

CELSI Research Report No. 12



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Since 2006, and especially since 2010, industrial relations and forms of employment in Hungary underwent significant changes. The rather negative developments were stemming from austerity measures and adjustments due to the global economic crisis, but also due to legislative changes. While employment rates fell significantly during the global economic crisis, official policies in the last years aimed at increasing employment mostly in order to increase the competitiveness of the national economy (Nacsá 2014: 119, Meszmann 2015). Whereas competitiveness was vaguely defined, institutional incentives to increase employment were created through deregulation and employer-friendly flexibilization (Rindt 2011). As a result, there was a significant expansion of already existing forms, along with the emergence of new forms of precarious employment. Whereas total employment and employment rates increased impressively even compared to the 2008 level, leaving out employment in micro companies, full time employment barely reached the 2008 level *with* participants in the public employment programme. *Ceteris paribus*, the rise in total employment occurred due to the increase in precarious forms of employment. There are five, statistically traceable forms of employment with elements of precarity: participation in public employment programmes, agency work, fixed-term employment, part-time employment (including simplified employment and service contracts), and (bogus) self-employment.

The global economic crisis affected Hungary already in the midst of economic and political crisis. In compliance with the Maastricht criteria, budgetary expenditures were cut and employment, wages, but also job security had been falling in the public sector since 2006, causing major social and political conflicts. It was since the global economic crisis, however, that specific forms of precarious employment have been introduced or expanded. In addition, in 2010, the new centre-right Fidesz government, with a comfortable two-thirds majority, promised “real system change.”

Among the government's first promises was the creation of one million new jobs by 2020, along with significantly improved employment rates (Komiljovics & Krén 2010). In creating business-friendly policies and regulation related to employment, the government was able to refer to recommendations of the IMF and EC that Hungary “increase labour participation including through tightening unemployment benefits and launching the Job Protection Plan” (IMF 2013:1). They were also able to use high unemployment rates in some regions as a justification to further decrease labour costs and they instituted government incentives to work by both cutting back social welfare (thus also playing out a right-wing political card against Roma). The concrete policy steps of the government in the direction of increasing employment levels at the expense of enabling more precarious forms of employment included the expansion of the public employment programme, a new Labour Code (LC) of 2012, allowing more flexible forms of employment, as well as new attempts to transform undeclared work into formal employment (HU EC 2008: 121).

Among the government's transformative measures were also decrees to reform and channel industrial relations and social dialogue into a newly streamlined policy setting. Its policy was to govern both employer organizations and trade unions in a top-down fashion. Thus, the government abolished the earlier tripartite forum for interest reconciliation (*Országos Érdekegyeztető Tanács*), and established a single issue consultation forum (*Versenyszféra és a Kormány Állandó Konzultációs Fóruma*). The new Forum includes three employer confederations and three trade union confederations, operates behind closed doors, and can only issue recommendations that carry no legal weight (Berki - Dura 2012: 89 cf Berki 2014: 128).

Thus, since January 2012, the government has no longer consulted peak level unions over setting the minimum wage. Finally, the strike law was amended in 2010, creating a highly restrictive clause allowing strikes to be legal only if employers and trade unions agree in advance on the minimum level of services to be provided (cf. Krén 2011). In practice, after several strike initiatives by railway workers and the Constitutional Court's ruling that strikes against government measures could not be deemed lawful (Krén 2011), strike initiation became procedurally difficult, and in some instances, even union organizers faced criminal charges (Edelényi & Neumann 2014). While the already modest influence of trade unions decreased further with the new LC, at least some employer organizations seemed to engage in direct lobbying more successfully, suggesting a preference for concrete institutional solutions. Changes in the LC in 2012 negatively affected trade union capacities and power on the level of plants and workplaces: their organizational and bargaining capacities were significantly weakened (Laki et al. 2013).

While constantly remaining among the lowest in the EU, the employment rate in Hungary nevertheless increased in the last 5 years, from 55.4% in 2009 to 61.8% of 2014. On the other hand, forms of precarious work, especially the share of those participating in the public employment programme rose significantly by 2015, providing almost 5% of all employed. Apart from the introduction of new forms of precarious employment, there is also a rise in some other previously existing forms of precarious employment, especially fixed-term employment and various kinds of part-time employment. Dominant forms of precarious employment seem to have sector specificity, which also underwent change. Thus, there seems to be a shift from the previously dominant temporary agency work towards fixed-term contracts in electronics, part-time contracts and multiple-contracting (subcontracting) in construction or tourism, and a very significant growth of part-time employment in retail.

The reaction and strategies of trade unions and employer organizations to these trends has been mixed. First of all, as already outlined, opportunities to exert influence via industrial relations channels was significantly narrowed. In terms of reaction to developments, as a representative of one union confederation expressed, trade unions were caught between the problem of welcoming job creation and protesting against expanding forms of precarious work. More radically said, as a president of another trade union confederation explained, the expansion of precarious forms of employment brings short term benefits, but in the longer run the prospects are alarming, as the country is undermining vital social standards detrimental to its future. While it seems that employer organizations in general evaluated the changes in legislation favourably, some of the recent trends, most importantly the extent of the public employment programme, were not judged positively.

The structure of the report is as follows. In the first section I present in greater detail legislative developments, legal sources of precarious work, including the new LC, as well as a brief summary of current forms of precarious employment. Here I also briefly discuss changes in the labour market. The section on labour market draws on available statistics, while the legal development section draws on the observations and analysis of Hungarian legal experts. The second part deals with developments in five sectors: construction, metal manufacturing (car component manufacturing and electronics), retail, inpatient care, and temporary agency work. For all five sectors, I will outline recent sector specific developments affecting employment as well as the role of social partners and the industrial relations system in shaping the forms and extent of precarious employment. The final section is for conclusions.

## Part I: Precarious work in context

### 1. Labour Market developments

While being constantly among the lowest in the EU, employment rate in Hungary increased significantly, and surpassed the pre-crisis level of 2008 by more than 5 percent. It is important to point out already here, that the so-called national public employment programme contributed significantly to this increase: the weight of those participating in the public employment programme rose significantly since 2009, in 2014 providing almost 5% of all employed.

	2008	2009	2010	2011	2012	2013	2014	2008-2014 change
Employed persons (total, thousand, Eurostat, (KSH) 15-64)	3,818 (3848.3)	3,717.4 (3747.8)	3,701.3 (3732.4)	3,724.2 (3759)	3,792.8 (3827.2)	3,860.0 (3892.8)	4,069.9 (4100.8)	251.9 +252
Employment rate % Eurostat, (KSH) (15-64)	61,5 (61.2)	60,1 (61.2)	59,9 (61.9)	60,4 (62.4)	61,6 (63.7)	63,0 (64.7)	66,7 (67)	+5.2 (+5.8)
Unemployment rate 15 - 64 y, Eurostat (KSH)	7.8 (7.9)	10.0 (10.1)	11.2 (11.3)	11.0 (11.1)	11.0 (11.1)	10.2 (10.2)	7.7 (7.8)	-0.1 (-0.1)
Fixed term contracts <sup>4a</sup>	7.8 (7.9)	8.5 (8.5)	9.7 (9.8)	9.1 (9.1)	9.5 (9.5)	10.9 (10.9)	10.8 (10.8)	+3.0 (2.9)
Part time employees (1 <sup>st</sup> row Eurostat, (KSH)	4.7 (4.3)	5.5 (5.2)	5.9 (5.5)	6.8 (6.4)	7.1 (6.7)	6.8 (6.4)	6.1 (6)	+1.4 (+1.7)
Employment through temporary work agencies (in brackets without self-employed) <sup>1</sup>	3.1 (4.2)	2.1 (3.0)	3.5 (4.8)	3.0 (4.1)	2.7 (3.8)	3.1 (4.5)	2.6 (2.9)	-0.5 (-1.3)
Participants in public employment programme KSH	*1.0*	1.6	2.3	1.6	2.7	3.3	4.5	+3.4
Self-employed and members of cooperatives KSH, (self employed - Eurostat)	12.7 (8.8)	12.5 (8.7)	12.2 (8.7)	12.6 (8.6)	12.3 (8.2)	12.1 (8.1)	11.7 (7.5)	- 1.0% (-1,3%)
Full time employment at companies employing at least 5.KSH	2,520.4	2,382,4	2,414.8	2,372.8	2,372.9	2,397.9	2,531,9	11.5 (+0.5%)

Table G1. Labour market developments 2008-2014. Eurostat, KSH (Hungarian Central Statistical Office).

