

Lajos Héthy

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Workers and trade unions in Hungary
during the period of transformation
1989-1998**

Budapest, 1999

“Strengthening Trade Unions in Central and Eastern Europe”
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THE AUTHOR

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UNDER PRESSURE: WORKERS AND TRADE UNIONS IN HUNGARY DURING THE PERIOD OF TRANSFORMATION (1989-1998)

Lajos Héthy

I. POLITICAL & ECONOMIC TRANSFORMATION

1. The decade of rapid transformation

In Hungary the decade between 1989 and 1998 saw rapid political and economic transformation. Most of the institutions central to the nation's pluralist democracy and market economy emerged, private ownership became the norm, and the country's integration into the globalised world economy progressed at a swift pace.

The most active shapers of the emerging new conditions have included not only the national governments in office, political parties and legislators, but also workers* and their trade unions, as well as employers. The ultimate outcome of the process is still less than certain and most probably will not correspond with the conditions prevalent in certain – otherwise quite different – countries that are widely considered “ideals”, such as Austria, Germany, and Sweden. Even the beginning of the process in Hungary cannot be accurately pinpointed. What can safely be said is that the move towards a market economy and pluralistic democracy did not begin with 1989-90 – although, as elsewhere in the region, these two years were of utmost importance and spurred profound changes in the economy – but most probably much earlier, with the economic reform process introduced in 1968, or with the 1956 revolution. The drawing of distinct dividing lines has been anything but easy with respect to the decades since 1956, given the absence of sharp historical breaks, whether in the form of a “bloody” or “velvet” revolution.

Indeed, it might be said that Hungary's political and economic transformation has been marked by a singular blend of continuity and change. The past decades and the present days of workers – and their trade unions – can be characterised by their efforts to have their impact felt on the changing conditions and to adapt, with or without success, to the newly emerging world.

2. Transformation, stabilisation and globalisation

The historic task faced by workers, unions, and the country in general has been much more complex than often assumed. It was not “only” and “simply” to create a market economy and a pluralistic democracy, but to adapt to their conditions.

Since the 1970s macroeconomic stabilisation has been a continuous item on the nation's agenda – with the consequent accumulation of a hefty international debt – coupled with efforts to restructure and modernise an underdeveloped economy. Restructuring has been followed up by the shrinking of entire sectors (e.g. the metal industry and mining) and by the dynamic expansion of new sectors (e.g. telecommunications, financial services, and the automotive industry) accompanied by rapid technological development – in particular, computerisation. Successful stabilisation measures have included the so-called “Bokros package” – named after the then-finance minister – of 1995-96, after several unsuccessful attempts in the context of the “stop-and-go” economic policies pursued since the mid-1980s. Stabilisation still has a way to go, say some analysts. Similarly radical measures seem necessary if the country is to proceed with the prolonged and unavoidable restructuring of its social security system.

* The term “workers” as used in the present paper, in line with the ILO's terminology, means employees. The concept of “transformation” is preferred by the author to the much-used alternative, “transition”, based on the assumption that both the points of departure and arrival in the process of change are visible.

At the same time, Hungary must overcome its economic backwardness not in the world economy of the seventies, but in the globalised world economy of the present day. After the collapse of Comecon and the Warsaw Pact, some people harboured the illusion of “absolute” national sovereignty. It soon became clear, however, that international determinants, spelling both opportunities and limits, continued to bear a strong influence on government policy. Expectations by the UN, the International Labour Organization, not to mention those by the IMF and the World Bank (both present in Hungary by the 1980s) have been complemented by new obligations - namely, those stemming from Hungary’s accession to the Council of Europe, the OECD, and NATO. Last but certainly not least, as Hungarian membership in the European Union has come into focus on the horizon, EU integration efforts have surmounted all else.

Hungary’s integration into the globalised world economy is not simply an “external” determinant, but part of its “internal” reality. As a result of privatisation and the penetration of FDI in the 1990s, multinational companies have become dominant players in the economy, with a key role – beyond their economic importance – in technological development, in the dissemination of new forms of corporate structure and methods of management, and in the improvement of workplace standards and discipline. It has been estimated that multinational companies generate as much as a quarter of the nation’s GDP and a third of its exports.

Maintaining competitiveness, not to mention attracting and keeping FDI, is a serious challenge not only for Europe’s new market economies and their governments, but for their workers and trade unions. Liberalisation of the labour market, a natural consequence of market liberalisation in general, tends to increase the vulnerability of workers. High unemployment and new, flexible forms of employment – offering less protection for the labour force – have increasingly characterised the process. Growth in real earnings has yet to catch up with improvements in productivity, while social benefits keep shrinking from their former, relatively generous levels.

For Hungary, for its workers and their unions, the “shock” of political and economic transformation and stabilisation, to which they were subject in the 1990s, has been readily followed up by the “shock” of globalisation.

(The major economic indicators of the 1990s are shown in Table 1.)

3. More freedom – with less protection

The central theme of Hungary’s paternalist – so-called “socialist” – regime was its tendency to limit individual and collective rights while offering the quasi compensation of job security and safe living standards, albeit on a low level relative to that in the West.

The political changes of 1989-90 were accompanied by democratic rights people had earlier been deprived of, including key political rights – that to freely elect representatives and so have an influence on the legislative and governing process – that touched directly on labour rights as well; hence came freedom of association (e.g. the right to freely organise trade unions), free bargaining, and the right to strike. To promote their implementation, in accordance with international labour standards, a Strike Act was passed in 1989 and a new Labour Code was adopted in 1992.

Hence before long Hungarian workers enjoyed all those rights that had been available to and exercised freely by their Austrian and German counterparts, for example. At the same time, economic transformation and stabilisation brought with it a declining GDP, not to mention worsening unemployment and living standards; in these respects the workers of Hungary lagged dramatically behind their European Union counterparts. (According to reports by the Integration Strategy Work Group, industrial labour costs per accomplished working hours in 1995-96 in Hungary were one-tenth the level of respective costs in the western parts of Germany and 1.5-3 times lower than in Greece and Portugal.)

In effect this state of affairs appeared to signify a “devaluation” of the nation’s freshly obtained democratic rights. A good many people – not least those in the majority, the workers – were now convinced they had acquired these rights in vain, as it were; for the rights themselves could not prevent the depreciation

of living standards and in some respects, social status. In principle, however, and hopefully also in practice, it seems possible that more freedom be coupled with more protection for workers.

Workers' organisations – namely, trade unions – constitute an institutional guarantee to this end.

II. THE METAMORPHOSIS OF LABOUR

1. Workers' positions: employment and wages

The economic transformation Hungary underwent between 1990 and 1997 saw its officially registered workforce dwindle by one and a half million, from 5.47 million to 3.97 million. Since 1997 only slight changes have occurred on this front. (Table 2)

In 1997 the almost four million people classified as “employed” – a rather broad statistical category – in fact included not only full-time employees of active working age, but employed retirees and those who'd retained their jobs on paper but were off the regular payroll for an extended period (e.g. those receiving maternity or child-care benefits) as well as those whose public service obligations precluded regular employment (e.g. those performing compulsory military service). The category also included owners of sole proprietorships and small businesses (including those in agriculture; if registered with the tax authority, that is), their employees, family members assisting in the businesses, and temporary help. Within this group, the number of those employed was about 2.5 million in 1998, this based on the statistics of enterprises with more than 10 employees. Others classified as employed were workers in micro undertakings (less than 10 people), private entrepreneurs, their employees, and assisting family members.

From among the 1.5 million workers who “disappeared” after 1990, some 0.8 million became economically inactive although they were of active age. The number of students rose by about 100,000; the number of pensioners, by 150,000. Approximately 400-500 thousand people ended up in the state's unemployment statistics (i.e. as “registered” unemployed). In 1990 unemployment was still low, with 24,000 jobless workers. After a peak of 700,000 in 1993, unemployment stabilised between 300,000 and 400,000. The number of employed retirement-pension recipients decreased from half a million to 110 thousand. All in all, the increased number of economically inactive people has reversed the ratio of earners and non-earners, so that at the end of the nineties it stood at 2:3.

In terms of real earnings, the financial positions of workers deteriorated dramatically between 1990-98. Real earnings, following up the trend of the previous decade, kept declining year by year. Workers suffered the most significant drops on this front in 1991 and 1995-96. Exceptional years of growth were only 1994 and 1997-98, when real earnings turned upward.

Minimum wages have consistently lagged behind the cost of living, as has the even more depressed minimum level of unemployment benefits. The practice of employing people at the minimum wage while rounding out their pitiable on-paper earnings with under-the-table pay has become so widespread that the number of those who are in fact paid the minimum wage can only be estimated. Of workers whose wages are reported as being at the minimum wage, it is believed only 20-25% are actually paid at this level. The major motivation behind this phenomenon is to elude taxes that would otherwise cut so deeply into earnings as to bear significantly on the living standards of many.

Given their close links to the shadow economy, it is also difficult to gauge the actual financial positions of private entrepreneurs – the self-employed, that is – and those whose livelihoods depend on them. The presence of a vast shadow economy raises general doubts about the reliability of official income statistics. There is every reason to believe that this murky spectrum of the nation's economy has provided at least partial compensation for the losses in “official” real earnings among several groups of workers. Hence it has been functioning as a “safety valve” of sorts in easing social tension.

Toward the end of the decade, in 1997-98, the deterioration of the financial positions of workers seemed to have arrived at an end. This is indicated by the following factors:

- The employment level stabilised in 1996-97 and the number of unemployed continued to decrease. The national jobless rate of 7-8% in 1998 was in fact lower than the European Union average. However, the employment rate among workers in the age group of 15-64 years remained 53-54%, close to that of those EU countries with the weakest economies.
- The growth of real earnings restarted in 1997-98.

It seems probable that workers have already pulled through the hardest stage of the transformation period.

(For data on earnings and minimum wages, see Tables 9 and 11.)

2. Differentiation of employment patterns

The decline in employment – brought on by both increasing unemployment and by inactivity – and in real earnings has affected the major sectors of the economy, branches of industry, and geographic regions in different ways.

Shifts in the number of employees among the major sectors of agriculture, industry, and services have favoured the last among these. In 1997 the share of the services sector in the nation's employment picture was 59%, compared to 46.4% in 1990. In 1997 the share of industry was 33%, down 3% from 1990; the farm sector employed only 7.9% of all workers in 1997, while in 1990 its share was 17.5%.

Relative to the other sectors of the economy, a shrinking of employment levels occurred in agriculture and forestry as well as in trade, due partly to the massive development of private undertakings. Mining suffered similar losses, its labour force reduced by two-thirds between 1992 and 1996. A similarly sharp decline occurred in construction, while the reduction of the labour force was more moderate in manufacturing, 20-25% from 1992 to 1996. On the contrary, public infrastructure and utilities – transport, the electric energy and gas industries, heat and water supply, postal services and telecommunications – were much less affected by this process. The same held true for public services such as education and health care. Meanwhile, employment levels increased in public administration, social security, and in financial services.

