

Reforms and Social Dialogue – Hungarian experiences

Attila Kun – László Neumann

DIADSE project meeting, Amsterdam, 24th June 2015.

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)
 - Overhaul of the Labour Code (2012)
- 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 restraint, 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 weak 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 weak 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