralised union structure federations and confederations derive little benefit from

membership fees. Traditionally, union dues represent 1 per cent of a member's gross earnings, but many unions reduce this rate to attract members. Sometimes competing unions undercut each other with lower or even symbolic union dues. The majority of collected dues are utilised at company level and a substantial share is spent for assistance on occasions such as birth of a child, beginning of the school year and so on. Allegedly, members expect such union assistance because they became used to this function of local unions in the state-socialist period. Company unions in theory are supposed to transfer 40 to 60 per cent of the collected dues to higher union organisations, but in practice a smaller portion winds up in the union centres' coffers.

In addition to membership dues, in recent decades trade unions have raised revenue from two other sources: inherited or redistributed union assets (typically selling real estate) and grants from public funds. All the union confederations and a majority of sectoral federations have already consumed a large part of their assets. With extensive media coverage, they have sold their headquarters and moved their offices to smaller, sometimes rented premises. Plummeting membership, assets and collected dues forced trade unions to cut expenses and staff, including those doing the interest representation work. MSZOSZ, for example, laid-off the staff in its rural interest representation network in course of one of the 'rationalisation' waves.

Since the mid-1990s unions have increasingly become beneficiaries of public subsidies, although government support for social partners has thus far not been rendered transparently. Until 2010 public support was generally split equally between unions and employers' confederations and on each side the confederations distributed the money among themselves. The right-wing government from 2010 changed the system, which now favours one applicant only, a union–employer consortium (for details see below). These funds have sometimes been earmarked according to different functions, such as education, research, developing sectoral social dialogue and preparations for EU membership. Despite the earmarked nature of subsidies, it is very likely that union centres have been covering a growing share of their operational costs from government and EU funds.

Until 2013 mergers could be achieved at sectoral level only, where the old industry unions shrank and became unsustainable. However, in 2013 the three, allegedly 'socialist-oriented' union confederations announced a merger plan, partly in response to the government policy of abandoning them. To date, this has not been managed entirely, with the major public sector union left out from the full-fledged merger. They have thus been unable to solve one of the most serious problems, the long-standing public–private divide between the confederations.

As for the unions' *mobilisation capacity*, it has been the case since the 1990s that employees prefer a softer version of industrial action – petitions, public demonstrations, workers' assemblies and so on – to strike action, especially in the public sector. An innovative example of such soft action emerged recently among social care workers. They posted selfies on Facebook with a sheet of paper on which they listed their job position, length of service and the miserable sum of last month's take home-pay. The same lists appeared later pinned to their clothes during a public rally. In 2016

demonstrations continued in the public sector, although public demonstrations rarely reach the threshold that forces the government to take demonstrators' demands into consideration. Recently, only two mass demonstrations were able to show enough muscle to succeed, neither organised by unions. In 2002 students staged a series of rallies and occupied university halls against higher education reforms, while in 2004 an almost spontaneous mass demonstration condemned the plan to tax internet usage. In both cases the government gave in.

Under the new strike laws unions are in practice unable to go on strike due to the extremely high level of essential services laid down by law (the formerly strike prone public transport and postal services) and theoretically due to the rulings of labour courts. The latter impose effective bureaucratic hurdles on unions willing to go on strike. Moreover, a recent population survey showed that the vast majority of workers are not willing to go on strike, and a considerable part do not accept it as a legitimate means of union leverage, not to mention solidarity strikes (Dabis *et al.* 2015).

According to the statistics strike activity has been fairly low in Hungary. Between 2000 and 2009 there were 87 strike events with the participation of 172,255 workers (Hungarian Central Statistical Office). Roughly half of them occurred in 2006–2008 when the austerity measures were implemented by the increasingly unpopular socialist-liberal government led by Ferenc Gyurcsány. Not surprisingly, the figures have been even lower since 2010 when the strike law was changed. Between 2010 and 2014 there were altogether 20 precedents, of which six were warning strikes lasting two hours at most and one was a solidarity strike (Berki 2016).