Employment declined sharply in northeast Hungary, while the capital and areas west of the Danube – namely, the primary targets of FDI – retained their relatively advantageous position.

Real-earning drops strongly affected the business sector, primarily those companies and activities with strong ties to the former Comecon markets. The vast majority of job losses also occurred in this area. Real earnings declined sharply in public services as well, albeit this sector still featured relative security of employment. As for wage structures, in the business sector financial services were on top, while electric energy, gas, heat and water supply, transport and telecommunications retained positions higher than the national average (as well as their relative security of employment).

In the business sector, the remuneration of non-manual work – primarily managerial activities – was upgraded, in line with international patterns, and justifiably so. This development was most welcome, as it put an end to a trend established over decades that had overestimated the value of manual work. Contrary to economic rationality, the ideological considerations that had reigned under communism held that manual labour, being “productive work” and resulting in “economic wealth”, should be remunerated in accord with all other work.

As of yet this positive development has, however, been limited to the business sector – that is, to professionals engaged in private-sector business activities. Far from decreasing, the gap between the business sector and public services – which employs a large number of highly qualified professionals as well – only increased. This was especially true of two key branches of public services: health care and education. The unfortunate trend, contradicting international patterns, could squarely be attributed to constraints on the state budget. This situation cannot, and should not, be maintained in the long run.

(There were two exceptional years, 1994 and 1997, when earnings grew in the public services at a rate higher than those in the business sector.)

As for employment and earnings, the capital and western Hungary, given their relatively dynamic development, have been in an advantageous situation. On the real earnings front, the “winners” of the last decade have been the expanding yet still small group of highly qualified professionals – primarily managers – in the business sector, while those in virtually all other positions were among the “losers”.

(For employment and earnings by sector, see Tables 3 and 4.)

3. Private employers and new forms of employment

Employment patterns in the business sector have shifted markedly, in line with changes in ownership and organisational structure.

By 1997, the private sector employed 60% of the economically active labour force. In 1989 this rate had been only 10%.

While public services continued to account for one-fifth of the nation’s workforce, state-owned companies and co-operatives (e.g. agricultural) saw their share decrease dramatically.

- In 1997, a large number of employees had jobs in “micro undertakings” (i.e. the smallest of small businesses) as defined by official statistics, those employing less than 10 people. According to December 1997 data, of the 720,000 businesses in Hungary that were actually functioning (as opposed to those registered but inactive), about 697,000 (97%) were micro enterprises.
- In 1997 the number of sole proprietors was 722,000, including those engaged in such business alongside other jobs or full-time employment, and those employed by business organisations that were not legal persons. (Pensioners accounted for about one-tenth of this group.)
- Legal and illegal (i.e. unregistered) forms of employment got mixed up.

In 1998 “micro businesses” (less than 10 people) employed nearly one million people; “small businesses” (10-49 employees), 360,000; and medium-size companies (50-249 workers), about half a million. Their share in total employment was about 50%.

The legal framework of employment also underwent considerable change during the 1990s, as follows:

- The “employment relationship” (i.e. the relationship of employee to employer) as defined in labour law – in the Labour Code in the business sector and in other pieces of legislation in state administration and the public services – remained predominant.* In Hungary, this normally means full-time employment for an indefinite period.
- More flexible, “cost-saving” forms of employment meanwhile became more common. These include employment for set periods of time, as well as work done in the scope of business contracts and contracts for services, as based on civil law rather than on labour law.

According to a 1997 survey by the National Labour Methodology Centre (OMMK), about 33-40% of employment in the business sector was already covered by (legal) arrangements of the latter sort.

* Under the Hungarian legal system, “labour law” refers collectively to three acts: a) Act XXII of 1992, on the Labour Code, which regulates labour issues in the business sector; b) Act XXXIII of 1992, on the Legal Status of Public Servants, concerning the operation of publicly financed budgetary institutions without official authority; and c) Act XXIII of 1992, on the Legal Status of Civil Servants, concerning the operation of publicly financed budgetary institutions with official authority. The armed forces are covered by separate legislation.

The major motivation beyond these developments was employers' interest in finding more flexible forms of employment and to reduce the costs involved (including those stemming from termination of employment).

Employers in Hungary must pay heavy "contributions" after the earnings of full-time employees to both the social security and the unemployment insurance funds. Labour specialists thus deem the shifting trend in the legal framework of employment an "employers' escape hatch" from under the constraints of labour law.

The influence of these developments was felt primarily in the business sector, where no strong legal obstacles existed to prevent the substitution of labour contracts with civil law contracts apart from the Labour Inspection Act; and employers, exposed to market pressures, were highly motivated to reduce labour costs to improve and maintain competitiveness. Such practices were also explained by the large number of micro and small enterprises, where the performance of certain specialised or auxiliary activities could not be realised in the framework of the traditional employment relationship.

In public administration and the public services – for example, in education – legal limitations were imposed on the development of such practices.

In conclusion, the decades-long practice whereby the employment relationship in most cases meant full-time employment for an indefinite period of time, seems to have arrived at an end.

4. Just how vulnerable are workers?

The nation's rising jobless rate contributed to the deteriorating positions of employees and their unions. A worker who can be replaced at any time by an employer who turns to a substitute from among the mass of unemployed is in a vulnerable position. However, this statement is true only of those workers hard-pressed to meet employers' quality requirements; for at the same time, a shortage of skilled labour has created better conditions for some groups than before.

The vulnerability of workers was heightened by the changes in the ownership and organisational structure of businesses. The new private owners, employers, and managers – unlike managers of the former, state-subsidised "socialist" enterprises who had been socialised to be tolerant with workers – have proven extremely strict. This pertains less so to restructured, state-owned or privatised big companies or multinationals, but more to small and medium-size enterprises, whether in Hungarian or foreign hands. (Cases of violations of trade union rights have occurred at small and medium-size companies owned by foreigners, and have been much debated in the mass media.)

Mechanisms of legal protection for workers and their unions were improved by the Labour Inspection Act (1996) and by the strengthening of the labour inspection authority.

Individual entrepreneurs, performing work activities on the basis of business contracts – i.e. on the basis of civil law – cannot be deemed "workers" or "employees" in the classical sense and so are not on the trade union agenda. Indeed, they miss out on the protection of labour law in general, including collective contracts. Most are in a position of absolute legal dependence on their employers (i.e. the person commissioning any given contract).

In a sense, they are victims of the illusion that unemployment can be avoided by individual entrepreneurship, borne largely of the economic constraint that has seen so many turn to this route to earn a living. Further, in many cases not only individual proprietors but companies employ workers illegally, in the shadow economy; and these "employees" have no legal or trade union protection whatsoever.

5. Who are the organised workers?

The decline and restructuring of traditional forms of employment as well as the transformation of its legal framework – not to mention the related restructuring of wage and income positions – have affected trade

union membership, the positions of unions and their confederations, and not least, their financial foundations. Losses and restructuring were the order of the decade.

What has happened can in my view be summarised as follows:

- With the ceasing of the political pressure that had reigned in the communist era on workers to belong to trade unions, the earlier – nearly 100% – level of unionisation could not be maintained. Hence a natural decline in union membership ensued.

Trade union members nowadays are recruited primarily from among employees, while those in other categories of labour, such as self-employed private entrepreneurs, their employees and assisting family members, as well as temporary workers, are either left out in the cold for lack of a trade union or else have their interests represented by their own organisations.

Also, those who were earlier employed but lost their jobs have also fallen out of the trade union scene. They are now unemployed or inactive, or else work in the shadow economy.

- Employees, who constitute the backbone of trade union membership, have seen the organised representation of their interests undergo a profound restructuring in the wake of the restructuring of employment patterns and of production.

As a result, formerly strong trade unions – e.g. in mining, construction, commerce, and certain branches of manufacturing – suffered serious losses, while others, primarily unions at public utilities and in public services, have retained their sound positions.

The latter are dominated by ASZSZ (Confederation of Autonomous Trade Unions) and SZEFC (Trade Union Co-operation Forum), and in certain segments, by MSZOSZ (National Confederation of Hungarian Trade Unions) and the “League”, or the Democratic League of Independent Trade Unions. The League had the shrewd instinct to try organising workers in the public utilities and public services.

The overlapping presence of several trade unions is typical in these sectors. For example, unions belonging to three confederations – MSZOSZ, ASZSZ, and the League – have all been active at the Hungarian State Railway (MÁV).

Public utilities and public services offer trade unions the biggest opportunity to exercise pressure in Hungary’s present-day economy, as the functioning of these sectors touches upon the whole workings of the national economy and of society. As apparent, a railway strike or an action in the electric energy industry may spell serious trouble and costs for employers, not least because the public-at-large feels the impact as well and so the issue is political; while similar actions in the manufacturing sector register relatively limited effects.

Employees in the public services are well organised, but their opportunity to exercise pressure is much more limited than that of their counterparts at public utilities. (Among other reasons, this is explained by their direct dependence on the state, whereas the utilities that serve the public have been privatised over the past decade.)

- Employees at big companies constitute the backbone of trade union membership in the business sector. As in most European countries, the “white spots” are micro, small, and medium-size enterprises, whose number continues to grow.

Further, trade unions at big companies, whose workers enjoy relatively good earning positions, have the most solid financial foundations.

III. TRADE UNIONS AND THE NEW CHALLENGES

1. Trade union confederations and their membership

Six trade union confederations are active in Hungary. They have constituted the workers’ side of the table – the workers’ negotiating group – at the Interest Reconciliation Council, a regular forum where union, employer, and government officials have sought consensus on labour and economic policy issues; and they represent workers at all organisations and institutions where such representation is prescribed by legislation. These confederations are as follows:

- 1) **Confederation of Autonomous Trade Unions (ASZSZ)**
Primarily represents the interests of chemical and public utility workers. Through 21 member organisations, it has 220,000 individual members.
- 2) **Confederation of Professionals' Unions (ÉSZT)**
Active in the public sector (higher education and research). Through 10 member organisations, it has 95,000 members.
- 3) **National Confederation of Hungarian Trade Unions (MSZOSZ)**
Operates in both the public and the private sectors, yet primarily in the business sector. Through 72 member organisations, it has 720,000 members.
- 4) **National Association of Workers' Councils (MOSZ)**
Operates in the business sector. It has 240 local and 20 branch organisations, with 70,000 members in all.
- 5) **Democratic League of Independent Trade Unions, or the "League" (LIGA)**
Represents the interests of its members in both sectors. Through 127 member organisations, it has 98,000 members.
- 6) **Trade Union Co-operation Forum (SZEF)**
Serves to protect the interests of public servants and civil servants. Its individual membership stands at 530,000.

