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# INDUSTRIAL RELATIONS IN THE PLATFORM ECONOMY IN HUNGARY

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IRSDACE Case study: Hungary. CELSI Research Report

## Key points

- The report outlines experiences and responses of traditional players in the labour market to the platform economy, and provides details on working conditions of platform workers or service providers. Employment, industrial relations, and social dialogue did not appear as a focal perspective in various discourses.
- In Hungary, work in the platform economy as such is neither defined nor regulated as a separate area. However, regulation is the most important issue at the centre of both discourses and is the main area of interest of platform economy participants.
- Industrial relations and working conditions in selected platform sectors typically appear as deviating or innovative segments of the traditional sectors or subsectors of local personal transport, housework, and accommodation services. New online technologies influence traditional sectors in their adaptation to the platform economy
- Platforms typically present themselves not as employers but as innovative, alternative enterprises. Social dialogue in the traditional sectors is weak and, it is weaker in the selected sectors of the platform economy.

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## 1 ABOUT THE PROJECT

The IRSDACE project - Industrial Relations and Social Dialogue in the Age of Collaborative Economy -, funded by DG EMPL of the European Commission, aims to identify how traditional players in the labour market, e.g. trade unions, employers' associations, member states and the EU, experience and respond to the collaborative economy. IRSDACE had five main tasks: i) conceptualisation of platform work, its place in the labour market, employment policy and industrial relations; ii) analysis of discourse on platform economy among established industrial relations actors; iii) assessment of the implications of workers' experience with the platform economy for industrial relations and social dialogue; iv) comparative analysis of national experiences; and v) analysis of how EU-level employment policy and the industrial relations agenda should respond to the emergence of work in the platforms economy. Our research focused on three sectors of the platform economy: local transport (taxi services), accommodation services, and microservices.

One of the projects initial struggles and finding relates directly to the name collaborative. It has become clear to the research partners that this new reality encompasses many situations where no collaboration (nor sharing) takes place. Hence, the partners have opted for the use of the neutral term

platform economy. Nevertheless, when contacting platform workers or national stakeholders, the researchers were faced with the need to use the corresponding local language terms of collaborative or sharing economy as these are the names known to the general public. We therefore recommend that these terms are treated as synonyms in what concerns the IRSDACE results.

Seven country case studies have been produced in this project covering Belgium, France, Germany, Slovakia, Hungary, Spain and Denmark. The country case studies were prepared based on literature reviews, interviews and country focus groups. The methods used as well as the results for each country are described in each individual report. The reports show both the perspectives of industrial relations actors at the national level and the experiences of platform workers. A final project output brings the national case study results together in a comparative study.

The project started in January 2017, finishing in December 2018. CEPS is the project coordinator in a partnership with IZA (DE), FAOS at the University of Copenhagen (DK), Fundación Alternativas (ES) and CELSI (SK).

## 2 METHODOLOGY AND STRUCTURE

The report on Hungary is based on desk research, secondary sources, and structured interviews with platform workers, service providers, social partner representatives, as well as a representatives of service provider associations. Three (3) interviews were conducted with four representatives of social partner organizations (trade unions and employer organizations), one with a city level chamber of commerce representative, one with an association of apartment renters, one anonymous interview with an employer, and one with a union expert. Contacted government officials were not available at the time period scheduled for interviews. The relative lack of experts and officials was compensated with more interviews with platform economy participants. Apart from 13 interviews with platform workers or service providers, two focus group interviews were also conducted with 6 platform workers. All the interviews were conducted between November 2017 and July 2018 in Hungarian and English.

Whereas some platform companies, especially *Uber* and *Airbnb* generated an increasing attention in recent years in Hungary, employment, industrial relations, and social dialogue did not appear as a focal perspective in various discourses. Given this lack of specific attention, the aim of this report was to identify how traditional players in the labour market, e.g. trade unions, employers' associations,

officials, as well as platform workers or service providers experience and respond to the platform economy in the country. More concretely, this report outlines the level of knowledge of Hungarian social partners and participants of the platform economy, the working conditions of platform workers and service providers, practices of interest representation of employers and employee representatives, and opportunities for social dialogue.

This report also includes an overview of traditional sectors and how platform sectors fit within them, an overview of general knowledge, perceptions of work and social dialogue in the platform economy among social partners, as well as platform workers, service providers and employers, and compares major findings across platform sectors, social partners and platform participants.

## 3 FINDINGS

In Hungary, work in the platform economy as such is neither defined nor regulated as a separate area. The term “platform economy” is also not used in public discourses: a related concept in use is that of “sharing economy” (*közösségi gazdaság*). Industrial relations and working conditions in selected platform sectors typically appear as deviating or innovative

segments of the traditional sectors or subsectors of local personal transport, housework, and accommodation services.

### Place and fit into the economy

The platform economy in Hungary could find fertile ground for its development in sectors where more informal services was characteristic with micro business units, such as tourism and local taxi transport. In these labour cost sensitive sectors a high level of informality in industrial i.e. employment relations has been characteristic. Typically, if registered, those working via platforms are either self-employed small entrepreneurs or registered natural persons working as service providers. Such employment forms also do not provide solid ground for self-organization of labour.