<sup>1</sup> For temporary agency workers, the age group above 50 does not define the upper threshold

<sup>2</sup> Based on calculation of Scharle 2014:61

At the same time, registered employment in manufacturing and services, the main engines of the labour market and the economy stagnated or even slightly fell. Apart from introduction of these new forms of precarious work, there is also a rise in other precarious employment forms, especially fixed-term employment and part-time employment. Table G1 shows the major developments in the Hungarian labour market.

Data in Table G1 indicates that the employment rate is higher than the 2008 level, the absolute number of employees is higher (increase of 5%) *and* that the unemployment rate is approximately the same. This means that many of the previously inactive appear as active in the labour market, but also that the absolute number of the unemployed is higher than it was in 2008. Here is visible the increasing significance of the public employment programme, especially in the economically depressed regions. Among new precarious forms of employment, the share of part-time work as well as fixed term contracts increased significantly, whereas the share of temporary agency workers remained the same. The number of those self-employed decreased. As it will be outlined later, the increase of part-time employment was increasingly used as a job preservation instrument since 2008. Formulated somewhat metaphorically, the larger share of part-time contracts masks well full-time job losses.

## **2. Legal developments**

Post-socialist Hungary traditionally has three major areas of employment regulated with specific legislation: the so-called private and in majority state-owned competitive sector (*versenyszféra*), under LC, employment in the public non-competitive sector with three main subsectors (state administration and defense, education, health and social care) with a separate legislation on public service employees (Kjt.), and third, the simplified and alternative forms of employment (*foglalkoztatás*) for those on the periphery of the labour market, with employment relations typically not based on the LC. Since 2011 there is a fourth, separate new piece of legislation, for those participating in the government's public employment programme.<sup>3</sup> The most significant legislative developments in recent years include: changes in the law on public service employment (Kjt.) in 2007, the new Labour Code (LC) of 2012, a special legislation (Law no 106 of 2011) on participants in the public employment programmes, the Law no.199 of 2011 on Public administration, and changes in regulations on occasional employment (a “quasi-employment relation”).

The *Law on public service employment (Kjt.)* was amended in 2007, so that job security of public service employees (public employees in state and local administration, health and social care, and education) fundamentally eroded. As Beáta Nacsa explained, the new clause annihilated the principle of *restitutio in integrum*, in practice making even unlawful dismissals less costly, and affordable to the state, thus not affecting the state budget (Nacsa 2014: 120-121). The LC of 2012 made a further step in the direction of flexibilization of labour relations, introducing cost saving measures, and company level regulation, thus responding to some employer requests. The

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<sup>3</sup> For more detail on the introduction of the National Public Employment Programme see [http://www.mfa.gov.hu/kulkepviselet/JP/en/en\\_gazdasagihirek/The+New+National+Public+Employment+Programme.htm?printable=true](http://www.mfa.gov.hu/kulkepviselet/JP/en/en_gazdasagihirek/The+New+National+Public+Employment+Programme.htm?printable=true) . All electronic sources were accessed between November 12 and December 23 2015.

official justification for the new LC included the need to regulate the labour market more flexibly, to make employment easier through eliminating so-called institutional rigidities, limiting labour costs, in “harmony with the challenges of the 21st century”. In some provisions, legislators made the LC closer to civil law (contracting between equal parties) and laxed the premises of labour law. For the first time, since 2012, the LC allows collective agreements (also by work councils) as well as individual labour contracts to be reached below standards set in the LC. Concerning precarious employment, two intertwined issues stand out: employment security and atypical forms of employment.

Employment security was affected negatively in the new LC. The protection of employment was relaxed, and brought it closer to civil code regulation. This came especially to the fore in the case of ending the employment contract – the law did not follow on earlier premise that employee has an interest in job preservation. Also compensation for unlawful firing, layoff decreased: except for monetary compensation, other remedies, sanctions for unlawful firing were minimized. In the case of collective redundancy, the new LC does not specify that the employer cannot hire new employees for jobs in areas where redundancies occurred. The new LC allowed termination of fixed-term contracts as well as immediate ending of work contract. According to some critics, the LC is not in harmony with *aquis communautaire* 1010/18/EC on securing employment for the employee on maternity or other leave (Michalik, 2012, Schnider 2012). Job security of public service employees eroded further, as since July 2012, the separate provisions of Kjt. on unlawful dismissals ceased to exist, and the rules of the LC apply also here.

The new LC partly collided with the *aquis communautaire* of 1999/70/EC on fixed term contracts, in not stating explicitly that fixed term contract is to be considered an open ended contract, if the employer does not have a reason to employ according to fixed-term contract, and harms intentionally the right of the employee.<sup>4</sup> Altogether, some legal experts evaluated the new LC as one of the least protective, liberal in terms of labour law. (Nacsá 2014: 118)

**Agency work** was regulated for the first time in 2001. Originally, during the institutionalization and codification of agency work, legislator did not clear directions related to the justified purpose of using agency work, related most of all to the issue of its temporality (*ideiglenesség*) (Bankó 2008) Instead, the legislator remedied not purposeful use of TAW with *ex post* changes in legislation. The 2012 LC of Hungary transposed the Directive [2008/104/EC](#) on *Equal treatment of temporary agency workers*. For the first time the issue of temporality was introduced: a temporary worker could be employed at a user company for a maximum duration of 5 years. Whereas this time period is already long, guarantees and rules for preventing its abuse were limited. Moreover, sanctions or remedies if such a practice occurred were not clearly spelled out (Kártyás 2012). The 2012 LC made positive changes, introducing the principle of equal treatment for temporary agency workers, with the Directive. However, Hungarian legislation also allowed exceptions to the rule of equal pay in three cases, which raise serious concerns about abuses (Kártyás 2012). Original clauses on collective redundancy, severance pay, and notice period do not apply. These clauses were amended shortly after the introduction of the

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<sup>4</sup> Hungarian legislation traditionally recognized the non-beneficial legal relation for those employed on fixed term employment contracts, positing that fixed term employment cannot exceed 5 years. The legislation did not specify how many times can a contract be prolonged (Berkó 2009: 17)

new LC, in July 2012 due to objections from the employer agency side.<sup>5</sup> The new LC also allowed greater flexibility to temp agencies and user companies to agree on division of employer rights and responsibilities. Legally, the parties entered a Civil Code based contract, with reference to only a few clauses of the LC. The only binding LC based clause is that the employment agency has the exclusive right of ending the employment relationship (Kártyás 2012). A major positive change was, however, that the new LC introduced the ban on ownership connection, that is, a temporary agency could not have the same owner(s) as the user company.

Similarly, **part time employment**, especially in the case of blue collar workers with lower wages was rarely used as a solution based on either employer and even less - employee needs. Since 2008, and during the global economic crisis it was reinvented as an employment form preventing job losses, that is, instead of job cuts, many full-time employment contracts became part time contracts. Thus, whereas in the EU part-time employment also aims at increasing flexibility demands of employees and employers, in Hungary its main incentives and institutional support were related to job creation and job preservation (Bankó 2008: 14).