The six confederations differ vastly in their history, size, coverage, political affiliations, and so forth. Most are looked upon as "traditional" or "old reformed" – or, to use a more pejorative political term, "successor" – unions, having their roots in the past; that is, in the monolithic national trade union confederation active in the communist era, SZOT (National Council of Trade Unions). This pertains especially to MSZOSZ and SZEF, which were built from organisations that had belonged to SZOT. The backbone of ASZSZ – namely, the Chemical Workers' Union – also belonged to this grouping. Each of these confederations still boasts a membership of several hundred thousand each, while the others take pride in one hundred thousand members at most (the League, MOSZ, and ÉSZT). Among the latter, the League and MOSZ are looked upon as "newly formed" unions, having no roots in the nation's former political system. As for the coverage of the union confederations, MSZOSZ covers practically the whole of the business sector, ASZSZ is strongly established in the chemical industry and at public utilities, while SZEF is predominant in public services (the Health Workers' and Teachers' Unions being its major pillars). Others are limited to one or two sectors (e.g. the League to public transport and education, ÉSZT to higher education and research).

Trade unions have been subject to repeated tests aimed at legitimising their representational claims (elections to the autonomous authorities that ran the social security system's Health and Pension Funds, 1993; elections to the Works' Council and Public Servants' Council in 1993, 1995, and 1998.) Their total membership (as reported by themselves) was about 1.7 million in 1996 (i.e. about 40% of the total number of employees in Hungary.)

While there exist a limited number of non-confederated trade unions, there are no trade union confederations with significant support that are not part of the Interest Reconciliation Council.*

2. Not only survivors, but active players

A major achievement of Hungarian trade unions is that they have not only survived the last decade and have adapted successfully to the new conditions, but have also registered impact on the development of the "new world".

* In the first half of the 1990s there existed two further trade union confederations, which – after a brief appearance – have disappeared from the industrial relations scene: Szolidaritás, named after Polish Solidarity, was present in the IRC for a brief period; and KESZOSZ, the National Association of Christian Social Trade Unions, participated in the 1993 elections of the authorities that ran the social security system.

Hungary followed neither the Czechoslovak model, where old trade unions were dissolved, nor the Polish model, where the new, alternative Solidarity became an equal rival of the old trade unions. The old unions in Hungary, those affiliated with the former SZOT, remained predominant after essential reforms and retained a remarkable degree of support among workers. In addition, tripartite practices have secured an important role for them in public policy formulation and implementation.

The explanation for these developments can in my view be found primarily at the very start of the transformation of the trade unions, back in the 1970s.

Even under the nation's second freely elected government (1994-98) – a coalition led by the Socialists – various “experts” oriented by ideological bias accused trade unions of playing a “transmission belt” role, handing down the government's political will to workers and so representing government policies at the expense of worker interests. In reality, Hungarian trade unions had abandoned this role as early as the 1970s. Instead, a double function was defined, this being extremely new at the time in the region: to “promote the building of socialism” while “protecting worker interests”. In a more up-to-date formulation, this came to mean the integration of a responsibility toward the national economy with the representation of worker interests, which in the present day could be the creed of any modern trade union in a market economy. It should be noted, however, that the representation of worker interests was effectively limited under the previous political regime, given the dependence of organised labour on the ruling Hungarian Socialist Workers (i.e. communist) Party.

The elimination of these limitations, brought about by the political changes of 1989-90, did not find organised labour unprepared.

3. Challenges the trade unions have faced

- 1) New, “independent” trade unions were organised in 1989-90 as “alternatives” to the old unions and to SZOT in the fresh atmosphere of freedom of association. The major open (or tacit) objective of these new unions was to replace the existing bodies of organised labour, which they considered illegitimate and lacking the genuine support of workers. Nonetheless, the League and the Workers Councils – together with other, now forgotten government-supported trade union initiatives – failed to meet this objective. At the same time, MSZOSZ, ASZSZ, and SZEF, perceiving the threat to their existence, embarked on reforms promoting the democratisation and decentralisation of their internal structures – a process resisted by an oversized trade union bureaucracy.
- 2) Under the conservative government in office from 1990-1994 – the first freely elected government in more than four decades – the ruling political parties, the legislation they pushed through, and the new, “alternative” trade unions all tended to regard the old, reformed trade unions as the last “bulwarks” of communism.

In summer 1991 Parliament approved two memorable and much-debated trade union laws, one of which became a source of contention between the government and the largest trade union confederation, MSZOSZ. Act XXVIII of 1991 obliged the unions to declare their assets, which were then sequestered and transferred to a provisional trade union body (VIKSZ) until redistribution could be arranged on the basis of relative support as demonstrated in planned trade union elections. In this provisional trade union body, the two new union confederations – the League and the Workers' Councils – and MSZOSZ had one seat each, while the remaining unions shared just one seat. MSZOSZ refused to heed certain provisions of this law, labelling it politically discriminatory and unconstitutional.

In 1992 the six trade union confederations arrived at an agreement as to the (partial) redistribution of union assets, and an agreement was achieved between the government and the parliamentary parties as well on testing the genuine support unions enjoyed among workers, and so their legitimacy. The elections of the authorities that governed the social security funds, and of the Works Council and Public Servants' Council, in 1993 – held in a political atmosphere ever more hostile to the conservative government – resulted in the reinforcement of the predominance of the old, reformed unions in the organised labour scene. Further Works Council and Public Servants' Council elections – in 1995 and 1998 – generated similar results.

Political pressure by the government of Prime Minister József Antall (1990-94) saw the old union confederations built up out of their “ruins”.

Between 1993-1998, MSZOSZ, not least because of its predominance in the social security authorities – acquired the leading position among workers’ organisations.
(See Tables 5 and 6.)

The Interest Reconciliation Council, which achieved national importance after its key role in settling the nationwide blockade of roads and bridges by taxi- and lorry drivers in October 1990, helped reinforce the positions of the old trade unions. The government engaged in serious negotiations with trade unions and concluded important agreements within the council’s framework.* Despite political-ideological reservations, the Antall government thus tacitly accepted the old, reformed unions as legitimate partners.

- 3) The capacity of trade unions for effective participation in public policy formulation on the national level has been limited by their ability – or rather, inability – to co-operate smoothly over the past decade.

The 1990-91 confrontation between the new and the old trade union confederations – originating both from conflicting interests and emotional aversions – was to flare up again and again in the coming years.

The conflicts around the trade union laws of 1991 initiated by the Antall government and supported by the new trade unions were put on ice by the agreement on the (partial) redistribution of trade union assets in 1992. It was a generous settlement for the new unions and a positive gesture of sorts on the part of the old ones, primarily MSZOSZ. However, conflict, or at least tension, reappeared among the confederations in 1996-97 when the sticky question of just what proportion of workers each confederation represented was put back on the agenda; this was done to establish the relative participation of unions in the decision-making of the workers’ negotiating group in the Interest Reconciliation Council. Once again the two new confederations, the League and the Workers’ Councils, faced off against the four others – MSZOSZ, SZEF, ASZSZ, and ÉSZT.** The re-establishment of the authorities governing social security – with some members to be delegated by the national trade union confederations based on an agreement between them – became another source of discord, causing tension even between MSZOSZ and SZEF

The tension between the national confederations has had negative reverberations even at those few enterprises where local unions affiliated to various confederations were to be found. A recent and sombre example was the lack of co-operation among the railway unions in the collective bargaining process, which led to a (partial) strike in January 1999.

In the Interest Reconciliation Council, however, the confederations have maintained at least a minimum degree of unity. Indeed, it was provided by the so-called Trade Union Roundtable and later, the workers’ negotiating group.

- 4) In national politics and in labour relations per se – both at individual enterprises or within given sectors – the unions’ natural partners, whether adversaries or allies, are employers and employers’ associations.

Trade union positions have not been reinforced, but rather weakened, vis-à-vis the government and the workplace by the fact that employers’ associations over the past decade have survived an early stage of self-organisation. Given that economic processes have fundamentally transformed employer groupings, this is not surprising. The employers’ negotiating group was formed by nine employers’ associations or organisations declaring themselves as such. They represented special interest groups, big and small businesses, co-operatives, and sole proprietorships, many of which did not have, or had only limited, contact with trade unions. New groupings of employers – partly by their own decision, partly due to the resistance of other employers in the IRC – were absent from the tripartite body, such as multinationals, banks and insurance companies and big public utility companies, although they had links to the employers in the IRC.

While there has certainly been some positive contact between trade union confederations – MSZOSZ and ASZSZ – and employers’ associations, this has failed to develop as yet into regular co-operation.

* In November 1992, as a result of pre-legislative consultations, an important package agreement on income policy was achieved in the IRC. This affected the course of legislation on the central budget and on taxation for 1993.

** The League and the Workers’ Councils protested against the utilisation of the results of Works Council elections as the major criteria for defining the relative degrees of union representation.

(There has been only one example in the IRC of an informal agreement between unions and employers, yet practical problems hindered its implementation.)

- 5) Trade unions made efforts again and again to define their relations to politics – to the political parties, to Parliament, and to the governments in office.

In the period 1990-94 the Workers' Councils and the League seemed to have found political allies in the Hungarian Democratic Forum (MDF), the then-governing party, and the SZDSZ, the liberal Alliance of Free Democrats, then in the opposition. (Both parties helped prepare the 1991 trade union laws.) Since 1994 MSZOSZ leaders have obtained seats in Parliament on the ballot of the Hungarian Socialist Party (MSZP), the ruling force in the 1994-98 government led by Prime Minister Gyula Horn.

Such open political affiliations have in my view caused more tension between trade unions and between political parties than produced positive dividends for the unions. The presence of union leaders in the parliamentary benches of the Socialists seemed to have no positive impact – from the perspective of the unions – on the work of either Parliament or the government. Rather, it has only contributed to the persistent silent suspicion of the past decade that can be found in most political parties – including parts of the MSZP itself – about trade unions and about the existence and functioning of national tripartite institutions with a bearing on government policy, primarily the Interest Reconciliation Council.

The policy of the ASZSZ and SZEK – that is, of keeping a distance from political parties – seems justified given the developments of recent years.

4. The stage for action by organised labour

Two major avenues opened up in the 1990s to host trade union action: first, participation in public policy formulation and implementation on the national level, including pre-legislative consultation; second, cooperation with employers on company, sectorial, and regional levels.

In the first case, if an institutional framework is available, the key concept is tripartism, because the process has three main players: the national trade union confederations, the national associations of employers, and last but not least, the government. In the second case, when the primary institutional framework is collective bargaining, one talks about bipartism, for then the number of players is two: the union (i.e. confederation) and the employer (i.e. association).

