Reforms and Social Dialogue – Hungarian experiences

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Structure of the country report

• Economic, political and social dialogue (institutional legacy) background
• Highlighted reforms (from legal and social dialogue perspectives):
  – Temporary measures under the crisis (2008-10)
  – Amendment of the strike law, legislation on essential services (2010)
• Conclusions, further scenarios, policy recommendations (?)
Economic-political context

- **Financial - economic crisis**
  - 2006: Financial (sovereign debt and currency) crisis, austerity measures mainly in the public sector and state run pension system
  - 2008-10: FDI driven and export oriented economy was hit hard by the European crisis (2008: 6.7% drop in GDP, 11% unemployment rate)

- **Political changes**
  - 2010: Landslide right wing election victory, ‘illiberal’ state: centralisation of control and decision making and curbing autonomies

- **New economic policy**
  - Prefers national capital to MNEs in certain sectors (banking, utilities), but remains FDI driven in manufacturing
  - Supports ‘re-industrialisation’ by abundant cheap and flexible labour (wage restrain, workfare - cuts in social benefits, unemployment benefit and ALMP -, reorientation of education from universities to vocational training, etc.)

- **Slow recovery from the crisis**
  - By 2014 reaching the pre-crisis level, 7 % unemployment but mainly due to large scale public works schemes and outward migration
Social dialogue institutions developed before the crisis (-2006)

• Decentralized collective bargaining
  – Few sectoral agreements, rare extension procedure
  – Local agreements: low coverage (~ 30-40%) and week contents
  – Low unionisation, lack of employers’ interest for bargaining, especially at sectoral level

• National level tripartite negotiations
  – Since 1988, consultation on a wide range of policy issues, agreements on setting the Minimum Wage, a plethora of bodies (e.g. public sector branches)
  – Exposed to government’s will to negotiate (political cycles, suspended in austerity periods)
  – „Illusory corporativism”, however it somewhat substituted week union power at lower level
Social dialogue under the crisis (2006-2009)

- Maintaining formal tripartite negotiations on government’s austerity and crisis measures
  - Subsidies for loss in wages due to shortened working hours, preventing redundancies, training, etc.
  - Temporary changes in the Labour Code
- In the meantime weakening the role of tripartite institutions
  - Setting up a parallel forum (Economic and Social Council) with inclusion of other than social partner actors, Constitutional Court ruling eliminates co-determination functions
  - Bipartite economic policy consultation between the government and the of the business sphere
  - Strengthening business lobbying outside the tripartite forum
- Resilient company bargaining
  - Concession bargaining for job security of the core workers, sometimes on the expense of deteriorating the position of the contingent workforce
Social dialogue under the right-wing government (2010-)

• Elimination of the former tripartite forums
  – At national level replaced by a quarterly convened representative consulting council, including many other than social partner members

• Unilateral decision making on reforms (strike laws, public sector employee relations, etc.)
  – One notable exception is the Labour Code: in 2011 compromise in a few issues with selected trade unions, following the intervention of ILO and EU

• 2012: a new tripartite body was set up
  – Standing Consultative Forum for the Competitive Sector and the Government, with weaker consultative functions, no publicity, no institutional support
  – Ongoing negotiations on the revision of the Labour Code, strike laws and rules of early retirement
Possible value added of the interviews?

- Translation and adaptation of the interview questions, pilot interview
- Institutional changes and social dialogue events are relatively well-known, well documented → not to repeat common knowledge
- Selected interviewees:
  - Representatives on negotiations from trade unions, employer associations and government officials (less accessible)
- Interview focus (value added to our knowledge?)
  - Personal evaluation of the developments
  - Accounts on the events in which the interviewee participated
  - Non-public actions and events (lobbying, informal meetings, background agreements)
  - Effects and side-effects of the reforms
Thanks for your attention