The **public employment programme** provided a new, specific form of precarious employment, regulated with special legislation. Until 2008, and since 1987, employment for public utility purposes occurred on a minimal scale, with less than 1% of all employed. Since 2008, in reaction to dramatically rising unemployment levels, the Hungarian state reappeared as a major employer. The neoliberal-left government launched the START public employment programme, an application-project based opportunity for local municipalities, to offer transitory employment for those affected by structural unemployment, especially in the most depressed regions. The provisions of LC were valid for those employed in the public work programme, thus, for instance statutory minimum wages were applied. In 2008 only the scope of the programme increased (see also Szőke 2015). Since 2011 however, the original public employment programme as well as the employment in organizations working for public benefit ceased to exist, and a unified system of public employment was created<sup>6</sup>. Moreover, public employment became a special form of employment relations, under the authority of the Interior Ministry (!) (König 2012, Bakó et al. 2014). The law entitled the government to regulate by decree the annual wages for programme employees. In contrast to the earlier period, the wages were not pegged to minimum wages, but were subject of annual determination by decree. For the “physical”, blue collar employees in average the wage consist only about 76% of the statutory minimum wage. Eligible persons were those, who were affected by structural unemployment, receiving employment substituting support, registered at the labour mediating bureaus, but others could be involved too. Novelty was also that the participating persons were obliged to accept the offer, otherwise would lose entitlements to social benefits. Participating persons could be employed only at the local municipal level. Importantly, the primary objective and requirement for programme participants without elementary education was not any more participation at educational trainings, thus depriving them to increase their chances via increasing education levels. Critics also listed the

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<sup>5</sup> "A munkaerő-kölcsönzőknek tetszik az új munka törvénykönyve" (MTI) HVG.hu, June 24 2012  
[http://hvg.hu/karrier/20120624\\_munka\\_torvenykonyve..](http://hvg.hu/karrier/20120624_munka_torvenykonyve..)

<sup>6</sup> Ibid. Thus the prefix *New* National Public Employment Programme

lack of assessment in the program efficiency (lack of monitoring and evaluation methodology) while the union representative and initial empirical evidence claim that public employment is not transitory station towards reintegrating persons onto the labour market, but a dead-end.

**Occasional employment** as a form combines part-time and fixed-term employment, and it is aimed at addressing undeclared work, but also offers a form of entrance to the labour market. Until 1997 there were no contractual obligations between parties for jobs lasting not more than 5 days. The Law no. LXXIV. of 1997 attempted to regulate for the first time this quasi employment relation (Gyulavári 2011) in which a higher threshold was defined for maximal employment annually. The law was to fulfil demand for labour of irregular employers and private individuals under beneficial terms, low taxes and minimal administration etc. The practice showed that employers, small and medium sized companies – and most recently, temp agencies - used it often as an extra-probationary period. The more recent general trend was to replace fixed-term or part-time employment with occasional employment (Gyulavári 2011) as it offered a solution to replace employment relationship with a low-cost employment form. The most common was the manipulation with the date of the contract, or date of establishment of legal relationship: employers did not fill out the starting date of work, the date was (attempted to) be filled on the day of inspection. The 2009 law replaced the occasional employment with *simplified employment*. The legislator originally attempted to request signing a more formal labour contract, and in this sense it attempted to introduce stricter rules. However, after pressure from employer groups there was a modification in the Law towards simplification already in 2010, under the excuse to foster employment. (Gyulavári 2011)

Labour inspections found especially acute the situation in construction, tourism, retail and other services. In these sectors, for about two thirds of medium and small enterprises the inspectorate found irregularities, half of which was related to irregular labour contracting. These trends were also confirmed by union representatives from tourism, construction, and a confederation, highlighting the fact that capacities of labour inspectors are curtailed, there is no strong regulation, and sanctions to employers who employ irregularly are diminishing.

### ***3. Forms and incidence of precarious employment in the economy***

In Hungary, there is a substantial periphery to the primary labour market, where small and medium sized enterprises dominate. Here precarious employment is due to shady contracting: wage and working time are typically informally defined. Among employment forms, occasional employment, part-time employment (LC based or Civil Code based), subcontracting with (bogus) self-employment or even undeclared work is common. Small and medium sized companies maintain a strategy to minimize labour costs, often in efforts to survive or create profit, also by escaping payment of social contributions of its employees. A typical individual bargaining takes place for net income and job security, while formal employment is a matter of bargaining only in the better part of cases. In the “primary” labour market, typically larger employers dominate, in some sectors, multinational companies. Here the most common precarious employment forms are: employment via fixed term contract, part-time contract, and agency work.

Type of contract	Wages	Working time	Employment security	Contributions to (a) social security, (b) health security	Voice	Contracts classification
<b>Open-ended employment contract</b>	Minimum wage applies	Regulated by the Labour Code, new since 2012	Yes (limited)	Obligatory	Full trade union membership rights, but limited in practice	(1) Standard labour employment
<b>Fixed-term employment Contracts</b>	Minimum wage applies	Regulated by the Labour Code	Limited ( <i>short notice periods</i> )	Obligatory	Full trade union membership rights ( <i>restrictions in practice</i> )	(2) Non-standard labour employment
<b>Part time employment contracts</b>	<i>Pro rata</i> minimum wage applies	Regulated by the Labour Code ( <i>pro rata</i> )	Yes	Obligatory ( <i>pro rata</i> )	Full trade union membership rights	
<b>Temporary agency work</b>	Same principle applies to wages and working conditions since 2012	2 employers agree	Limited (short notice periods)	Not obligatory social benefits, e.g. if regulated in collective agreements (e.g. only if regulated in collective agreements)	Union membership rights granted, but limited in practice.	(1) and (2)
<b>Marginal part time (simplified employment)</b>	85% minimum wage (pro rata: per hour)	High flexibility, LC does not apply (Limited to: 5 working days in a row, 15 days in a month and 90 days in a year)	No	No	No	(3) Non labour employment and self-employment
<b>Specific-task service contract</b> ( <i>Megbízási szerződés</i> ) – ( <i>Felhasználási szerződés</i> , <i>Kiadói szerződés</i> )	No minimum wage	Not regulated by the Labour Code (Civil Code)	No	Yes	No	
<b>Self-employment</b>	No minimum wage	Not regulated by the Labour Code	No statutory guarantees	Obligatory	No	(3) Non labour employment and self-employment
<b>Public employment programme</b>	No minimum wage, defined by annual decree	Not regulated by the Labour Code	No	Obligatory	Yes	

Table G2. Forms and dimensions of precarious employment, with comparison to standard employment

Even if granted with standard employment, especially blue collar semi- or unskilled workers' employment, job security, wages as well as working time has elements of precarity. Employment security is limited, since in effect, since 2012 only a very limited compensation could be granted to employers in case of firing with justified subjective reasons (i.e. an employee might lose her or his job in case the employer lost his or her trust in the employee). Although increased in 2012, minimum wages as well as average wages in labour intensive sectors are low, under the subsistence level. In many companies, collective bargaining thus covers the amount and type of beneficially taxed employee benefits. Finally, working time is increasingly flexible, and a flexible e.g. annual reference period has both a negative effect on incomes, as well as employee needs (e.g. reconciling family and work).

### a. Fixed-term contracts

In the case of fixed term contracts, the job insecurity component is pronounced. Second, the social security (costs) is minimized when the contract expires. In many cases, throughout the post-socialist period, employers used fixed term contracts as a control tool, to prevent employees to join or establish trade unions, especially in manufacturing, in businesses established as greenfield investments. More recently, the evidence suggests that fixed-term contracts are commonly used as an alternative to probationary period. Especially in local small- and medium sized companies chain contracting is also characteristic to avoid paying social security contributions in case of ending the contract.

As Table 7. shows, in the decade before the beginning of the global economic crisis, fixed term contracts were stagnating between 6% and 7.5%, and moderately used. In the last 7 years, however, except for one year (2011), both the absolute number of fixed term contracts and their share in all labour contracts increased significantly, approximately by 50 percent from cca 250 thousand, and 7.33% of all contracts in 2007, to 392.6 thousand and 10.8% in 2014. Among sectors, it was increasingly common in manufacturing.

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
% of fixed term contracts	6.1	7.1	7.5	7.3	7.5	6.8	7.0	6.9	7.3	7.9	8.5	9.8	9.1	9.5	10.9	10.8
no. in thousands	197.7	233.4	248.2	243	256.4	228.9	237	236	250	266	278	320	300	322	377.6	392.6

Table no.G4 Total number and weight of fixed-term contracts in the national economy. Source: ksh.hu, eurostat.

### b. Part-time contracts

As already mentioned, part-time contracts in Hungary, especially for blue collars emerged as a specific form preventing job loss, or a lesser evil to entirely undeclared full time work. Thus, part time contracts, especially for the less skilled blue collars typically did not emerge as a flexicurity bargain between employees and employers, but in the context of choosing between job (loss) and lower wage. In this context, the most precarious dimensions for voluntary part time contracts – typical for the less skilled blue collars, are wages, working time and limited social security.