The establishment of strong, institutional tripartism by 1988 was a key development in Hungary's political and economic transformation – and a first in the Eastern Bloc. Tripartite structures gradually emerged and evolved into what is today a well-developed system of institutions for the reconciliation of interests. At its peak (in 1996-98), Hungary had three tripartite institutions of national importance:

- 1) The Interest Reconciliation Council was the central such institution over the 1988-1999 period. Established by the last government of the communist era (1988), under Prime Minister Miklós Németh, it was revived by the Antall government (1990).^{*} It covered the gamut of the national economy, providing an institutional framework for national wage negotiations (both the business and public sectors in the first half of the 1990s, and the business sector afterwards) and for pre-legislative consultations and agreements on labour and economic legislation.
- 2) The Interest Reconciliation Council for Budgetary Institutions has a shorter history. Established in 1992 to cover the public sector and primarily public services (e.g. education, health care, cultural institutions), it is an institution of pre-legislative consultation on issues pertinent to this field of the national economy. Over 1996-98 it provided the institutional framework for pre-legislative wage agreements on the national level concerning public services.
- 3) The Labour Market Fund Steering Committee is the newest tripartite institution, formed in 1997. In managing the financial resources of employment policy, collected in the Labour Market Fund, it relies on contributions from employers and employees. It also has consultative functions as for the formulation and implementation of employment policy.

^{*} For more information on Hungary's governments, see the appendix.

The authorities that operated the social security system opened up further opportunities for unions and employers to influence public policy. They were established in 1993 on the basis of legislation initiated by the Antall government and reshaped in 1997 by the Horn government. In their five-year life cycle (1993-98), they governed the operation of the pension and health-care funds, and played an active role in social policy formulation and implementation.

It should be noted that while the social security authorities were not tripartite, but bipartite structures (i.e. composed of union and employer representatives), they were closely related to the tripartite structures and to the tripartite dialogue realised in their framework.

Via these institutions, the national trade union confederations, as well as the employers' associations, have developed into national players with an influence on public policy and on the whole process of political and economic transformation in general. Nonetheless, it must be said that public opinion does not exactly hold trade unions and tripartism on the national level to be the most positive of phenomena (not unlike the public view of Parliament and political parties).

IV. TRADE UNIONS IN PUBLIC POLICY FORMULATION AND IMPLEMENTATION

1. Why should trade unions have a role in national politics?

The arguments for a pronounced national role are in my view as follows:

- 1) Political and economic transformation invariably spells a transformation of the conditions under which both workers and employers live and operate. Therefore the claim of organisations representing their interests – including trade unions – to be involved in this process and in related public policy formulation and implementation seems fully legitimate and justified.
- 2) The governments that have presided over Hungary's political transformation, as well as the international organisations whose work bears closely on the country and its transformation – beyond the ILO, the IMF, and the World Bank – have been aware of the risks of grave social tension and conflict accompanying transformation and stabilisation.
As shown by the example of several European countries, tripartism may have a key role in the prevention and settlement of such conflicts.
- 3) Public dialogue on social and economic issues – for example, tripartite talks between the government, unions, and employers – has value even under consolidated conditions (i.e. after political and economic transformation), after macroeconomic stabilisation has been completed successfully. Its maintenance is something the European Union expects if Hungary's accession is to remain on its agenda.

When union confederations are engaged in action on the national political arena, they are supposed to represent not only member interests, but that of all employees.

If trade unions were excluded from the national political arena, a great many employees would be deprived of a key opportunity to represent their interests. Other organisations, such as political parties, have never been able to fully assume the role and responsibility of the unions.

Hence the institutional framework for union activity on the national level may be modified and corrected, but their role in national politics cannot be adequately replaced. This is especially true in a country that has been subject to profound political and economic transformation and is in the process of accession to the European Union.

2. What has been achieved by the trade unions in national politics?

The achievements of organised labour in national politics – primarily in the framework of tripartite negotiations and agreements – can be summed up as follows:

- 1) In national politics Hungarian trade unions have been faced with an atmosphere of economic transformation – and stabilisation; in particular, with those government and private-sector measures that involved heavy burdens for the workers represented by them.

Workers' organisations, despite repeated accusations, have never resisted the implementation of the necessary changes or debated their necessity. At the same time, they could not support without reservation – and without the risk of losing face – measures that imposed increasing burdens on workers. Therefore they have raised their voices, justifiably so, against increasing unemployment, decreasing real wages, and shrinking social benefits. As to earnings, trade unions took action aimed at maintaining their real value and concluded national wage agreements in the Interest Reconciliation Council to this end. They had, however, no other choice than to take note of dwindling employment and of repeated drops in real earnings before and during the implementation of the macroeconomic austerity measures of 1995-96 – namely, of the Bokros package. The (tacit) acceptance of these unavoidable measures certainly caused losses in public support for unions (and in support for the socialist-liberal government).

Further evidence of the Hungarian trade unions' positive attitude toward the introduction of the necessary reforms was their backing of the critical, comprehensive reform of the pension system in 1997 – based on a tripartite agreement achieved in the Interest Reconciliation Council.

- 2) The Interest Reconciliation Council, and the trade union confederations in it, contributed to the formulation and implementation of economic policies in Hungary that considerably reduced the “shocks” of transformation and stabilisation, although they could not avert their occurrence.

Even if the results of the “stop-and-go” economic policies and of the 1995-96 stabilisation package are put jointly into the balance, one can only arrive at the conclusion that Hungary has been successful in evading the extreme processes – and related social tensions – that were characteristic of most countries in the former East Bloc in the early nineties, such as dramatic drops of the GDP and of industrial production, the sharp fall of real earnings, and three-digit inflation. In addition, by the end of the nineties – due to the successful stabilisation of 1995-96 – conditions for sustainable economic growth had been created, real earnings had begun to grow again (in 1997), and there was good reason to hope that the growth rate of consumer prices could be pushed down to below 10%. Unemployment, while still high, was lower than in most neighbouring countries or than the average in the European Union.

This argument, of course, is small consolation for the Hungarian workers or unemployed looking upon the example of their Austrian or German colleagues as an ideal. It would be a mistake to forget, however, that Hungary's recent history makes comparison with the Czech Republic, Slovakia, Poland, Romania, or Bulgaria more justified.

- 3) The Interest Reconciliation Council in the 1990s has achieved a series of “income policy package agreements” which contained important items for employees and naturally for employers too.

Several such agreements were concluded, both in the period of the first conservative government (in 1991, 1992, and 1993) and later on (in 1994 and 1997), under the socialist-liberal government. These agreements, related to pre-legislative negotiations on the draft laws of the annual budget and taxation, covered a wide range of issues: wage growth both in the business sector and public services, minimum wages, personal income tax and exemptions thereof, family allowances and other social benefits, increases in administered prices – of energy, for example – and related compensation for workers, contributions to the Labour Market Fund and unemployment benefits, contributions to the social insurance funds, and so forth; all in all, items bearing heavily upon the financial positions and living conditions of workers.

The national governments, excepting a few instances, kept to their part of these agreements and backed their implementation via legislation. These agreements also allowed the governments to share responsibility with the trade unions for the often unpopular measures.

- 4) The failure of the Interest Reconciliation Council to achieve a “grand”, general long-term social and economic agreement – as initiated by the Socialist-led government to rally public support for its austerity programme – caused serious losses of prestige both for the government and the trade unions in 1994-95.

The initiative was positive and motivated by goodwill, but came too late. Similar pacts are normally

concluded at historical moments, like those that occurred around the transition to a multi-party democracy. In 1988-90 the idea for an agreement of the sort mentioned above did not emerge, although the unions participated in the negotiations of the National Roundtable that paved the way for political change.

The timing of the 1994-95 government initiative was not advantageous either, as the inevitability of drastic macroeconomic stabilisation measures was already in the air and the unions' reluctance to openly support them seemed obvious enough. Neither the government nor the trade unions were inventive enough to prepare a package deal that could have been deemed mutually advantageous and presented to the public as such. Employees and their unions could have been compensated for the increased economic burdens by the reinforcement of their legal protection and of their rights to have more say in political decision-making. Nonetheless, the unions wanted to achieve results in the field, whereas the government was anything but inclined to be a partner in compromise – that is, by loosening up the austerity measures.

The trade unions – in general, those negotiating social and economic policy – demonstrated what political observers later dubbed the “grand agreement syndrome”. Its essence was their mistaken judgement that such agreements served the exclusive, political interests of the government; and so they were in a position to squeeze as many tangible concessions as possible out of the government as a precondition to their participation in the negotiations.

The consequence was that the government, on the eve of the approval of the Bokros package, “closed the negotiations before they could have begun”, as put by the then-minister of labour.

Unfortunately, even after the hardest part of the stabilisation period had passed, trade unions could not or did not want to take advantage of the Horn government's genuine commitment to tripartism, as demonstrated by its offer to reinforce their positions in the tripartite council (i.e. a wider scope of rights in the IRC, the creation of legal foundations for an ongoing reconciliation of interests.)

- 5) In its capacity as an institution of national wage negotiations, the Interest Reconciliation Council has had a strong impact on the growth of earnings, and indirectly on that of real earnings too. It was authorised to make decisions on the mandatory minimum wage and to adopt recommendations as to the annual growth of gross earnings in the business sector.

Since 1992, when the IRC began to exercise these functions, the growth of gross earnings in the business sector has followed up the body's recommendations – fluctuating around the maximum it endorsed. Although the trade unions took efforts to maintain the real value of earnings – and IRC agreements were supposed to serve this purpose – repeated drops occurred in real earnings in most years of the 1990s, caused by processes outside the IRC's jurisdiction, primarily the fact that the growth of consumer prices exceeded the forecasts IRC agreements were based upon. In 1997-98 the growth of real earnings restarted. The “price and wage” agreement (1996) initiated by the trade unions, MSZOSZ in particular, to put an end to the decline in real earnings, could not be achieved, as the government no longer had administrative control over consumer prices.

(See Tables 8 and 10.)

In the public services the Interest Reconciliation Council for Budgetary Institutions functioned as the institutional framework for pre-legislative wage negotiations and agreements (1996-98).^{*} The agreements concluded in this body moderated the decline of real earnings in 1996 and paved the way for their growth in 1997 and 1998. Negotiated guarantees for the restarting of the growth of real earnings in the public services were created by the Three-Year Agreement of Public Servants, signed in 1996. (See Table 9.)

The decline in the real value of earnings and minimum wages was an economic inevitability in the early 1990s that came in the wake of drops in the GDP and in productivity. The question is, however, to what extent further decline was necessary when, at a lower level of GDP and employment, productivity began to increase over 1992-93. Further real earnings drops – in 1995-96 – could be explained neither by the internal operation of enterprises nor of the economy in general, but by the government's efforts to proceed with macroeconomic stabilisation by means of reducing (limiting) consumption.