These are sectors or sub-sectors of services that have traditionally, for almost four decades, had a significant service and/or labour supply. Major marketizing changes in the economy such as those during late socialism or system change contributed to decentralized, service driven changes. Commenting on more recent developments, many interviewees highlighted that a combination of the global economic crisis, a temporary rise in unemployment and household expenses, and the constant cost sensitivity of the local population opened the market for cost cutting or extra income

generating service platforms, such as *AirBnB* and *Uber*. At the same time, falling real and net incomes also pushed low paid public-sector workers to take up microwork-type jobs.

New online technologies developed especially during the global economic crisis and seemed to influence traditional sectors and their adaptation to the platform economy. All in all, whereas the new technologies could have opened or expanded the usual market or participants within it, there was also a major adjustment that had occurred among the more classic service providers. For example, taxi organizing companies also have their satellite applications and traditional accommodation providers continuously adapt to new platforms.

### Working conditions and employment relations

Traditionally, a high level of informality in industrial i.e. employment relations has been characteristic to Hungarian labour cost sensitive sectors. This is especially true for small retail shops, services, and tourism (accommodation), and to a lesser degree also for local personal transportation. Since household work and thus also microwork is not regulated under the labour code, this sector is highly informal. Full time employment contracts are also uncommon in the traditional sectors of other accommodation and taxi services, even less is the case in the platform sectors. In these sectors small

entrepreneurs and often undeclared (or only partly formally contracted) workforce provide labour, while formal employers are small entities.

There are several forces that prevent coordination and development of industrial relations within the platform economy. These were high labour cost sensitivity of emerging new businesses in these sectors, high competition, and atomization of workers and employers.

The main developments of both traditional and platform sectors are driven by forces of (extra) income (or cost-cutting) possibilities of service providers, changing or unclear taxation and other rules, and technological novelties. All three forces are jointly influencing and reinforcing non-transparent contracting practices. As pointed out in the interviews, there are two separate inner forces which provide a dynamic to the articulation of the platform sectors: start-ups that translate foreign (Western) practices and capital-driven concentration of businesses.

For platform workers or service providers, the main advantage of platform work was efficiency through the possibility of earning maximal gross incomes or through earning extra income. The main disadvantages seemed to have pointed in the direction of the individualization of risks. There was a lack of preparation for novices in the sector, especially young individuals, who were insufficiently informed about requirements, risks, and lacked administrative information.

## The importance of regulation

Regulation is the most important issue at the centre of both discourses and is the main area of interest of platform economy participants. This is also due to traditional employers and their organizations' insistence on fair competition. Nevertheless, the extent of regulation varies significantly across the platform economy sectors. The domain of the platform economy was affected by national legislation regarding microwork, and both national and local regulation for local personal transport and other accommodation services. Whereas household work is minimally regulated, the area of local personal transport is regulated in great detail, prescribing significant threshold for new service providers entering the sector. Other accommodation services sector is laxly regulated with recent changes that occur locally in a decentralized fashion. Regulative policies include registration, taxation policies, financial obligations, and to a limited extent, health and safety conditions.

National and local bodies in charge of implementation, e.g. tax authorities, are more involved in checking registration of service providers and their taxation. As such, apart from the operators of online platforms, regulation is aimed towards an owner (as natural person e.g. of an apartment for short-term rent) or an entrepreneurial party, most commonly a self-employed small entrepreneur, or in the case of accommodation providers, private service providing individuals. Authorities' attempts to regulate and tax categories of the same economic activities equally has sometimes ran into difficulties, irrespectively whether the regulation was encompassing or lax. Whereas a stricter regulation temporarily solved a major crisis in local taxi transport, a more cooperative cohabitation

developed in platform driven accommodation between the state, local authorities and local providers,

### Social dialogue

Platforms typically present themselves not as employers but as innovative, alternative enterprises, and they are mostly invisible in public. Although trade unions are aware of some emerging issues, they have much different priorities and limited capacities to organize individual workers. Social dialogue in the traditional sectors is weak. Consequently, it is weaker in the selected sectors of the platform economy. Labour is extremely atomized and the possibility of interest articulation via trade unions or alternative organizations is typically not recognized.

Most interviewees agreed that platforms would need to take over responsibility from service providers, and engage in taxation and paperwork. The city of Budapest and the government of Hungary, it was suggested, would need to request more social responsibility from the platforms. This criticism was especially pointed towards *AirBnB*.

Prospects of social dialogue in the platform economy are thus very modest. On the one hand, platform workers or service providers are not

organized into traditional employee or employer interest representative groups. A partial exception is in other accommodation services sector that was penetrated by platform companies, mostly *AirBnB*. There are associations of platform driven short term flat service providers, but these are functioning more on the line of general interest associations. Nevertheless, they do have contacts with the traditional employer organizations and public authorities, but not trade unions.

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