It is important to stress that statistically recorded part-time work includes not only employment via employment contracts, but also, to name the major forms: work assignment service contracts,

seasonal employment of students, contracts for outworkers. Part time employment here does not include the simplified, marginal part time employment.<sup>7</sup>

Compared to EU, registered part time employment was traditionally less used in Hungary (Seres 2010). A significant increase occurred however since 2008.

	2008	2009	2010	2011	2012	2013	2014
<b>total part time blue collar</b>	155.518	185.499	191.847	219.598	202.875	205.328	193.513
<b>total part time white collar</b>	86.039	92.764	95.215	99.157	98.76	96.974	95.899
<b>total part time</b>	241.557	278.263	287.062	318.755	301.635	302.302	289.412
<b>% of part time</b>	8.75	10.46	10.62	11.84	11.28	11.20	10.25
<b>- Share of part time blue collar (in total %)</b>	5.63	6.97	7.10	8.16	7.59	7.60	6.85
<b>-Share of white collar (in total %)</b>	3.12	3.49	3.52	3.68	3.69	3.59	3.40
<b>% of part time for blue collars among blue collar employment contracts</b>	10.26	12.98	12.92	15.44	13.85	13.60	11.76
<b>% part time for white collars among white collar employment contracts</b>	4.98	5.45	5.59	5.88	5.95	5.79	5.50

*Table G5. Total number and percentage of Part time contracts 2008-2014, blue collars and white collars (in Hungarian: “physical” and “intellectual”.) Source: ksh.hu, own calculations*

As Table G5 shows, part time contracts were used increasingly during the global economic crisis, reaching a peak in 2011, when almost 12% of contracts were for part time jobs. Part time contracts were disproportionately more used for blue collar “physical” employees: whereas only 5 – 6% educated white collar (intellectual) workers were contracted part time, among the blue collar physical workers part time contracting was much more common, up to 15.4% in 2011. The following table presents sector specific characteristics for the less skilled. Moreover, initial evidence suggest that educated white collar (“intellectual”) part time employment is more typically voluntary, whereas for the blue collars, it is typically involuntary. This seems to be the case especially in inpatient healthcare. As it will be outlined in the section on health care, at least some groups of medical doctors increasingly opted for part-time contracts together with service contracts. In labour intensive or less skilled sectors and professions, part-time contracts actually often cover full time employment. Representative of a union in tourism confirmed that employees accept it, as still a lesser evil than undeclared work. The following table highlights sectoral characteristics of part-time contracting for blue collar employees, excluding micro enterprises, and the public sector.

<sup>7</sup> The definition of part time work is continuous employment (exceeding 5 consecutive days) for at least 60 hours per month. The precarious dimensions of those employed via non-employment contracts I discuss in separate sections (d.) and (e).

		2008	2009	2010	2011	2012	2013	2014	% change (2008=100)
Agriculture	number in thsd	6.0	6.6	6.2	6.6	6.9	6.5	6.6	110
	% in sector	9.2	10.3	10.4	11.5	11.3	11.1	10.8	1.6
Manufacturing	number in thsd	39.8	53.4	46.6	46.2	45.2	45.8	48.3	121.36
	% in sector	7.5	11.6	10.2	9.9	9.9	10.0	10.3	2.8
Construction	number in thsd	5.8	7.3	9.9	9.8	10.1	11.2	11.6	200
	% in sector	6.1	8.5	11.4	11.4	11.9	14.1	14.3	8.2
Retail and vehicle repair	number in thsd	26.0	29.7	33.1	38.5	45.7	48.0	48.1	185
	% in sector	12.1	14.6	16.6	18.8	22.5	23.4	22.9	10.8
Transport, logistics	number in thsd	8.1	8.6	8.0	5.0	5.3	5.1	5.0	61.73
	% in sector	6.6	7.0	6.5	4.6	4.7	4.5	4.1	-2.5
Tourism	number in thsd	12.8	13.4	16.9	16.7	18.2	18.7	20.8	162.5
	% in sector	22.5	26.8	33.2	33.8	40.5	44.4	48.4	25.9
Real estate services	number in thsd	2.1	2.5	3.1	3.2	3.5	4.1	2.8	133.33
	% in sector	3.0	4.0	4.6	4.9	5.6	6.7	4.4	1.4
Professional, scientific, technical activity	number in thsd	1.9	2.2	2.0	2.5	2.4	2.9	1.8	94.74
	% in sector	13.5	16.0	17.9	16.8	19.0	17.9	12.2	-1.3
Administration and related services	number in thsd	17.1	17.7	20.9	23.9	20.9	22.6	21.3	124.56
	% in sector	20.8	23.9	21.4	22.2	20.9	21.0	18.3	-2.5
Public administration defense, social insurance	number in thsd	10.2	17.9	6.7	4.9	2.8	4.3	4.0	39.22
	% in sector	13.5	17.2	8.6	6.9	3.5	5.2	4.6	-8.9
Education	Number in thsd	7.4	7.2	6.6	7.2	6.9	5.0	4.4	59.46
	% in sector	14.4	14.4	13.9	15.4	15.4	13.2	11.6	-2.8
health care	Number in thsd	2.6	2.6	2.7	2.8	3.1	2.8	2.6	100
	% in sector	9.9	9.3	9.7	10.8	11.3	10.8	10.0	0.1
social care	Number in thsd	7.2	7.3	19.5	42.1	22.3	20.1	8.8	122.22
	% in sector	25.7	25.4	23.5	59.4	25.1	17.3	5.7	-20
Arts, entertainment, sports	Number in thsd	2.6	2.8	2.5	2.7	2.6	2.1	1.9	73.08
	% in sector	17.9	19.6	19.4	22.4	23.5	21.3	18.0	0.1
Total national economy	Number in thsd	155.5	185.5	191.8	219.6	202.9	205.3	193.5	124.44
	% of total	10.5	13.2	13.4	15.4	14.2	14.2	12.6	2.1

Table G6. Total number and “weight” of part time contracting in sectors of the national economy among blue collars, at companies with at least 5 employees. Source: ksh.hu, own calculations

In absolute numbers, the bulk of part-time contracting occur in Retail and Manufacturing, with about half of all part-time contracts in the economy. Among blue collar employees, Tourism, and Retail and vehicle repair stand out with highest shares. Trends are especially alarming in 3 sectors where the share of part time contracts (almost) doubled : construction, tourism and retail.

For construction part-time contracts were less common in 2008, but it has been increasingly used. In 2013 it reached, and in 2014, for the first time, it surpassed the national average.

The most curious trajectory occurred in social care: the share of part time contracts doubled from the already high percentage of 23.5% in 2010 to 59.4% in 2011 only to fell steeply again to 25.1% in 2012 and only 5.7% in 2014. Sectors which are around average for the whole economy with stagnating and falling trends, are Education, and where its increasingly less used is Public administration defence, social insurance, and to some extent, Professional, scientific, technical activity. Well below national average are minor sectors of Real estate services as well as Transport and logistics. In manufacturing, agriculture, and health care, part time contracts were used below the national average, a quite stable number and ratio.

Among the white collar (“intellectual”) employees, the use of part-time contracts was both less common and its use also did not increase dramatically between 2008 and 2014, from 7.2% to 8.6% in 2012, to fall down to 8% in 2014 again. In Retail, Tourism, and some minor sectors (Real estate services, Professional, scientific, technical activity) the share of part time contracts was few percentage higher than the average, but with stagnating tendencies, mostly reaching high in 2012. A partial exception to this is retail, where the share of part time contracts increased continuously reaching 14.8% in 2014.