^{*} Earnings in the public services were based on a wage scale which set minimum earnings, laid down in the Act on the Legal Status of Public Servants (1992) as amended on the basis of the agreements achieved in the Interest Reconciliation Council for Budgetary Institutions (1996-98).

6) The Interest Reconciliation Council and the Interest Reconciliation Council for Budgetary Institutions provided the institutional framework for trade union participation in preparing labour legislation such as the Labour Code, the Act on the Legal Status of Public Servants, and the Employment Promotion Act.

Most of the essential legislation was adopted under the first freely elected, conservative government, over 1991-92, while the Labour Inspection Act (1996) was passed under the socialist-liberal government. Although the major pieces of this legislation are deemed reasonable even by foreign experts, the trade unions were successful in initiating and supporting amendments that reinforced their positions – for example, the amendment of the Labour Code in 1997. It was also due to trade union efforts that the Labour Inspection Act was passed (1996), reinforcing the practical implementation, and observation, of some essential rights of workers and their unions. (The Labour Inspection Act also targets a reduction of illegal employment.)

7) The Interest Reconciliation Council demonstrated – at a one-day public session to settle the taxi- and lorry drivers' blockade in October 1990 – its ability to find negotiated solutions even to nationwide conflicts.

The absence of similar conflicts in the coming years despite the grave tensions accumulated in society was related closely to the ongoing tripartite social dialogue. In this context, trade unions have often been criticised by some politicians, who construe social peace as a sign of organised labour's weakness, of its inability to organise nationwide strikes or protests. One must admit that the last – and less than successful – nationwide strike was initiated by MSZOSZ in 1991. It should be added, however, that in very difficult periods, such as 1995-96, a small spark might have been enough to set dissatisfaction and tensions ablaze; yet the trade unions – in a position to produce the spark – opted instead to help ease tensions.

The fact that unions in the public utilities sector and in public services have been in a position to exercise strong pressure was well illustrated by the railway strike of 1995 and the demonstrations by public servants in 1996.

3. Economic manoeuvring space and the government's conduct

The role of trade unions in national politics can most realistically be evaluated in the context of the conditions that transformation and stabilisation have spelled, and of the economic manoeuvring space available to their major negotiating partner – namely, the government.

The following are among the illusions prevalent in Hungary and elsewhere in Europe since the 1970s that have been cast into doubt by the developments of the past couple years:

- There are means of macroeconomic stabilisation in the short term, and of economic restructuring and modernisation in the long term, that impose no burdens on society, especially not on workers.
- Classical, demand-oriented policies in accord with socialism and social democracy can be applied and maintained in the context of political and economic transformation and in the globalised world economy in general.

Classical, demand-oriented policies rooted in socialist and social democratic ideals, though advantageous for employees, seem inapplicable today. When the key words internationally are “performance” and “competitiveness”, no government can afford not to be performance-oriented, supply-oriented, and employer-friendly, not to mention responsive to the need for competitiveness. Today even the social democratic governments of the big industrialised countries of Europe seem to be moving in this direction, as embodied by the policies of Tony Blair and Gerhard Schroeder, for example.

Today's governments – even if led by socialists or social democrats – cannot consider it their primary task to automatically implement the demands and programmes of trade unions. To the contrary, they cannot overlook the agendas of employers, foreign investors, and multinationals.

Indeed, governments are now employee-friendly insofar as they help workers adapt to the new conditions by reinforcing their protection. Key indicators of such efforts are policies on employment as well as on training and education.

There are examples in Europe of conservative governments having followed policies advantageous to workers and unions too. At the same time, socialists and social democrats have had to meet the challenges of globalisation.

Of course, the conduct of governments is necessarily sensitive to the possible reactions of electorates. Without trying to analyse the sentiments of Hungarian voters, there is good reason to believe that the desire to have employee-friendly governments was among them each of the three times they have been to the polls for national elections since 1990; and the competing political parties, regardless of their leanings, have tried to meet such expectations. The conservative coalition led by the MDF opened up the way for exceptional growth of real earnings in 1994 – albeit a measure insufficient or too late to assure the party a return to office in that year's elections. In 1998 the conservative parties once again promised swift and sharp growth in real earnings, primarily in the public services, as opposed to the moderate forecasts by the governing Socialists and Free Democrats. They won the elections. Voters have apparently been inclined to test newer and newer governments once they become disillusioned with those in office.

Should an employee-friendly government necessarily be characterised as a union-friendly government, however?

In an economy where private ownership dominates, the effective functioning of trade unions is essential to protect workers' interests. Without a positive attitude toward unions, a government is hardly credible in purporting to serve workers' interests.

In the second half of its 1994-98 term, the Socialist-led government initiated a series of measures to reinforce the positions of employees and trade unions.

One undoubtedly positive feature of this administration from the perspective of workers and trade unions was its indisputable commitment to the reconciliation of interests on the national level, to a genuine and continuous dialogue with the representatives of workers and employers. While the “grand” social-economic agreement remained but a dream, the Interest Reconciliation Council held intensive talks between summer 1994 and March 1995 that resulted in a comprehensive “income policy package agreement”. The dialogue continued well into 1995 even amidst the serious tensions generated by the austerity programme. Although no agreements were concluded in this period – but for one on the statutory minimum wage for 1996 – nobody left the negotiation table. The 1996-97 period saw a series of important and less important achievements: the Labour Inspection Act, the establishment of the Labour Market Fund Steering Committee and of the Labour Mediation and Arbitration Service; the registration of collective bargaining agreements; and the reestablishment of the Interest Reconciliation Council itself. In 1997 the IRC lent its support to the pension reform process.

Developments during the term of the socialist-liberal government show that even in economically trying periods, organised labour can impact public policy formulation and implementation if a government demonstrates a measure of goodwill and a commitment to meaningful tripartite talks and agreements.

As a result of the macroeconomic stabilisation process that unfurled over 1995-96, the government's economic manoeuvring space – and the domain for tripartite negotiations and agreements – has widened considerably.

4. Debates on the national role of unions

In the 1990s the role of organised labour in national politics often met with misunderstanding and ideological aversions.

Aversions can be traced back to the following:

- 1) Parliament deemed tripartism on the national level a limit to its “sovereignty”, although tripartism was in fact based on little more than the self-limitation of a government in decision-making and had no direct bearing on the right of Parliament to enact legislation.

- 2) Organised labour's natural "leftish" political orientation, not to mention the open affiliation of some unions with political parties, raised suspicions – and often well-nigh animosity – in political forces, both conservative and liberal, that were excluded or that excluded themselves from contact with the unions.
- 3) The governments in office, engaged as they were in the unpopular tasks of stabilisation and the implementation of reforms, often lacked much-needed tolerance and empathy toward the trade unions, which in turn saw it as their job to stand up for workers bearing the brunt of governmental measures.
- 4) Hungarian political thinking afforded little room for trade unions and labour relations. Unions certainly were not looked upon as essential pillars of a pluralist democracy and market economy, unlike in most European countries.

The first government elected after the fall of communism, the conservative coalition led by József Antall, inherited as part of its legacy the Interest Reconciliation Council and so the dilemma: what to do with it? It saw a model in Germany's Christian-Democrat-led, social welfare-oriented market economy, a key pillar of which were strong trade unions. In Hungary, however, the government was faced with those trade union confederations that had developed from SZOT (the National Council of Trade Unions) – i.e. the monolithic trade union centre of the communist regime.

The government's pragmatism offered a solution to this dilemma. After the taxi- and lorry drivers' blockade in 1990 and the fiasco of attempts to destroy the old trade unions in 1991, the government de facto recognised them as legitimate partners. At the same time it reinforced the institutional structure of the IRC.

From a liberal perspective, tripartism was seen as carrying with it the danger of corporatism: it evoked memories of totalitarianism, raising the spectre of a situation in which the government and the "partners in dialogue on social and economic issues" – trade unions and employers – depended on each other and exercised a dictatorship of sorts toward a freely elected legislature and ultimately toward society. While the SZDSZ – the liberal party in the Horn government – supported the government's initiative to conclude a "grand" social and economic agreement and to rely on the IRC in 1994, it set the precondition that such practices should not serve as a foundation for "corporatist" developments.

Political concerns about the danger of corporatism overlook the sharp divisions among both unions and employers, and the general weakness of their political affiliations. Further, tripartism in Hungary has always been a voluntary dialogue involving trade unions and employers that are autonomous and independent of each other – and of the government – and depend only on their respective constituencies. Therefore tripartism in this country meets all the refined principles formulated in international conventions and adhered to in several European countries. Tripartite practices are certainly based on the freedom of association and on the freedom to negotiate and tie agreements.

No doubt tripartism on the national level has yielded dividends to its participants that have served their organisational interests. Thus it reinforced the legitimacy of both trade unions and employers' associations in the critical period of political change. The governments in office have also seen their positions reinforced by tripartite practices, as they could pass on a measure of responsibility for critical decisions to representatives of the working world. Several ministers of finance, for example, have cited IRC endorsement when arguing in Parliament or in the mass media in support of their plans.

This "mutual legitimisation" can be criticised as being tantamount to a deal of sorts. Yet we are probably far from the time when parliamentary elections, which occur every four years, confer such strong legitimacy on a government, and when trade unions and employers' associations are supported by such broad and solid constituencies, that "mutual legitimisation" is no longer needed.

No doubt the successes of trade unions in the political arena have to an extent compensated for their failures at workplaces. Still, their engagement in tripartite exercises on the national level has never been the cause of their defeats in the struggle with employers on the level of individual companies or sectors. Thus the limitation – or elimination – of tripartism involves no guarantees whatsoever that trade unions will be more effective in their bipartite relations with employers.

V. TRADE UNIONS AT THE WORKPLACE

The presence and effectiveness of trade unions at the workplace can be best measured by the existence of collective contracts.

Collective agreements bring stability to labour relations. On the one hand, collective contracts provide guarantees beyond labour law for the protection of workers. Hungary's Labour Code (LC) defines such an agreement as "a regulation pertaining to employment" – on the same level as acts and other regulations. The LC explicitly allows for collective agreements to depart from the regulations laid down in it – e.g. for the establishment, modification, and termination of employment, working hours and breaks, remuneration of work and wage supplements, as well as compensation liability – provided they set terms more favourable for employees. As the growth of earnings (wages) is an issue of free bargaining in the business sector, it is agreed upon in collective contracts – in line with the recommendations of the IRC.

On the other hand, collective contracts guarantee employers uninterrupted production, as it is unlawful to strike against a collective agreement in force.