Union leaders tend to explain the low strike activity by workers' insecurity, saying that they are simply afraid of losing their jobs in case of industrial actions or making their collective voice heard in any way (traumatised worker effect). Nonetheless, the social reasons are more deeply rooted in the lack of trust in unions, and more generally in workers' values, in which solidarity and willingness to partake in collective actions are played down. In addition to the everyday general feeling of political apathy, a couple of research studies addressed population attitudes to political and civil activity. According to the European Social Survey (EES), in Hungary active youth participation in political institutions is getting lower and lower. In 2000 one-third of respondents, in 2004 15 per cent and in 2012 only 6 per cent said that they were affiliated in any way to a civic, political, church-based or charity organisation, sports or cultural club and other community group. (While sport, student and leisure time organisations were the most popular, party and youth organisation membership was below the measurable level.) Civil society has thus been stretched very thin and over the time it is becoming even thinner. This is not a uniquely Hungarian phenomenon; the EES shows low levels of participation as a general feature among the 'new democracies'.

Union-party links are quite weak or even hidden. Following some unions' failure to ally with the Socialist Party in the 1990s and partly in the 2000s, nowadays all union confederations claim that they work independently of any political parties. However, during the crisis confederations' relationships with political parties also shifted. Although MSZOSZ, the major private sector union, and SZEF, the biggest public sector trade union did not break their traditional ties with the Socialist Party, it became increasingly

obvious that they had lost influence on the actions of the Socialist Party-led government. At the same time, the LIGA confederation became the tactical ally of the right-wing opposition. The socialist-liberal government's planned reform measures concerning mainly education and health insurance were rejected by the opposition led by FIDESZ. These reforms finally were cancelled through a referendum that was originally the idea of LIGA, which also staged a series of demonstrations against the austerity measures and threatened the government with a continuous strike alert among railway workers.

Nowadays the former socialist allies have to accept that they cannot rely on full support from any left-wing or liberal political party. This is partly understandable as even the Socialist Party, with its dramatically decreasing electorate support, aims to be a catch-all party, and thus unions and workers' issues can no longer get a privileged hearing. On the other hand, the two confederations (LIGA and MOSZ) obviously close to the governing party also claim to be independent, in an effort to disguise their privileged position. Particularly worrying is the far-right party, Jobbik, which has achieved substantial electoral success with its populist rhetoric and huge mobilisation capacity, which is ready to support and pick up unions' demands fast.

The political radicalisation of certain trade union leaders was a short-lived episode right after political change in 2011–2012. As already mentioned, during the economic slowdown civil organisations played the most important role among the forces intent on changing the government. The lack of credible democratic centre parties opened up the space for them. In 2011 civil organisations organised a series of mass demonstrations, for instance against the government's media regulation curbing freedom of speech. Shifting some of the unions' traditional focus from employee grievances to political demands was largely the result of the government's cancellation of social dialogue, implementing measures unilaterally and violating employees' interests. A notable example was that the government retrospectively eliminated the early retirement scheme of armed personnel and fire-fighters and their trade unions had no choice but to take to the streets (demonstrations, road blockades) because they were practically deprived of the possibility to strike. As an umbrella organisation of such radical unions, the Hungarian Solidarity Movement was established by a couple of union leaders. It staged huge street rallies together with the major union federations, but never received their wholehearted support (Neumann 2012). By the end of 2012 Hungarian Solidarity formally became a member of a civic umbrella organisation (Együtt 2014 – Together 2014), which later on converted into a political party running for the 2014 general election. However, with its electoral defeat in April 2014 the Solidarity Movement practically ceased to exist.

Despite the lack of clear-cut party alliances, all confederations are pursuing a sort of pro-European political strand, focussing on the European Social Model. This is not so obvious nowadays, as the Hungarian government is shifting away from mainstream European policies. It is waging what it calls a 'war of independence' against Brussels, trying to enlarge its room for manoeuvre, even at the expense of former allies, courting Putin's Russia and other autocratic regimes in the East. However, this does not mean that trade union confederations have openly condemned the government's anti-EU rhetoric. Instead, in the spirit of 'independence from political parties' they have remained silent on foreign policy issues. Pursuing such a neutral policy is more difficult

in relation to Jobbik, the far-right political party. Nonetheless, while in the 1990s avoiding partisan politics seemed to be a practical solution in order to prevent internal conflicts stemming from a politically divided membership, this internal policy has become less effective nowadays. On one hand, the far right has strengthened in terms of its electorate, including union members and even officials. On the other hand, Jobbik as a parliamentary party launches its own initiatives in labour-related issues or more often takes up union initiatives and offers alliances for lobbying. According to different confederation sources Jobbik MPs have actively sought cooperation with unions on such issues as the Labour Code, early retirement, re-legislation of student work and so on.