### c. Agency work

As the most flexible employment form, agency work allows greater adaptability to market fluctuations. The main characteristic of temp agency work is a lower level of employee protection at the time of ending the employment contract.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
number of agency workers	30265	39083	52684	76184	102425	103372	116835	79085	130434	111044	101485	120704
% of agency workers among all employed (w.o self employed)	1.11	1.42	1.89	2.73	3.67	3.74	4.23	2.97	4.83	4.13	3.79	4.47
number of blue collars	25463	34289	46864	64265	82435	84273	96651	60136	108406	92655	88033	102099
% of blue collar (physical) among TAW	84.1	87.7	89.0	84.4	80.5	81.5	82.7	76.0	83.1	83.4	86.7	84.6

Table G7. Number of TAW, blue and white collars for 2002-2013, total and as percentage of all employed, and share of blue collars. Source: Nemzeti munkügyi hivatal nmh.hu, own calculations

The number of TAWs increased significantly between 2002 and 2008, and then, during the global economic crisis it decreased radically in 2009, only to reappear at a record high in 2010, and then to decrease and consolidate around the 2007-2008 levels. The share of TAW reached 4.83% in 2010, but remained around 4% of total employment in the following three years. Among sectors, Especially the blue collar “physical” employees were TAWs. Blue collar TAWs are most commonly employed is manufacturing, while white collars were mostly employed in service related sectors.

Blue collar employees are typically more employed as TAW: in all years but one, more than 80% of contracted TAW were blue collars. The only exceptional year was 2009 when many blue collars lost their contracts. The contraction in the global and national business cycle thus did not hit white collars.

**d. Marginal fixed term-part-time contracts** emerge in the form of simplified or occasional/seasonal employment. *Simplified or occasional/seasonal employment* was traditionally the hotbed of black or shady employment, but, since it has been also used as an extra probationary period, it qualified as a potential form of entrance to the labour market. Occasional employment resembles standard employment relation but has the limitations of both part time and fixed term contracts, but with minimal social security entitlements. The use of **simplified or occasional/seasonal employment** is widespread among micro and small businesses with seasonal characteristics, especially in labour intensive service sectors, such as retail, tourism, construction, and agriculture. The following table indicates the intensity of occasional employment in these sectors in 2013 and 2014.

	2013	% of employment in sector	2014	% in sector
<b>Retail</b>	31 739	6.0	35 601	6.5
<b>Tourism</b>	15 805	10.0	16 907	10.1
<b>Construction</b>	15 671	6.4	18 608	7.2
<b>Agriculture</b>	14 828	8.0	15 848	8.4

Table G8. Simplified employment 2013-2014. Own calculation based on: NAV report and KSH total employment in selected sectors

As visible, in these sectors simplified employment captures a significant share of the employed, up to 10 percent, as in Tourism. In all sectors, it was increasingly used. Reports of the labour inspectorate indicate at the same time that occasional, simplified employment is the form which is most common to mask longer term employment, but it is also used as a grey form to evade taxes etc.<sup>8</sup> A study on statistical groups on the periphery of the labour market (Bakó et. alt. 2014) found that occasional employment is a central source of income for a group of living dominantly from occasional work. The group is estimated to 121 thousands (cca 3% of all employed-active), with low education (maximum elementary school), 63% male.

**e. Specific-task service contracts** (*Megbízási szerződés*) are widespread in service specific sectors, both for more and the less skilled, and less widespread are the more specific contracts for artistic professions with copyrights (*Felhasználási szerződés, Kiadói szerződés*). Service contracts are regulated by the Civil Code, but service providers receive all social entitlements. These kind of service contracts, especially in the case of less skilled services, could approximate grey employment as far as it would mask larger workload than in contract over an expanded working time period but for minimal compensation. There are no available statistical data on Specific task-service contracts. Many service provider employees statistically fall either under full time or part time employees.

<sup>8</sup> A Munkaügyi Hatóság 2013. évi Országos hatósági ellenőrzési tervének megvalósulásáról szóló jelentés, NMI, Budapest, 2013, p. 12. [www.ommf.gov.hu/letoltes.php?d\\_id=5687](http://www.ommf.gov.hu/letoltes.php?d_id=5687)

**f. (Bogus) self-employment** (individual entrepreneurs, joint ventures – *társas vállalkozás*). Historically, the precarious form of bogus self-employed emerged during the transformation years, as a cost saving, profit maximizing and/or survival strategy of larger firms to outsource the “replaceable” blue collar workers from company payrolls. The term “forced-entrepreneurs” (*kényszervállalkozó*) was coined to indicate that former employers offered incomes to workers only as service providers, and not within employment relationship. Informal sub-contracting occurs via the channels of small companies or individual entrepreneurs: typically for service related jobs, for an invoice. The number of individual entrepreneurs, and associated forms of the self-employed modestly decreased since 2009. There is no further statistical data or in-depth studies, which would outline the share of bogus self-employed.

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Member of a cooperative	4.8	4.7	2.6	2.5	2.9	2.0	2.3	3.3	3.6
member of a joint company (mjc)	128.0	123.9	120.9	131.7	137.6	133.3	144.3	156.6	157.3
individual entrepreneur (i.e.)	347.0	340.3	333.1	323.4	306.9	305.5	287.7	265.7	274.8
helping family member	19.7	17.6	13.3	15.3	12.4	15.7	14.8	13.3	13.1
Total i.e. + mjc	475	464.2	454 (443.5)	455.1 (446.2)	444.5 (436.2)	438.8 (426.3)	432 (419.0)	422.3 (408.9)	432.1 (420.3)
&% in total employment	12.72	12.47	12.21 (11.62)	12.62 (12.00)	12.32 (11.80)	12.14 (11.45)	11.73 (11.05)	11.27 (10.59)	10.94 (10.33)

Table G9: the total number of potential “forced entrepreneurs”, in thousands 2007-2014. Source ksh.hu, in brackets: eurostat. Own Calculations

In the category of self-employed, individual entrepreneurs and members of joint companies are the main suspects. As Table G9 indicates, the total share of individual entrepreneurs and joint company members for the period of 2006-2014 averages 12%, their number and their share declined significantly since 2006, especially between 2009-2011, only to stabilize in 2012-2014. Individual entrepreneurs comprise the largest group, their number fell continuously and significantly until 2013. In contrast, the second largest group, the number of joint company members increased significantly and continuously since 2008.

**g. Public employment programme.** Since 2011, the public employment programme combines a measure of intended reintegration to the labour market with social transfers, in such a way that it pegged social entitlements to participation in public employment programme, a contested, problematic principle (Cseress-Gergely & Molnár 2015: 221-222). Not only persons affected by structural unemployment, but also job seekers can participate in the public employment programme. Employment here lasts up to 11 months, and typically its form is full time employment. Most participating in the public employment programme are employed at a budgetary institution, only about 10% are employed at a non-profit sector or entrepreneurs managing public companies. National public work program is specifically beneficial to state owned companies with broad spatial national presence: railroads, roads, water industry, but the program was used in museums, media, and archives too.

The two most precarious dimensions of the public employment programme are wages and the lack of prospects it offers. Net wages of public employment programme participants are cca. 70% of the minimum wage, and only cca. 60% of the subsistence levels. Apart from the low wage, it also qualifies as precarious as, although it promises a transit to the labour market, in practice it is a dead-end, and a trap. Earlier international studies, and initial Hungarian empirical evidence showed that a small, diminishing fraction of programme participants are reintegrated into the labour market (Váradi 2010, Szabó 2013), a maximum of 10 percent (Cseress-Gergely & Molnár 2015: 221). The programme creates two contradictory mechanism-loops, neither of which is beneficial to labour market reintegration. On the one hand, in search higher and stable incomes, it recreates a political-clientelistic dependency from those local authorities, especially of those who gave up looking for labour market jobs. On the other hand, a higher, intensive reliance on public employment programme, the intensity of employment component tends to undermine chances of job search at, and skills creation necessary at the primary labour market. (cf. Cseress-Gergely & Molnár 2015: 222, see also Szőke 2015) The specificities of this kind of precarious work is that, according to union representative, in average it lasts for 6 months, full time job. Programme part time variants for 4, 6 hours allowed more space for seeking other employment, but the increasingly dominant full time employment does not allow this. Finally, these workers are by definition stigmatized, since a special legislation sets lower standards for them than for other workers.

Having various temporal and spatial characteristics, there are several types of public employment: short-run public work employment programme, Long-term public work employment programme, National public work employment program, value creating public work, “Start” programs in depressed regions etc. the latter three being dominant since 2011. Out of these, the most significant since 2011 are the Long-term public work employment and the National public work employment program.