Over 1989-92 obstacles to free collective bargaining were removed – namely, legal provisions on what contracts must include and state regulations on the growth of wages. Since then, about a third of employees in the business sector have been covered by collective agreements with individual companies and 10 percent, by multi-employer or sectorial collective contracts. This ratio is about the same as in most Central and Eastern European countries, but rather low in European comparison. (The high, approximately 70% coverage in Europe can be attributed primarily to sectorial collective agreements. They are important even in countries, including France, where the level of unionisation is low.)

There exist no regional collective agreements in Hungary.

The state of affairs in Hungary with respect to collective bargaining and agreements has developed as an outcome of several complementary factors:

First of all, a large group of employees has been lost by the trade unions, including the majority of workers at micro, small, and mid-size companies, not to mention private entrepreneurs (i.e. the self-employed) – in short, those whose activities are covered by contracts based on civil law, for example.

Secondly, trade unions have disappeared from many enterprises, including the sort mentioned above but also "green field investments" by multinationals – whether because they couldn't keep their members or effectively organise them.

Under Hungarian labour legislation, in accord with international practices trade unions have the right to bargain and to conclude collective agreements. In the absence of unions, the necessary preconditions for collective bargaining are missing and agreements cannot be concluded.

Third, on the sectorial level – which seems the focus of attention elsewhere in Europe – properly organised partners and institutions have been missing, preventing progress; this, despite repeated efforts since 1992. The same applies to the regional level in Hungary.

While trade union federations on the sectorial level are traditionally strong and regional union organisations are also in place, individual employers have no corresponding sectorial and regional organisations that could be their partners in collective bargaining. Even those employers' associations that do have sectorial or regional units lack a "mandate", or authorisation, to negotiate with unions and sign agreements on behalf of their constituencies.

(It should be noted that important employers' associations – such as MMSZ, the Hungarian Association of Employers – have consistently supported the promotion of collective bargaining and agreements, but without visible positive outcome.)

Sectorial or multi-employer collective agreements have therefore normally been concluded in those sectors where a strong union federation has been faced with a limited number of employers – usually big enterprises that could co-operate with each other and with the workers' organisations (e.g. in the chemical and electric energy industries).

The white spots in the coverage of collective agreements, at least those on the sectorial level, have had little to do with the “weakness” of unions, but have instead reflected the weakness of employers' organisations and labour relations institutions.

The promotion of collective industrial relations by reinforcing collective bargaining and agreements was a top priority of the Horn Government. Over 1995-98 several amendments in the Labour Code served this end. The government linked employer subsidies from the Labour Market Fund to the precondition of consolidated labour relations, including collective contracts. The registration of collective agreements was introduced (1996) and a Labour Mediation and Arbitration Service was set up (1996) to promote the settlement of collective labour disputes, and to provide professional assistance to those in the bargaining process.

In 1997 the trade unions and employers represented on the IRC signed an agreement with the prime minister aimed at reinforcing institutions involved in collective labour relations.

As the conservative government now in office has repeatedly underlined the importance of direct – bipartite – contacts between union(s) and employer(s), the trade unions are well justified in expecting further government initiatives to promote collective labour relations.

VI. THE TRADE UNIONS IN A NEW SITUATION

The 1998 parliamentary elections saw a second conservative government come into office, on a platform it said was “more than a change of government, but less than a change of political system.” Led by Prime Minister Viktor Orbán, the government has taken several initiatives that (may) influence trade union positions. They are as follows:

- 1) In one of its very first measures (1998), the government dissolved the autonomous bodies that ran the social security system's pension and health-care funds, which had been constituted by representatives of the national trade union confederations and employers' associations.

Doing so spelled little risk. As the 1997 renewal of these authorities caused serious tension and conflict among the union confederations and employers' associations, it was unlikely that the government's drastic measure would provoke an energetic and co-ordinated reaction on their part. In addition, the government could count on public support – or at least tacit approval – as the authorities, primarily the one responsible for the health-care fund, had been the subject of widely publicised scandals for a couple of years and the public had been generally dissatisfied with its services. Whether justly or not, the funds had come to symbolise the squandering of public money.

This measure hit the trade unions hard, primarily MSZOSZ, which had been a predominant force in the authorities.

- 2) The restructuring of state administration included the establishment of a new ministry, that of Social and Family Welfare. The functions of the former Ministry of Labour* (1990-1998) were divided between this new ministry, the likewise new Ministry of Economy, and the Ministry of Education.

There are arguments for and against the new governmental structure for labour administration. Nonetheless, trade unions and employers have found that co-operation with the new government can no longer be realised via a single competent state authority, as several ministries are engaged in labour

* The Ministry of Labour, established by the Antall government, had been responsible for employment policy, vocational training and adult training, labour safety and workplace inspection, labour legislation; as well as for “running” tripartite institutions and maintaining contacts with unions and employers.

issues – e.g. tripartite institutions are “run” by the Ministry of Economy, labour legislation is covered by the Ministry of Social and Family Welfare, and employment policies are divided between the two.

Whether worries about co-operation are justified or not, the future will tell. In principle, if the government’s willingness to co-operate with non-public organisations that deal with social issues (e.g. the unions and employers’ associations) may be taken for granted, then maintaining necessary contacts with unions and employers is simply a matter of co-ordination within state administration.

- 3) The government declared its intent to effect a general revision of labour legislation and initiated a hasty amendment of the Labour Code (1998-99). As unions saw it, the changes were aimed at undermining their positions and weakening the protection afforded workers.

Among the amendments to the Labour Code was one empowering Works Councils – the institutions of workers’ participation at individual companies – to carry out collective bargaining and sign collective agreements in the absence of trade unions.

Given their mission and basic operating principles, Works Councils are inadequate for such purposes. Their mission is to co-operate with employers; they are prohibited from exercising pressure, not to mention organising strikes. In my view, the right of free bargaining and the right to strike cannot be separated. Moreover, Works Councils, being independent of the unions and limited in scope to individual companies, lack the experience and resources of union federations and confederations.

In principle, this measure questions the *raison d’être* of the trade unions. In practice, where trade unions do not exist, neither do Works Councils. (No legal sanctions result if a Works Council is not elected at a given employer.)

Apart from one or two highly special cases, there are no examples anywhere in Europe of Works Councils assuming trade union functions. The early 1990s saw attempts in the region – e.g. in Czechoslovakia – to encourage non-union employee representatives to assume such tasks, but they failed.

- 4) The government has begun to restructure the national institutions of tripartism. The changes – imposed upon the partners in social dialogue – were as follows:

- The National Labour Council was set up in 1999 to replace the Interest Reconciliation Council.

In its operation the new institution is limited to labour issues; general and pre-legislative economic policy consultations, which resulted in several income policy package agreements in the 1990s, have been discontinued.

At the same time, the National Labour Council retains the IRC’s strong co-decision rights; e.g. in determining minimum wages. (In fact, the Orbán government continued the practice of national wage negotiations in the IRC before it was replaced by the National Labour Council.)

- The future of the Interest Reconciliation Council for Budgetary Institutions – which developed into an institution of wage negotiations for public services in 1996-98 – is uncertain as yet. The new government has, however, discontinued wage negotiations within its fold.

- The Economic Council was set up in 1999 for general economic policy consultations, assuming the IRC’s functions in this field yet based on broader participation. Beyond the IRC’s trade unions and employers, interest groups from various areas – e.g. the so-called chambers of economy, multinational companies, and financial institutions – have representatives in the body.

The creation of such an institution – one that goes beyond tripartism – seems justified. In the 1990s several new important players appeared on the scene whose involvement in economic policy consultations is most welcome and whose participation the IRC did not allow for.

- The tripartite Labour Market Fund Steering Committee has been maintained in its original form and functions.

The Orbán government – in its contacts with trade unions, employers, and other players – underlines the consultative nature of negotiations.

This approach was characteristic of the Horn government as well. The draft laws on the annual budget and on taxation were prepared in consultation with the government’s partners. It was not ruled out, how-

ever, that these consultations could lead to agreements. In certain years such agreements were concluded (in 1994 and 1997) while in other years they were not (in 1995 and 1996).

The Orbán government is much less pressed than its predecessors were to “buy” the co-operation and approval of its partners in dialogue on social and economic issues, not least the trade unions. Increased real earnings and improved living standards seem to be ensured as it pursues economic policies in the context of a stabilised economy.

The new government’s approach sees trade unions and employers entitled to participate in dialogue on social issues at the national level, meaning that the government consults with them concerning its intentions, while political decision-making and the drafting of legislation remain strictly within the authority of the government and Parliament.

The required fulcrum of trade union operation as the new approach would have it is not union involvement in national politics, but the representation of workers’ interests at the workplace.

Nonetheless, by maintaining tripartite consultative structures on the national level, the national political role of the unions and the employers’ associations has been de facto recognised. Indeed, the new institutional framework is no obstacle to the effective involvement of trade unions (and employers’ associations) in public policy formulation and implementation – assuming the government demonstrates the political will to allow for this.

VI. AN AGENDA FOR THE TRADE UNIONS

It is difficult for an outsider to give policy advice to large organisations with deep-seated historical traditions and vast experience. The present paper does not mean to do so. Rather, its conclusions are intended merely as a summing-up of observations by a labour relations expert.

- Organising workers effectively at the workplace seems the vital task for trade unions in the present day – as it has always been. Most union leaders are aware of the challenge and the difficulty of trying to regain those vast groups of workers lost to organised labour over the past decade. Workers who have disappeared from the trade union horizon include those at micro, small, and – sometimes – medium-size enterprises; self-employed entrepreneurs, temporary workers, the unemployed; and those who earn their living in the shadow economy. The unions’ strength on the level of particular companies, sectors, as well as in the economy as a whole – their capacity to exercise pressure, that is – depends primarily on solid membership support. Unlike most new political parties, the trade unions entered the “new era” as mass organisations. If they retain this characteristic – by reinforcing their roots – they cannot be neglected.
- In the context of pluralism, co-operation and solidarity among the various workers’ organisations – especially in critical situations – is of utmost importance. Although in principle (i.e. in their rhetoric) all union leaders are aware of this, rarely is it materialised in deeds. Conflicts among workers’ organisations over the past decade have seen frustrations and hurt feelings accumulate. At the same time, this period has also produced exemplary cases of magnanimous settlements to contentious issues in critical situations, such as the 1992 agreement among the six union confederations on the (partial) redistribution of trade union assets. Such examples could be drawn upon in the present situation as well.
- The unions must develop regular and effective co-operation with the major groups of employers to assure themselves a solid presence and successful operation at the workplace and to maintain their influence in national politics. The government can resist the unilateral demands by one or even several trade union confederations, but it can hardly afford to ignore joint initiatives by the major players – unions and employers – in the labour scene. Joint and co-ordinated action is also required in the international arena – not least the European Union – to achieve results. The recent accelerated unification of employers’ associations (1997-98) has somewhat improved the conditions for such action.
- The reinforcement of collective labour relations by promoting collective bargaining and agreements will remain a key item on the union agenda. The primary target is progress on the sectorial and regional lev-

els, for which, most probably, the co-operation and assistance of important groupings of employers and of the government can be secured. The tasks include:

First, to create adequate institutions for collective bargaining on the sectorial level, promoting the sectorial organisation of employers as well. (An example worth studying is that of Belgium.)

