Reforms and Social Dialogue – Hungarian experiences

Attila Kun – László Neumann

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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