The public employment programme contributed to the improvement of employment rate in Hungary. The number of participants in the public employment programme more than quadrupled since 2008, almost doubled since 2012, and reached 4.5 percent of all employed by 2014. A positive development was that by 2015, the share of part time participants decreased to a minimal level.

	<b>total</b>	<b>full time</b>	<b>part time</b>	<b>% of all employed</b>
<b>2012</b>	102.0	81.1	20.9	2.7
<b>2013</b>	129.1	111.5	17.6	3.3
<b>2014</b>	182.5	180.0	2.5	4.5
<b>2015</b>	188.5	187.8	0.7	4.4

*Table G10. Number of participants in public employment programme. Source KSH, own calculation, for 2015, January-September average number.*

Table G10 shows the most recent increase in both absolute numbers and weight of the participants in public employment programme among the all employed. Public employment programme seems to impact negatively on labour standards. At least in some companies labour standards suffer, and continue to be under pressure. To name a telling example, there are

recorded company level instances, that new flexible forms of employment – while providing more freedom for employers, who used the opportunity to hire in great percentage precarious forms (e.g. unskilled workers – for maintenance in state railways, water etc.) - effectively put a pressure on less-skilled employees with standard employment contracts.

#### **4. Conclusion**

There were major changes in employment forms affecting employment security and net wages since 2006, especially for the less-skilled workers. The 2006 crisis affected job security of the employed at the public non-competitive sector, while the global economic crisis inspired the government to introduce a programme for tackling structural unemployment. It was, however, only after the government change of 2010 that major legislative reforms occurred: public works gained a special legislative form, while in 2012 a new LC was introduced.

For Hungarian industrial relations and collective bargaining the issues of *wages* (including incomes) and *job security* have utmost importance, issues which also influence or are strongly related to precarious forms of employment. The austerity measures and the global economic crisis highlighted even more the domination of these two issues, and made these the hot topics of collective and individual bargaining. Whereas the agenda of collective bargaining was relatively poor throughout the post-socialist period, even issues such as working time faded since 2008.

## Part II. Facing precarious employment in selected sectors

### 1. Construction

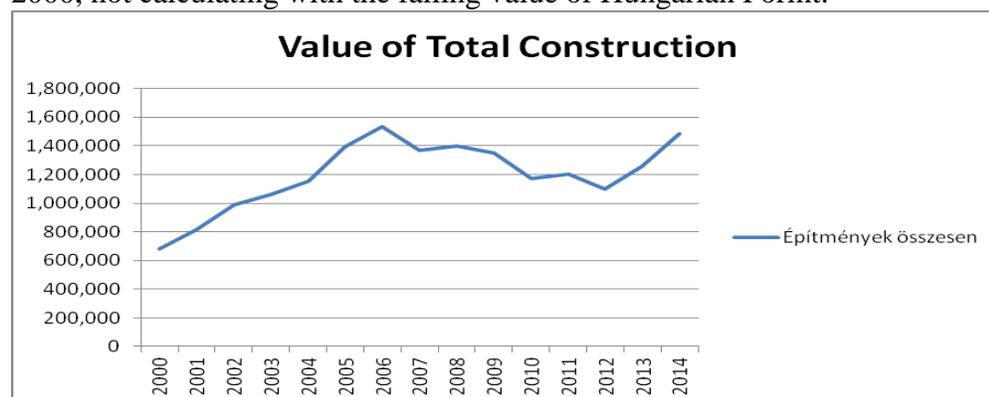
#### a. Sectoral characteristics, Trends and Employment.

Throughout the post-socialist decades, construction was a sector which was among the most sensitive to changes in global and national economy, including governmental investment policies. More recently, between 2006 and 2013, the whole sector underwent a period of recession, with timid signs of recovery in 2013-2015. Table C1 indicates well the sector's investment sensitivity, the diminishing weight of construction in all GDP and employment in the last two decades. Whereas the share in investment, GDP and employment was stagnating between 2005 and 2008, it underwent a negative change especially in the period of 2009-2012, timidly recovering in 2013-2014.

	1989	1992	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>share in GDP (%)</b>	8,4	6,2	5,4	5,1	4,8	4,9	4,9	4,2	4,0	3,7	3,3	3,6
<b>share in investment (%)</b>	1,7	1,7	2,9	2,8	2,7	2,8	2,4	2,2	1,8	1,5	1,7	2,0
<b>share in employment (%)</b>	6,6	6,0	8,1	8,2	8,4	8,0	7,8	7,3	6,9	6,3	6,3	6,3

Table C1. Weight of construction in the Hungarian economy 1989, 1992, 2005-2014. Source: KSH.

Since 2006, cuts in government spending, the global economic crisis, and negative financial developments (steeply falling purchase power of the population) negatively affected the business cycle of the sector. Graph C1 indicates the changes in terms of value of total construction since 2000, not calculating with the falling value of Hungarian Forint.



Graph C1. Change in Value (Output) of total construction of buildings (építmények összesen), in million Hungarian Forints 2000-2014, without inflation, source KSH.

Crucially influencing its trajectory, the Hungarian construction sector underwent the most dramatic change after the system change of 1989, when former large SOEs were privatized

and/or faced bankruptcy. This structural change manifested itself most visibly and dramatically in terms of enterprise size class: the dominant form of enterprise in construction became micro- and small- and medium-sized (SME) enterprises. Table C2 indicates this change. On average, a construction enterprise was small, employing only 38 workers. Already in 1992-3, large companies had a significantly higher market share than their share in total employment in the sector, a tendency which increased further over time.

Size group by no. of employees	Number of enterprises	Total no of employees	average size	market share (%)
11 to 20	1143	10434	9	15.9
21 to 50	674	21115	31	21.0
51 to 100	201	13498	67	14.3
101 to 200	68	9551	140	9.6
201 to 300	25	6172	247	7.9
301 to 500	16	6136	384	7.6
501 to 1000	12	8522	710	14.7
1001 to 1500	3	3531	1177	5.9
1501 o	1	1585	1585	3.1
<b>Total</b>	<b>2143</b>	<b>80544</b>	<b>38</b>	<b>100</b>

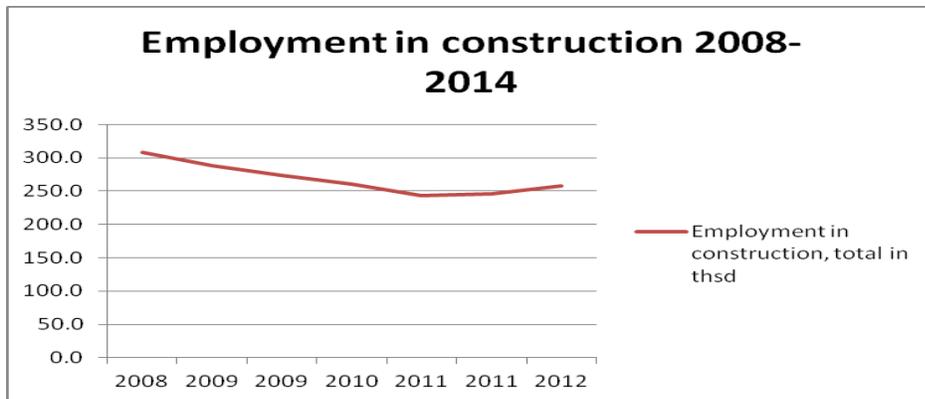
Table C2. Change in business size class: a snapshot from 1993. Source: KSH.

Conversely - and in sharp contrast to the state socialist times – medium and especially large enterprises employing more than 250 workers saw their share in employment decreased further during the post-socialist period. In 2015, only 17 large enterprises employed more than 250 workers. Even without the most numerous micro enterprises, the bulk of which are enterprises of the self-employed („forced entrepreneurs”), the share of small and medium enterprises with less than 50 employees is very high, about 97%. Compared to the 1993 level, in 2008-2014 on average only 43.3% of workers were employed by non-micro companies, employing at least 5.

	2011	2012	2013	2014
0 to 4	87.588	84.628	83.171	82.761
5 to 9	6.389	6.373	5.996	5.589
10 to 19	2.913	2.98	2.715	2.514
20 to 49	1.221	1.151	1.126	1.063
50 to 249	0.308	0.31	0.266	0.267
50 and more	0.023	0.018	0.018	0.017
<b>Total</b>	<b>98.442</b>	<b>95.46</b>	<b>93.292</b>	<b>92.211</b>

Table C3. total number of enterprises in construction by business size class, in thousand, 2011-2014.