3.3 Institutional power

From 1990 the main features of Hungarian industrial relations were the *top-level tripartite negotiations* and *decentralised bipartite bargaining* in the private sector and state/municipality-owned companies. From 1988 the National Council for the Reconciliation of Interests (OÉT) provided the institutional framework for tripartite negotiations. Besides the consultations on major economic and social policy issues in the transition period, participation in the OÉT sessions with large media coverage was important to trade unions and employer associations, as it provided them with legitimacy as social partners. Among the functions of OÉT, minimum wage setting was particularly important for Hungarian unions, as it somewhat compensated for trade union weakness in sectoral and company-level bargaining. There were several years before the crisis when the minimum wage increase was far higher than the level that unions could successfully bargain at companies, especially in low-wage industries. In the heyday of tripartite institutions top-level negotiations somewhat substituted for the weak bargaining power of unions at sectoral and company levels.

In Hungary tripartism allowed the highest level of social partner involvement at the beginning of the 1990s, until the first major austerity package was introduced in 1995. Between 1998 and 2002 the first Orbán government reorganised the tripartite body in order to curb its competences, but the successor socialist government returned it to its original function and institutional framework. However, the socialist-led government later also weakened the OÉT when it established a parallel body, the Economic and Social Council (GSZT), which included civil society organisations, economic chambers and other organisations. With the landslide right-wing election victory in 2010 the second Orbán government eliminated the standing tripartite forum (OÉT) and replaced it with a quarterly convened consulting council which includes – apart from the earlier members of the GSZT – churches and ethnic Hungarians in the adjoining countries. The situation changed again in February 2012, when following the negotiations on the Labour Code (see below) a new tripartite body, the Standing Consultative Forum for the Competitive Sector and the Government (VKF), was set up to discuss employment issues on the initiative of the social partners. However, only three confederations on each side of the social partners have been invited to participate in this new body and its role and publicity are more limited than those of the former OÉT. It worth noting that so far VKF negotiations have yielded very few gains for trade unions.

The institutional and legislative changes were introduced by the government unilaterally, without any previous social dialogue and meaningful parliamentary debate with the opposition parties. (Some of them, for instance the amendment of the strike law, circumvented even the legal requirements of legislation, as the bills were submitted by MPs of the ruling party, a 'lawful' trick used so many times by FIDESZ, the current governing party, which had a super majority in the Parliament, anyway.) The only exception was the proposed amendment of the Labour Code, when trade unions asked expert opinions from international organisations (the ILO and the EU), which in the end led to negotiations with a limited set of social partners and the government was willing to make some compromises on a few issues. The trade unions, which had been used to having strong institutional power through the established social dialogue forums (most notably through the OÉT), immediately found themselves in an institutional vacuum, and they still seem to be reluctant to seek alternative channels for influencing government decisions (see below).

The unions are still doing their best to restore institutional channels – so far without any success. When the agreement on the 2014 minimum wage was concluded formally in the VÉT the government promised to open up negotiations on three issues that trade unions have kept on the agenda since 2010–2012, when the government unilaterally introduced the legislative changes already mentioned. Expectations were high at the beginning of a new round of negotiations with regard to early retirement, strike law and the Labour Code. The joint proposal of trade union confederations was completed by February 2015, but since then the negotiations have reached a deadlock. Basically, the government tends to agree only to proposals endorsed by the employers' associations. The latter agreed only a few marginal changes and so the unions declared the negotiations a failure. The bill finally proposed by the government does not include all the items the social partners agreed upon, for instance, the abolition of constraints on collective bargaining at state or local government-owned companies. In turn it contains a couple of minor amendments that have not been discussed with the social partners before. All in all, the changes in the Labour Code will be of little importance, while on the two other issues on the agenda (early retirement and the strike law) there will be no legislative changes at all.

