The ‘reform’ of collective employee representation in Hungary

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Prior to the new Labour Code: new regulation of strike and elimination of national tripartism

• 2010: Amended strike law on essential services
  – In the lack of agreement the labour court shall establish the level of services – otherwise the strike is unlawful. However, labour courts are unable to do so…
  – New sectoral laws on essential services, especially in the formerly strike-prone public transport

• 2011: The government abolished the national tripartite council which set the minimum wage and had consultative rights prior to legislation
  – No institutional framework left for consultation on the new Labour Code
Empirical research on implementation of the new Labour Code

Research commissioned by LIGA Confederation
- 16 case studies at companies with organisation of LIGA
- Biased sample: unionised companies only, mainly medium and large ones, overrepresented state ownership

• The research recorded the first reactions only - transitory solutions
  - Interviews: October-November 2012
  - State of the art of collective agreements (13 companies)
    • Transitory agreement was concluded, characteristically on compulsory changes (5 cases)
    • Major overhaul of collective agreement is scheduled for 2013 (7 cases)
Workplace role of trade unions

- Hungary: union pluralism and dual channel representation (since 1992) at the workplace
  - Dominantly decentralised (company level) collective bargaining, sectoral agreements are rare
- Legislative changes to curb unions’ workplace influence:
  - Re-regulation of representativity (the right for concluding collective agreements)
  - Deteriorating of unions’ working conditions
  - Curbing trade union rights at the workplace
  - Possibility of quasi-collective agreements concluded by the works council
  - New regulations on the scope of collective agreements
Re-regulation of representativity

• Earlier regulation: works council elections served as a measure of the unions’ strength. Special rules for craft unions
  – Aimed at forcing unions co-operation in a pluralistic setting
• New regulation: any union is able to negotiate if its membership reaches the threshold of 10% of all employees. No special rules for craft unions
• Research findings:
  – Craft union dropped out (Engine Drivers’ Union)
Decreasing number of legally protected representatives

• The number of protected representatives was not limited earlier. Now: 2 to 6 persons, depending on the number of employees at the establishment

• Collective agreement may deviate from the law – except for state owned enterprises
  – But in the majority of the cases the management insists to the law, they considered the former number of reps excessive

• Massive decrease once the current mandates expire
  – Range of changes: 8 → 1, 32 → 5, 668 → 24, 110 → 6
  – Predicted impact on trade union operation: representatives will be able to take up fewer grievances, especially at smaller companies. Difficulties in recruiting representatives
Decreasing time-off for union activity, ban on pecuniary compensation for unused time-off

- Collective agreement may deviate from the law – except for state owned enterprises
  - But in the majority of the cases the management insists to the law, according to them unions misused this possibility
- However, unions rather complain due to the ban on compensation – source of union finance
  - This revenue was commensurate with union dues
  - Outcome: less union meeting, education, recreational activity and support for needy members
Curbing trade union rights

- Local unions mostly complained due to the abolition of their veto power, which in certain cases suspended the implementation of the given measure
  - All unions viewed this as a great loss, even if it had a symbolic importance at the given workplace
- They also complained because of the lost trade unions’ right for monitoring working conditions. (This became the right of works councils)
- Earlier both trade unions and works councils were informed and consulted according to the I+C directive, now only works councils have such rights.
Changing role if works councils?

• Formally strengthened roles:
  – It might conclude a ‘works agreement’ - if no representative trade union at the workplace. However the ‘works agreement’ can not have stipulations on wages.
    • Similar regulation in 1999-2002 resulted in few ‘works agreements’ only
  – Monopoly position in monitoring working conditions and I+C rights according to the framework directive

• Regulations for weakening works councils
  – Legal protection became limited to the chairperson.
  – Abolition of sanctions for non compliance to I+C rules
New regulations on the scope of collective agreements

• Collective agreements do deviate from mandatory regulations to the detriment of the employees, they increase
  – probation period (up to 6 months)
  – reference period in working time accounts
  – penalty paid by employees for careless behaviour

• However, at companies owned by the state or municipalities collective agreements can not deviate from mandatory regulations on notice period, severance pay, working time and issues of industrial relations
  – Compulsory 8 hour daily working time excluding lunch break.
    Extreme difficulties at workplaces with continuous operation
  – New hurdles for uniform sectoral collective agreements and extension to non-signatories (different regulations for private and state owned companies)
Decreasing wages due to the new law

• So far wages have decreased at 5 cases and definite danger of falling wages at further 4 cases (with the expected renegotiation of collective agreements for 2013)

• Causes of wage drop (empirical findings):
  – Most frequently and to the highest extent due to the decrease of mandatory shift bonuses
  – Decrease of overtime (due to the more flexible organisation of working time, increase in daily working time)
  – Decreasing „absence wages” for paid holidays, time-offs and notice period
  – Hourly wages decreased in state owned companies due to the extended daily working time
Conclusions

- Wage drop means that beyond numerical flexibility, employers also make use the offered wage flexibility
- Certain groups of workers suffer from it most, especially those undertaking shift-work and overtime
- In societal terms: manual workers, unskilled workers, low-wage workers… Entails increasing wage inequality
- Flexibility was the buzzword, but there was a hidden political agenda to weaken unions
- In theory a part of the legal changes affecting unions are negotiable, however, in practice unions bargaining power was not enough to preserve their position at the majority of companies