**Employment.** The negative economic developments impacted total employment and employment forms in the whole sector. By 1994, the number of active wage earners in construction halved compared to the 1980 level (Orgoványi 1997: 1024), but increased and stabilized in the following years, until the EU accession (KSH 2005: 17). More recently, however, starting with 2006 employment decreased by more than 21%, and again showed modest signs of recovery in 2013-2014. Graph C2 illustrates the current trends.



Graph C2. Total employment in construction, in thousand. Source: KSH.

Construction is an extremely male dominated sector: between 2008 and 2014, in average 92,5% of employees were male. Among employees of non-micro enterprises, blue collar workers seem to dominate, with about 73% of all employed. Whereas the value of construction reached the pre-crisis level, registered employment remained below that level, indicating that job security in the sector is low, or increase in grey employment forms and/or deterioration of registered employment forms at the expense of undeclared work.

### **b. Dimensions of precarious employment: sectoral characteristics**

Less skilled blue collars are especially affected by low job security, low wage levels, flexible and intensive working time, poor, sometimes unsafe working conditions, as well as limited social security. Not surprisingly, the trade union considers employment in the whole sector as precarious. The sector is especially sensitive to changes in the external environment, local market demand and government spending (investment), which directly influences jobs and wages, but also working time, and social security. Business size class determines to a great extent the forms, dimensions and incidence of precarious employment.

Negative business prospects and development translate quickly to low job security or erosion of employment forms. Especially in the 2006-2012 period there were many bankruptcies. On the other hand, the seasonal demand for labour is high, but employment related social contributions and tax are judged to be too high, stimulating a solution to use irregular or shady employment forms. The most common way of translation of low job security is subcontracting and outsourcing employment on several levels to lower employment standards, so as to save labour costs – and thus also: jobs. Whereas the tier-chain of contractual parties in construction should not exceed 4, in practice, in the assessment of the union representative, it often reaches even 10 units. This leads to a very non-transparent operation, which is also very difficult to inspect. Job security is lowest at the bottom of the chain. Here, competing micro enterprises perform full time jobs for bargained service fees, but using shady employment forms, with semi-registered employees, such as simplified employment. At the very bottom of the chain are unregistered entrepreneurs and their worker brigades, but there are also subcontractors which do not perform any operation at all. The number of unregistered employees is very significant, especially among micro and small companies.<sup>9</sup> The capacities of inspections are low, although reports find regular

<sup>9</sup> Interview with Gyula Pallagi, sectoral trade union president, Építő, Fa, és Építőanyagipari Dolgozók Szakszervezeteinek Szövetsége (ÉFÉDOSZSZ - Trade Union Federation of Workers in Construction, Wood- and Construction material manufacturing, Budapest, March 30 2015.

and high percentage of irregularities, a large share of which are undeclared or semi-irregularly registered-declared work.<sup>10</sup> A closely associated issue with low job security is high dependency from the employer, and a highly informal, trust based relationship. At small or medium sized companies, it is not an unusual solution to reemploy during the warmer seasons at the same employer, while collecting unemployment benefits during the winter<sup>11</sup>.

**Wages** in construction are among the lowest in the national economy, especially for blue collar workers. Average net incomes for 2010-2014 barely surpassed the living wage. Wages are often individually or employer-set. There is a sectoral minimal wage negotiated in the collective agreement. However, there is a large difference between official wages and actual wages and incomes, since apart from registered wages there are also side payments, informally agreed on daily, weekly, hourly basis. The level of informality increases especially during hard-times for the sector. It is a short term income maximizing strategy, going hand in hand with lower social security, since employers adopt all strategies to minimize labour related costs, while for employees it might be an acceptable short-term option, or option without real alternatives.

The large level of informality, which negatively affects **social security** was characteristic especially for the lower skilled workers employed at micro and small businesses, but more recently, since 2006 the skilled workforce is also affected, especially in the transition to part time contracts from full time jobs<sup>12</sup>. Nevertheless, it seems that there is a rising wage, or net income inequality between skilled and unskilled workers.

*Working time* arrangements are also flexible, and employer and demand driven. In main subsectors of construction, there is significantly less working hours in the colder seasons (especially winter) and significantly more in spring and summer. Typically, working time is significantly longer. In general, for outside construction, 10 hours is informally considered as the 8 hour working day, with no guarantees for a lunch break. The process to be finished or the amount of material determines the length of the working day. The annual working time frame, annual reference period, typically prepared by the employers' interest organization for the current calendar year, is fully utilized. However, since in practice only the more skilled have been "awarded" with labour code based contracts, reference periods most likely apply to the more privileged skilled workers, employed at medium or larger companies.

*Working conditions.* There is also a steady erosion in working conditions in the whole sector: there was no investment in the social support system (no wardrobes, worker restaurants, changing rooms etc.), and thus it did not recover since the transformation, and it is in very poor shape. Outsourcing and the intense race among companies for jobs and contracts, takes a toll also in the shape of underbidding – also in spheres in which it mustn't. Most alarmingly, in the assessment of the union, there is a trend to save resources from securing work safety provisions. There are many accidents, some fatal, but not every incident is recorded.

The most common forms of precarious employment in the sector are (*bogus*) *self-employment*, *part time*, and *marginal part-time contracts*, while the significance of *temporary agency work* is limited. All criteria of low job security, (low social security, constant downward pressure on wages, and extended, highly flexible working time arrangements, as well as often deteriorating

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<sup>10</sup> Gergely Kiss "Komoly problémák a magyar munkahelyeken" Napi.hu December 3 2015  
[http://www.napi.hu/magyar\\_gazdasag/komoly\\_problemak\\_a\\_magyar\\_munkahelyeken.606768.html](http://www.napi.hu/magyar_gazdasag/komoly_problemak_a_magyar_munkahelyeken.606768.html)

<sup>11</sup> Interview with a construction worker. June 13, 2015

<sup>12</sup> Interview with László Koji, president, National Federation of Hungarian Building Contractors - ÉVOSZ (Építési Vállalkozók Országos Szakszövetsége), Budapest, October 12 2015

working conditions) apply to the employment of the less skilled workers in the sector. In contrast, for skilled workers issues of social security and highly flexible working time arrangements apply first of all in the economically more difficult periods, exemplified in part-time contracts. Employment contracts are sector specific, where not only the level of skills, but also enterprise size class - in strong correlation with foreseeable market shares - determines typical employment forms. In construction, traditionally less than half of all employed have labour contracts (*munkaszerződés*), but even among them many have fixed-term or part-time contracts. Others are employed either as individual entrepreneurs (e.v.) or run joint partnership companies, a common form of bogus self-employment, or are employed via marginal service or part time contracts.

***(Bogus) Self-employed and simplified (seasonal employment).*** On average, for the period 2008-2014, 56.7% of employment in the sector was covered by micro companies (with 4 or less employees). A typical micro company stands for a self-employed blue collar worker and in most cases, one extra employee employed, most likely via simplified, marginal contracts<sup>13</sup>.

Self-employment occurred during system change: after 1989, and the privatization, bankruptcies and cost saving measures of the former large state owned enterprises, the bulk of less skilled workers were pushed to register as self-employed (forced-entrepreneurs) via their micro companies, or were employed via simplified employment forms. In later years even more precarious forms of employment were introduced, such as seasonal or simplified employment, but also unregistered work. In the 2006-2012 period this category underwent further worsening, and the number and share of undeclared “brigades” of undeclared workers increased. While undeclared work is not registered, statistics recorded a constant, slight rise of the weight of simple seasonal employment which averages about 1% of all employed in the sector.

***Part time contracts.*** The main form of precarious employment which appears in statistics is part-time work, whose numbers and shares among all blue collar employees doubled from 2008 to 2014 (see table). This solution is common also among larger companies employing skilled labour. The following table shows the radical increase in part-time and marginal part-time contracts in construction since 2008.