The story of public sector social dialogue is slightly different. Here the social dialogue institutions formally remained intact, but negotiations have not led to increases in the general wage scale of public sector employees, frozen since 2008. (If there is any wage increase it is due to the regular annual minimum wage increase, which affects mainly low skilled public employees.) Instead, the government has engaged in selective negotiations with different groups with strong bargaining power and introduced separate wage scales and other incentives for these groups. A notable example is the case of young doctors. Similar to their Czech and Slovakian counterparts they threatened to resign and the government had to give in (Kohancová and Szabó 2015). In this way certain weaker groups (for instance social workers, elderly care nurses and so on) are systematically left out of wage rises and the government has successfully divided public sector employees and their unions. In 2016 there was a series of demonstrations and even strikes in the public sector, but trade unions have not really achieved anything in the prolonged negotiations with the government. In the social dialogue forums the

government has used the tactic of ‘surface negotiations’, to use the US term for such employer conduct, or as a last resort has announced unilateral decisions to promise certain groups small and staggered wage raises.

While under the state socialist system, almost every workplace had a company-level collective agreement, national and sectoral negotiations did not begin until 1990. Then Hungary created a three-tier system. In the course of the annual bargaining rounds, following the agreement and recommendations of the national tripartite forum, employers (or their organisations) could sign collective agreements with the respective trade unions at the sectoral and company levels. However, the company level remained dominant in the bargaining system.

Overall collective bargaining coverage fell between 2001 and 2012 from 47 per cent to 33 per cent.³ The highest coverage can be found in state/municipality-owned companies. While collective agreements are valid for several years (most of them are open-ended), annual agreements on wage increases are handled in separate wage agreements. There has been a dramatic decline in the number and coverage of annual wage agreements since 2001 in company-level bargaining. There are only 19 genuine industry-level agreements with employers’ organisations and despite the efforts of previous governments to strengthen industry-level social dialogue, there is no indication that the number is likely to increase. Within the framework of a lack of meaningful sectoral bargaining legally regulated extension procedures are rare; since 1992 this has occurred in only five sectors. The prevailing attitude of employers is still a reluctance to join employers’ associations or to authorise them to conclude industry agreements. Moreover, the 2012 Labour Code curbed unions’ rights and operating conditions at the workplace – which are very influential factors in a decentralised bargaining setting – and increased the scope of unilateral management decisions, which removes the previous ‘incentives’ for employers to conclude agreements at both sectoral and company level. The 2012 Labour Code authorised works councils to conclude quasi-collective agreements in the absence of local trade unions with bargaining entitlements, although these agreements cannot regulate wages. (A similar regulation was in force between 1999 and 2002 but only a few agreements were signed by works councils.)

The bargaining approach of Hungarian trade unions is largely inherited from the state-socialist era. The primary responsibility of trade unions is to develop a broad framework of working conditions. While they fight for higher wages, what they bargain for is to increase the gross wage bill at the company level, minimum wages for certain groups of employees (such as the unskilled and semi-skilled) or substantial wage increases for privileged groups of employees. Within this basic framework of collectively agreed wages and working conditions there are broad possibilities for management to make unilateral decisions based on the performance of individual employees, as well as to bargain informally with individuals and groups outside trade union control (Tóth 2006).

3 Data come from the compulsory registration of collective agreements. However, another data source, the Hungarian Central Statistical Office, produced much lower coverage figures: in the 2015 Labour Force Survey respondents were asked whether their workplace was covered by any collective agreement and only 21 per cent answered positively (although 22 per cent of respondents said they did not know).

The other contents of collective agreements are often weak, parts of them simply repeating regulations in the Labour Code. However, another – presumably smaller – part contains meaningful stipulations on relations between the signatories, statements on wages, terms and conditions of employment. This has proved to be fairly resilient. This is not just due to a sort of inertia; in these cases trade unions effectively bargained to mitigate the effect of the economic crisis and to ‘fend off’ the negative impacts of legislative changes. Therefore, the issues regulated by these collective agreements and their provisions remained almost unchanged. It is worth noting that the 2012 Labour Code fundamentally changed the legal philosophy of contractual deviations from the mandatory conditions: now the bargaining parties may agree upon anything that is not prohibited explicitly by the law concerning the individual employment relationship, even to the detriment of the employee. (The former Labour Code contained minimum standards and applied the ‘favourability principle’ – collective agreements and individual contracts might deviate from the legal minimum standards only to the benefit of the employee – and enumerated the rare exceptions for negative deviations.) However, in many cases even the management was moderate and took good relations with the union, human resource management objectives and the company’s reputation into consideration (Nacsa and Neumann 2013).