Second, to develop multi-employer collective bargaining into sectorial bargaining and to utilise the legal institution that allows the extension of multi-employer collective contracts to sectors.

Third, to elaborate the institutional framework of regional negotiations and agreements.

Further, the state of collective bargaining and agreements in the European Union may encourage efforts in a country well on the road to accession to make progress in this field. (It should be noted that the 1997 amendment of the Labour Code reinforced the status of collective agreements by adopting European directives.)

- Trade unions in Hungary today have a genuine opportunity to achieve national and local wage agreements aimed at maintaining the steady growth of real earnings; this, in the context of increasing productivity and sustainable economic growth.

Such a target could be achieved if the growth of gross earnings – on the national, sectorial, and enterprise levels – could be linked to the growth of productivity. Such a linkage could be mutually advantageous for workers, who would provide their share of the increasing wealth, and for employers and the government as well. Proceeding in this direction makes it necessary, however, to revise the “social policy” approach that unions have traditionally taken in local and national wage talks. It is a pity that the idea, when raised by the Orbán government – i.e. to set a rate for the national growth of gross earnings in the business sector at 50% of the growth of the GDP – was rejected by the unions, in the context of the struggles around the restructuring of the Interest Reconciliation Council in April 1999.

The mechanism of such possible linkages should carefully be elaborated and the approach to the public services agreed upon as well.

- Employment levels – and policies – remain critical issues for both workers and organised labour. By way of the Labour Market Fund Steering Committee, the trade unions are in a position to help formulate and implement employment policies aimed at raising the rate of employment. It should not be overlooked that union membership rosters are drawn primarily from among these employees.

As the improvement of employment rates is a priority in the European Union as well, this can be yet another factor in assuring that Hungary goes in this direction.

VIII. THE INTERNATIONAL ENVIRONMENT

The international environment – above all, that of the European Union – seems favourable for the future of workers and their unions.

The basic rights of workers and trade unions are guaranteed by international labour standards as well, by the “core” conventions of the International Labour Organization (ILO). Hungary ratified most of these conventions decades ago. Although their implementation was postponed during the communist era as for freedom of association and free collective bargaining, they constituted the foundation of new labour legislation with the advent of multi-party democracy in 1989-90. These rights were reinforced in 1998 by the ILO Declaration on the Fundamental Principles and Rights at Work, which Hungary supported. Also, Parliament recently ratified the Social Charter of the Council of Europe.

Hungary’s accession to the European Union will have even more comprehensive and deeper effects. From the perspective of labour, this process is not limited to obligations of legal harmonisation, to the adoption of European directives. It will affect directly and indirectly the living standards and working conditions of workers. As regards the principle of the free movement of people, integration will provide Hungarian workers with an opportunity – whether immediate or deferred – to appear in the European labour market.

Wage levels in this country will be positively impacted as well. While there is no obligation whatsoever that Hungarian wages be adjusted to European level(s), accession is expected to generate internal and ex-

ternal social and political pressures to decrease the gap, at least within the limits allowed by an improving economy.

The European Union is committed to dialogue on social and economic issues, to collective industrial relations, and to collective bargaining and agreements. Hungary's accession will both reinforce the positions of trade unions and indicate the direction to be taken in solving present political dilemmas on the future of tripartism and on the involvement of organised labour and employers' associations in national politics. The Hungarian unions, and employers, are already represented in Brussels.

In another positive development, on the basis of an agreement between the previous Hungarian government and the European Union, the nation's trade unions and employers now have a say in all economic and social issues concerning integration.*

* The institutional framework is the Joint Consultative Committee, to which the EU's Economic and Social Council and Hungary's Interest Reconciliation Council delegated six members each.

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APPENDIX

HUNGARY'S GOVERNMENTS

The last communist government (Prime Minister: Miklós Németh)	1988-1990
The first conservative government (Prime Ministers: József Antall, 1990-93; and Péter Boross, 1993-94)	1990-1994
A coalition of <ul style="list-style-type: none">- MDF (Hungarian Democratic Forum)- FKGP (Independent Smallholders' Party)- KNDP (Christian Democratic People's Party)	
The socialist-liberal government (Prime Minister: Gyula Horn)	1994-1998
A coalition of <ul style="list-style-type: none">- MSZP (Hungarian Socialist Party)- SZDSZ (Alliance of Free Democrats)	
The second conservative government (Prime Minister: Viktor Orbán)	1998-
A coalition of <ul style="list-style-type: none">- FIDESZ-MPP (Young Democrats-Hungarian Civic Party)- FKGP- MDF	

Table 1 Major indicators of macroeconomic development in Hungary, 1991-1998

	1991	1992	1993	1994	1995	1996	1997	1998 (est.)
Rate of growth (constant prices, %)								
GDP	-11.9	-3.1	-0.6	2.9	1.5	1.3	4.6	5.1
within it:								
• domestic consumption	-9.1	-3.6	9.9	2.2	-3.1	0.8	4.0	7.4
• final consumption	-5.1	0.6	5.4	-2.3	-6.6	-2.9	2.3	4.0
• consumption by population	-5.6	0.0	1.9	-0.2	-7.1	-2.7	1.7	4.3
• accumulation	-21.1	-20.4	32.3	19.8	8.2	12.8	8.6	16.1
• accumulation in fixed assets	-10.4	-2.6	2.0	12.5	-4.3	6.7	9.2	11.4
• exports	-13.9	2.1	-10.1	13.7	13.4	7.4	26.4	16.0
• imports	-6.1	0.2	20.2	8.8	-0.7	5.7	25.5	22.2
Consumer prices	35.0	23.0	22.5	18.8	28.2	23.6	18.3	14.3
Percentage of GDP								
Current balance of payments	0.8	0.9	-9.0	-9.4	-5.4	-3.7	-2.2	-4.8
Gross debts of the state	75.0	79.0	90.3	88.2	86.2	72.6	63.7	61.4
Net international debt	-	-	37.7	43.7	34.1	27.7	20.3	18.7
Unemployment and earnings								
Unemployment rate	-	9.8	11.9	10.7	10.2	9.9	8.7	7.8
Gross earnings per capita (previous year = 100%)	30.0	25.1	21.9	24.9	16.8	20.4	22.3	18.3
Real value of net earnings per capita (previous year = 100%)	-7.0	-1.4	-3.9	7.2	-12.2	-5.0	4.9	3.6

Source: Hungarian National Bank

**Table 2 Population and labor force in Hungary (at the beginning of the year)
(1,000 persons)**

	1990	1991	1992	1993	1994	1995	1996	1997
Population								
0-14 years	2,130.5	2,063.7	2,009.8	1,958.0	1,910.8	1,869.9	1,836.5	1,802.0
Men 15-59 & women 15-54	5,956.8	5,997.4	6,031.4	6,056.5	6,071.6	6,082.0	6,080.7	6,144.0
Men 60+, women 55+	2,287.5	2,293.7	2,296.0	2,295.7	2,294.6	2,293.7	2,295.1	2,227.6
Total	10,374.8	10,354.8	10,337.2	10,310.2	10,277.0	10,245.6	10,212.3	10,174.0
Source of the labour force								
Men 15-59 & women 15-54	5,956.8	5,997.4	6,031.4	6,056.5	6,071.6	6,082.0	6,080.7	6,144.8
Economically active 14-yr-olds, men 60+, women 55+	488.4	434.6	334.2	253.5	200.1	169.4	134.1	108.4
Total	6,445.2	6,432.0	6,365.6	6,310.0	6,271.7	6,251.4	6,214.8	6,253.2
Utilisation of the labour force								
Employed	5,471.9	5,299.7	5,303.9	4,352.0	4,136.4	4,045.2	3,974.2	3,975.1
Unemployed	24.2	100.5	406.1	663.0	632.1	519.6	4,95.9	477.5
Active population, together	5,496.1	5,404.4	5,202.3	5,015.0	4,768.5	4,564.8	4,470.2	4,452.6
Workers employed abroad	3.6	15.0	30.0	28.0	27.0	25.0	23.0	24.0
Of active age, but economically inactive	945.5	1,012.6	1,133.3	1,267.0	1,476.2	1,661.6	1,721.6	1,776.6
of which: students	483.0	519.5	547.6	565.4	577.7	589.6	605.3	631.2
retired	251.0	282.1	346.3	364.9	370.5	385.0	404.4	409.0
Total	6,445.2	6,432.0	6,365.6	6,310.0	6,271.7	6,251.4	6,214.8	6,253.2

Source: Central Statistics Office

Table 3 Full-time employed in Hungary's economy, January-December 1998

Sector, branch	Manual workers		Non-manual workers		All employed together	
	1,000 people	Previous yr = 100	1,000 people	Previous yr = 100	1,000 people	Previous yr = 100
Agriculture and fishing	119.5	96.1	31.0	91.5	150.5	95.1
Mining	7.8	70.8	1.9	74.4	9.7	71.5
Manufacturing	561.8	103.5	141.8	98.8	703.6	102.5
Within manufacturing:						
Food, beverages, tobacco	99.5	100.8	27.6	103.1	127.1	101.3
Textile, clothing, leather	116.6	105.3	13.9	99.3	130.5	104.6
Wood, paper, printing	35.0	96.6	11.0	84.7	46.0	93.4
Chemicals	55.1	98.5	26.7	98.5	81.8	98.5
Metal and mineral products	26.8	104.3	6.2	108.8	33.0	105.1
Metallurgy	53.8	93.9	13.0	90.2	66.8	93.1
Engineering	156.0	111.5	39.8	102.6	195.8	109.6
Other manufacturing	19.0	104.0	3.6	96.3	22.6	102.7
Electric energy, gas, heating and water supply	56.9	98.1	25.7	100.5	82.6	98.8
Industry	626.5	102.4	169.4	98.7	795.9	101.6
Construction	68.2	97.3	20.4	99.7	88.6	97.9
Commerce, repair & maintenance	119.4	101.4	7.8	98.5	197.7	100.2
Hotels and restaurants	45.5	106.4	16.8	100.8	62.3	104.8
Transport, storage, postal services & telecommunications	133.3	95.1	85.5	98.6	218.8	96.4
Within this:						
Transport & related activities	102.7	95.6	48.3	99.0	151.0	96.7
Finance & financial services	1.8	87.3	57.9	96.9	59.7	96.5
Real estate	55.4	101.5	52.3	115.6	107.7	107.9
State admin. & admin. of social security	136.8	106.6	166.6	101.0	303.4	103.2
Education	39.3	94.7	190.8	99.1	230.0	98.0
Health and social services	76.7	97.4	152.8	100.8	229.5	99.6
Within this:						
Health services	49.6	95.3	116.1	99.3	165.7	98.0
Social services	25.1	98.5	33.1	106.3	58.2	102.8
Other personal services	39.3	103.9	36.2	110.9	75.5	107.1
National economy	1,461.5	100.6	1,058.1	100.2	2,519.6	100.4