Thus the present Hungarian wage determination system, as well as the regulation of conditions of employment, is fairly decentralised and individualised by western European standards. Individual bargaining prevails and ‘supply and demand’ on the labour market is a crucial factor in setting wages. Little wonder sizeable wage differences across regions, industries and companies prevail. Contrary to western European experiences, decentralised bargaining does not mean that unions have a strong presence at the workplace; ‘job control’ unionism is alien to the Hungarian tradition.

The workplace presence of trade unions is controversial. Given the decentralised bargaining system, company unions enjoy great autonomy within the union organisation. However, as mentioned above, the contents of most collective agreements are fairly weak; they rarely regulate individual wages. Unions’ workplace presence has long been limited by another problem: the lack of established grievance procedures in the workplace. Furthermore, the 2012 Labour Code eliminated unions’ rights to monitor working conditions; theoretically, works councils were put in charge of ‘controlling’ the lawful operations of employers. With this legislation, together with other legislation curbing the Labour Inspectorate’s scope of action, unions are practically helpless in enforcing labour law and collective agreement stipulations.

3.4 Discursive power

Surveys on public trust in political institutions have always yielded a relatively low ranking for trade unions among different institutions. However, the TÁRKI (2103) survey found positive changes between 2009 and 2013, which were mainly attributable to the very low level of trust in 2009, amidst the political and economic crisis, especially in the government and political institutions. The 2010 landslide election victory of FIDESZ is reflected in the growing trust in direct political institutions, such as parties,

Parliament and government, while there was a relatively small change in the evaluation of trade unions. This is fairly understandable, as they work more independently of the government than many others in the list.

Despite the abovementioned general weakness of civil society, in public education a new civic movement emerged in 2016 with a major wave of demonstrations, strikes and civil disobedience. The actions were triggered by an open letter from a middle school headmaster in December 2015, which primarily attacked the extreme centralisation of the management of public education, the key element of the 'reform' pursued by the government since 2010, and basically demanded more autonomy for schools and teachers. Although teachers' demands focused mainly on professional issues, and salaries and working time were not highlighted on their agenda, it was obvious that the movement was born due to the dissatisfaction with the meager results of unions' ongoing negotiations with the government. It was a novelty that the teachers' movement addressed many general problems of public education and have gained support not only from parents and students but also from the wider society. The civic movement staged its major demonstration, still together with teachers' unions, on 15 March, a national holiday in Hungary commemorating the 1848 revolution. However, later on the cautious union leaders hesitated to support the unlawful actions of the teachers' movement, which indicated the unions' difficulties with the challenge posed by the social movement. The government completely neglected the teachers' position and basically maintained centralisation with only minor changes, but owing to this movement a new discourse was born, with some prospect of shifting the way in which unions formulate their positions on education.

In retrospect, trade unions have often suffered from a lack of the appropriate terms in which to formulate their positions. From the crisis onwards, austerity packages and labour law reform plans have been presented by the government mostly with the straightforward support of employers' associations. Thus trade unions have been squeezed into a defensive position and they are generally made to look as if they are complaining about a 'lost paradise'. Even if they formulate their own proposals or demands, they rarely get through in the media. Such trade union initiatives either do not reach public attention or not backed by sufficient arguments. Both shortcomings apply to the recent 'living wage' campaign conducted by several confederations. Challenging the government wage policies mentioned above, the campaign basically aimed at raising the minimum wage to the level of the subsistence minimum for a single person household. Despite the campaign's efforts, the in-work poverty issue was confined to a couple of meetings organised by the trade unions themselves, occasionally together with their allies in professional circles and the Friedrich Ebert Foundation. Unfortunately, on most of the employment-related issues on the government agenda trade unions have no robust standpoints or lack the expertise necessary to elaborate them. For instance, trade unions were practically silent during the profound reforms that introduced a dual system of education into vocational training and higher education initiated by the government and the Chamber of Economy and Trade. Even on issues raised by the unions, professional preparation of the proposals is meagre. This was the case, for instance, with the early pension schemes negotiated on a tripartite basis in 2016.

In the public sector, union demands are often formulated in the language imposed by the government. Here wages are lagging so far behind private sector wages that the very livelihoods of families are endangered, as so cleverly illustrated by the abovementioned 'selfie' campaign. However, in the unions' statements every group of public sector employees demands a 'career path' for themselves, which merely takes over – and thus is taken over by – the government's language, which refers to regular promotion across wage brackets over the lifecycle, which has already occurred for a selective set of public employees: as if employees needed some sort of vague promises for the future, not an immediate wage rise ...

One recent union initiative demanded men's universal early retirement possibility after 40 years of service, similar to the government measure introduced in 2010 which allowed the same possibility for every woman. Considering gender equality the Curia (the highest court in Hungary) has given the green light for a referendum on this issue. However, it is a very controversial question. On one hand, it is a very popular move, so much so that not only the two biggest union confederations but also political parties (the Hungarian Socialist Party and Jobbik, the extreme right party) have joined the initiative. The enthusiasm of trade union confederations was understandable; they had seemingly found the remedy for the long-lasting deadlock of negotiations with the government on early retirement schemes, which were abolished even in physically demanding and dangerous jobs and in the armed forces in 2010. Moreover, the unions may have found a cause to which the general public will pay considerable attention. On the other hand, it was obvious that fulfilling the demand would endanger the sustainability of the state-run pension system, already burdened by demographic changes and widespread undeclared work. Not incidentally, the government was swift to announce that if the referendum succeeded the costs would be covered by cuts in existing and future pension payments. Obviously, the government tried to divide pensioners and would-be beneficiaries of the initiative. The final development (in September 2015) on this issue was that right-wing civil activists petitioned the Constitutional Court to annul the Curia's decision, referring to the principle of the positive discrimination of women ensured by the Basic Law. Finally, the Constitution Court was swift to do so in an extraordinary procedure. Despite the fiasco and all the controversy surrounding the motion, this was the first action of the newly elected president of MSZSZ, the merged confederation, which managed to grab media and public attention.

4. Outlook

As we have indicated, one option was the return to a single, monopolistic, government-friendly union confederation of the kind characteristic of the state socialist period. The other five confederations have publicly blamed LIGA for poaching their member organisations, but this was a belated effort, failing to address the real problem, namely the government's favouritism. Thus the intended message hardly came through and the oppositional union forces were unable to halt this process. However, it was an open question how the LIGA would operate, for example, whether the confederation president's authoritarian style would have repercussions in the old member organisations that had been used to a different style of confederate leadership. This new

phase got under way in November 2015 when the media splashed the scandal affecting István Gaskó, LIGA president, arising from his conflicts with one of the biggest member federations, VDSZSZ Szolidaritás, a railway union. Moreover, there were palpable signs of diminishing FIDESZ support for Gaskó; presumably the ruling party was no longer satisfied with his 'efforts' to develop a monopolistic union structure. Then the conflict between the president and the member organisation escalated, and finally Gaskó was forced to resign in January 2016. At the time of writing (May 2016) the newly elected leadership was promising to rebuild the confederation, which is in deep financial difficulties, and its first efforts indicated a willingness for joint actions with other confederations.

The 'Socialist-oriented' union confederations in opposition are having to fight for their very survival. What are their strategic choices? In this respect it is crucial what the outcome of the current union merger process will be. Will there be a long-lasting effect of the current mobilisation in the public sector and will unions be able to cooperate with civic movements successfully? Will they be able to strengthen the organising drive by entering into non-union companies (perhaps by using the leverage of mandatory works council elections as they used to do in the early 1990s), or addressing new constituencies, first of all the precarious workforce? In a decentralised bargaining system the latter should imply the development of a more inclusive bargaining strategy offering certain gains for workers not belonging to the core workforce. Another issue is whether they will be able to address broader social problems (in-work poverty, minorities issues, education reforms at various level, the pension system). Although such actions have already emerged on the agenda of the newly merged confederation, the question is whether it will be able to develop them into sound actions reaching a broader constituency. In turn it is very likely that we can exclude one option: the politicisation of Hungarian unions. This is partly because there is no viable left-wing alternative political party, partly because of the spectacular failure of the Hungarian Solidarity Movement (which tried to organise a civil organisation and union-based political opposition to the right-wing government in 2010–12) and partly due to the preferences of the membership and leaders which are trying to keep the movement away from political parties.

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All links were checked on 16 March 2017.