Source: Central Statistics Office

Table 4 Monthly gross earnings of full-time employees in Hungary's economy, January-December 1998

Sector, branch	Manual workers		Non-manual workers		All employed together	
	HUF	Previous yr = 100	HUF	Previous yr = 100	HUF	Previous yr = 100
Agriculture and fishing	41,115	115.3	77,811	117.8	48,762	115.5
Mining	72,065	111.3	138,398	106.2	84,977	110.4
Manufacturing	53,908	116.5	118,989	119.1	67,169	116.6
Within manufacturing:						
Food, beverages, tobacco	51,060	115.2	115,247	119.9	65,068	117.5
Textile, clothing, leather	37,160	115.1	82,666	117.9	42,209	115.1
Wood, paper, printing	52,745	114.2	105,741	113.9	65,682	111.6
Chemicals	72,013	116.9	147,799	115.9	96,847	116.3
Metal and mineral products	59,477	117.4	120,542	116.2	70,902	117.6
Metallurgy	58,476	114.8	113,405	121.5	69,108	116.4
Engineering	60,043	119.0	122,943	122.3	72,687	118.6
Other manufacturing	40,121	116.1	81,720	119.8	47,224	116.1
Electric energy, gas, heating and water supply	72,890	118.4	128,646	119.7	90,305	119.2
Industry	55,899	116.3	120,690	118.9	69,839	116.6
Construction	42,937	115.5	92,179	113.9	54,123	115.4
Commerce, repair & maintenance	39,344	114.1	97,009	119.4	62,688	116.7
Hotels and restaurants	34,683	113.5	76,985	116.1	46,437	113.2
Transport, storage, postal services & telecommunications	59,222	118.7	101,707	120.6	76,108	120.3
Within this:						
Transport & related activities	59,278	118.8	95,714	121.1	70,886	120.2
Finance & financial services	75,118	113.9	143,947	124.9	142,432	124.8
Real estate	43,468	120.5	118,360	133.0	81,125	132.7
State admin. & admin. of social security	47,429	117.3	98,028	120.1	75,671	118.2
Education	33,886	115.4	64,813	118.1	59,822	118.1
Health and social services	37,308	115.6	60,113	116.3	52,781	116.3
Within this:						
Health services	39,051	114.4	62,486	115.6	55,702	115.6
Social services	33,329	120.3	47,935	120.2	41,920	120.7
Other personal services	44,675	115.5	83,599	117.0	63,896	117.2
National economy	49,423	116.5	92,711	120.1	67,764	118.3

Source: Central Statistics Office

Table 5 Elections to Hungary's social security authorities (May 1993) – % of votes

	Pension insurance	Health insurance	Total
ASZSZ (Confederation of Autonomous Trade Unions)	4.8	5.3	5.0
ÉSZT (Confederation of Professionals' Unions)	6.2	6.8	6.5
The "League" (Democratic League of Independent Trade Unions)	10.1	13.1	11.6
MSZOSZ (National Confederation of Hungarian Trade Unions)	50.1	45.2	47.7
MOSZ (National Alliance of Workers' Councils)	10.9	12.8	11.9
SZEF (Trade Union Co-operation Forum)	10.6	8.4	9.5
Other	7.3	8.4	7.8
Total	100.0	100.0	100.0

Source: IRC, based on a National Election Committee report

Table 6 Public Servants' Council and Works Council elections in Hungary, 1993 and 1995, percentage of votes

	Public Servants' Councils		Works Councils	
	1993	1995	1993	1995
ASZSZ (Confederation of Autonomous Trade Unions)	0.5	0.1	18.57	20.34
ÉSZT (Confederation of Professionals' Unions)	7.2	9.4	0.66	0.80
The "League" (Democratic League of Independent Trade Unions)	4.9	4.6	5.66	6.40
MSZOSZ (National Confederation of Hungarian Trade Unions)	9.4	9.2	71.67	66.56
MOSZ (National Alliance of Workers' Councils)	0.2	0.2	2.21	2.47
SZEF (Trade Union Co-operation Forum)	49.1	50.0	0.02	0.07
Other	28.7	26.4	1.22	3.36
of which:				
KESZOSZ (Confederation of Christian Social Trade Unions)	-	0.1		
Unions not affiliated with confederations	2.1	1.7		
Independent candidates	26.6	24.6		
Total	100.0	99.9*	100.0	100.0

Source: Ministry of Labour

* Results of Public Servants' Council and Works Council elections are incomparable, because of the different methods of summing up national results.

Table 7 Trade union membership in Hungary (thousands)

	End of 1990	1991 Sep.	1993 May	1994 March	1995	1996*
ASZSZ (Confederation of Autonomous Trade Unions)	374.2	350	410	360	224 active + 60 pen- sioners	220
ÉSZT (Confederation of Professionals' Unions)	63.2	90	110	110		95
The "League" (Democratic League of Independent Trade Unions)	130	250	250	103		98
MSZOSZ (National Confederation of Hungarian Trade Unions)	2682.8	2000	1200	1200		720
MOSZ (National Alliance of Workers' Councils)	106	45	160	50-150		70
SZEF (Trade Union Co-operation Forum)	557.3	750	550	500	400	540
Solidarity (Solidarity Trade Union Workers' Confederation)	75	150	-			
KESZOSZ (Confederation of Christian Social Trade Unions)			30			
Total	3,988.5	3,635	2,710	2,300 (appr.)		1,743

Source: Labour Research Institute. Data based on reports and estimates by the unions themselves.

* Based on an EU questionnaire sent to the Hungarian government.

Table 8 Gross earnings in business organisations and IRC recommendations in Hungary, 1990-98

	Growth of gross earnings		Consumer price indices		IRC recommendations for growth of gross earnings			Collective (wage) agreements based on IRC recommendations	
	National economy	Business orgs.	Actual	Forecasted (basis for IRC recomm.)	Average	Minimum	Maximum	Sectorial	Enterprise
	previous year = 100	previous year = 100	previous year = 100		previous year = 100			% of labour force covered	
1990	128.6	127.0	128.9	-	-	-	-	-	-
1991	130.0	129.3	135.0	-	-	-	-	-	-
1992	125.1	126.6	123.0	120-125	123.0	113	128	42	27
1993	121.9	125.1	122.5	114-117	118	110-113	125	13	32
1994	124.7	123.4	118.8	116-122	117-119	113-115	121-123	11.0	29.5
1995	116.8	119.7	128.1	120	No IRC agreement			5.0	27.8
1996	120.4	123.2	123.6	120	119.5	113	124	12.4	31.6
1997	122.3	121.8	118.3	117-119	117.5	114	122	12.5	30.6
1998	118.6	118.9	114.3	113-114	-	113.5	116		
1999				110-111	-	112	115		

Source: Central Statistics Office and Ministry of Labour

Table 9 The growth of earnings in Hungary, 1990-98

	1990	1991	1992	1993	1994	1994	1995	1996	1997	1997	1998
	previous year = 100					1989= 100	previous year = 100			1994= 100	
Average gross earnings											
National economy	128.6	130.0	125.1	121.9	124.7	318.4	116.8	120.4	122.3	172.0	118.6
Business sector	127.0	129.3	126.6	125.1	123.4	320.9	119.7	123.2	121.8	179.6	118.9
Public services	134.1	130.6	120.1	114.4	127.0	305.6	110.7	114.6	123.2	156.3	118.2
Average net earnings											
National economy	121.6	125.5	121.3	117.7	127.1	277.4	112.6	117.4	124.1	164.1	118.7
Business sector	120.0	124.8	122.8	120.8	125.9	279.7	114.8	119.4	123.9	169.8	118.8
Public services	126.7	126.1	116.5	110.4	129.6	266.3	107.8	113.4	124.4	152.1	118.4
Consumer prices	128.9	135.0	123.0	122.5	118.8	311.5	128.2	123.6	118.3	187.5	114.3
Average net real earnings											
National economy	94.3	93.0	98.6	96.1	107.2	89.1	87.8	95.0	104.9	87.5	103.8
Business sector	93.1	92.4	99.8	98.6	105.9	89.6	89.6	96.6	104.7	90.6	103.9
Public services	98.3	93.4	94.7	90.1	109.0	85.4	84.1	91.7	105.2	81.1	103.6

Source: Ministry of Labour and Ministry of Economy

Table 10 Statutory minimum wages in Hungary, 1988-99

Introduction (date)	Statutory minimum wage (HUF)
1 January 1988	3,000
1 March 1989	3,700
1 October 1989	4,000
1 February 1990	4,800
1 September 1990	5,600
1 December 1990	5,800
1 April 1991	7,000
1 January 1992	8,000
1 February 1993	9,000
1 February 1994	10,500
1 February 1995	12,200
1 January 1996	14,500
1 January 1997	17,000
1 January 1998	19,500
1 January 1999	22,500

Source: Ministry of Labour and Ministry of Economy

Table 11 Minimum wages, earnings, and minimum costs of living in Hungary, 1989-1996

	1989	1990	1991	1992	1993	1994	1995	1996
Minimum wages (HUF, monthly average/capita)								
gross	3,658	5,017	6,700	8,000	8,917	10,376	12,058	14,308
net	3,294	4,515	5,989	7,122	7,847	9,178	10,671	12,376
Earnings (HUF, monthly average/capita)								
gross	10,571	13,446	17,934	22,294	27,178	33,289	38,900	46,837
net	8,165	10,108	12,948	15,628	18,362	22,992	25,891	30,262
Min. cost of living (HUF, monthly average/capita)*	3,760	5,349	7,147	8,612	11,183	9,785** 13,023**	11,915	14,083
Minimum wage as a % of earnings (average/capita)								
gross	34.6	37.3	37.4	35.9	32.8	31.2	31.0	30.5
net	40.3	44.7	46.3	45.6	42.7	39.9	41.2	40.9
Net minimum wages as a % of minimum cost of living	87.6	84.4	83.8	82.7	70.2	70.5 93.8	89.6	89.0

Source: Central Statistics Office, Ministry of Labour

* Calculated for a four-member family (two earners + two children).

** The method of calculation was changed in 1994. For this year the Central Statistics Office published figures calculated on the basis of both the new and the previous method.