		2008	2009	2010	2011	2012	2013	2014
Part time employees	number in thsd	5.8	7.3	9.9	9.8	10.1	11.2	11.6
	% in sector	6.1	8.5	11.4	11.4	11.9	14.1	14.3

*Table C4. Number and share of part-time contracts among blue collars in construction among companies employing at least 5, source KSH, own calculation*

The increase is even more dramatic in a longer historical perspective: in 1993, only about 1% of all employees were contracted on a part-time basis. In the crisis years, many among those employed via LC contracts switched to part-time job contracts. Curiously, and in contrast to national developments, both the absolute number and the relative share of part time employment in construction continued to rise even in 2013-2014, when trends changed to positive.

Typically only the skilled workforce, employed at large or medium sized enterprises, enjoyed the form of standard employment. Skilled employees were also affected by the changes in the crisis

<sup>13</sup> The average size of a micro-company is about 1.7 employees, which indicate that in average, apart from the self-employed, most micro companies registered one (1) extra employee. Micro companies typically use fixed term service contracts or simplified employment contracts for occasional or seasonal work.

years of 2007-2012: shrinking demand put pressure on jobs, and consequently a labour cost saving form was introduced: this explains the rise in part time contracts. Skilled blue collars were thus increasingly employed on a part-time basis, often for full time jobs. In the assessment of an employers' representative, this is especially characteristic to the subsector of residential construction. Here companies have both a high need to keep the increasingly scarce skilled labour, but due to falling demand, typically employ them only with part-time contracts, and possibly maximizing short term incomes with side payments at times of full capacity work. Both part time or full time contracts are used with half a year or one year reference period, which adapt to sector specific seasonal differences in activities.

**Marginal part time contracts.** In addition to seasonal or simplified employment, other marginal part time contracts are probably more characteristic to smaller companies. We do not have a better assessment of the share of marginal compared to total part time contracts. According to a representative of the employers organization, these forms were massively introduced since 2007, especially the simplified occasional employment form, but also work assignment contracts. (*megbízási szerződés*) In about two thirds of medium and small enterprises, especially in sectors of construction and tourism, labour inspectorate found irregularities, half of which were related to irregular labour contracting.

Since 2008, **temporary agency** work was modestly used in construction, and remained well behind levels of 2007. Before the global economic crisis, a significant share of temporary work was used in construction, 6.6% in 2006 and 13.2% in 2007. Employment of temporary workers was increasingly less typical since 2008, and even less since the changes in legislation in 2012. Thus in 2013-2014 only about 1% of registered Hungarian temporary workers were employed in construction user companies. Statistics indicate that TAW are more commonly skilled blue collar workers (*szakmunkás*) than less skilled (*betanított, segédmunkás*). For 2006-2011 about 60% of contracts (cases) with user enterprises occurred for the skilled. Domestically, according to the union representative, user enterprises tend to commonly employ more TAWs with special skills, such as crane operators. No unions are protecting these workers, they use only their individual bargaining power vis-à-vis the agency as employer. Interestingly, temporary construction workers are employed by a foreign user company more often than is the case in any other sector. In 2012, the share of temporary construction workers working abroad among all temporary construction workers was as high as 41.9%, for 2013 it was 29.8%.

The following tables indicates the differences between large and small employers, dominant employment forms of skilled and less skilled workers.

	<b>Large and Medium companies</b>	<b>SMEs</b>
<b>Less skilled</b>	Mostly outsourced after system change	Dominant. Bogus self-employment large, maximizing short-term income strategies ("grey" employment forms). Also whole brigades of undeclared workers behind one SME (shades of grey, towards undeclared work).
<b>Skilled</b>	Dominant trend. Strategies to keep the skilled, standard labour contracts, during the crisis: part-time LC based contracts, sporadically use of TAW	Not very common, or limited to specialized sub-branches of construction.

Skilled workers – larger enterprises, TAW

		Quality of working conditions dimension				
The formal employment status dimension		Wages	Working time	Job security	Social security	Voice through trade unions, protection through collective bargaining
	Open-ended contract	(X)	X			Very limited coverage
	Fixed-term contract <u>Part-time contract</u>	X	X		(X)	Very limited coverage
	Marginal part-time contract					
	Work agreement contract					
	Temporary agency work		X	(X)	X	NA
	Bogus self-employment					

Less skilled – small and micro enterprises

		Quality of working conditions dimension				
The formal employment status dimension		Wages	Working time	Job security	Social security	Voice through trade unions, protection through collective bargaining
	Open-ended contract	X	X	X		Very limited coverage
	Fixed-term contract <u>Part-time contract</u>	X	X	X	(X)	Very limited coverage
	Marginal part-time contract	X	X	X	X	
	(Bogus) self-employment	X	X	X	X	NA

There are two dominant forces shaping employment in construction. On an annual basis, government spending (investments) and market demand directly influence employment prospects, including their actual forms. The “inherited” post-socialist organizational structure of a vulnerable SME dominated sector provide the formal, organizational basis explaining precarity of employment. As explained by the employers organization, micro businesses adapted to harsh economic conditions with low prices, and typically save in the form of not paying fully or at all social security contributions. This strategy is not possible in medium and large companies, since it is more exposed to control and inspection. As presented above, the organizational prerequisite of business size class is in strong correlation with the share of employed skilled labour: the

larger, more consolidated enterprises typically employ the more skilled, and smaller companies employ the less skilled with less secure jobs and more precarious forms of employment. Larger companies try to keep the skilled with relatively better contracts, or in times of falling demand, negotiate still acceptable solutions for both parties. For the less skilled, the lesser evil to job loss is a further deterioration to still higher precarity, culminating in undeclared work.

### **c. Capacities and Strategies.**

Both sectoral social partners, but especially the trade union, has modest organizational capacities which prevent them from playing a more significant role and having a more visible voice in influencing employment policies. Established in 1989, the employer organization EVOSZ disproportionately represents middle and large companies, but gathers also some small enterprise members. Altogether EVOSZ has almost 200 members. As a loose federation of competing members with sometimes conflicting economic interests, EVOSZ provides information on a regular basis to member organizations concerning current issues related to the construction industry, including professional reports on new regulations, acts and decrees, and proposes concrete initiatives or solutions. EVOSZ monitors sectoral developments and issues its own statistics. EVOSZ follows the official data, but also develops surveys on current trends, problems and possible solutions in the sector, not only among member organizations, but also reaching out to a representative sample of 300-400 micro companies. EVOSZ is member of the two largest national employer confederations, MGYOSZ and VOSZ.<sup>14</sup>

The trade union has a very low membership base: in 2003 3.8% and in 2005 3.4% and indications show that membership fell even further during the hard times. A further challenge is an extremely low membership among the younger generation. The bulk of union members are concentrated in large and medium companies. The union has no capacity to engage in autonomous data collection, develop or to publish their own reports. The trade union cooperates with both national level unions and internationally with sectoral unions, especially from the Visegrad region. The union also participates in international projects, trainings, and conferences. The trade union adopts a soft strategy of influence, which concentrates on information sharing and cooperation with employers' organization, with annually varying intensity. The union fights for more jobs for the sector, but also prefers to have transparent investments, not dependent on political cycles, as well as guaranteed safe working conditions. It is not uncommon that the race to the bottom for contracts and jobs suppress wages or saves the necessity of securing obligatory elementary working conditions and work safety. The main standpoint of the union, of which the collective agreement is a major instrument, that in safety and protection standards, guaranteeing safe working conditions cannot be a subject of the cost-cutting race to the bottom. On the other hand, wage bargaining is very difficult to handle, especially since market induces higher wages for the increasingly scarce skilled labour, while pushing down wages of the lower skilled. There seems to be no clear strategy on the balance between jobs and wages. The issue of increasing the number of jobs *per se* in the sector as a strategy is not straight-forward, as job security for the

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<sup>14</sup> MGYOSZ -Magyar Gyáriparosok Országos Szövetsége – (Hungarian National Association of Machinery and Power Engineering Industries) is a federation of large employers, and its main activity is to influence economic and labour policy-making. In terms of membership, the National Association of Entrepreneurs and Employers, (Vállalkozók és Munkáltatók Országos Szövetsége) - VOSZ is the largest employer confederation, which is active on the national level, but also participates at sectoral levels, including at the sectoral dialogue committee for machine manufacturing. VOSZ is also more engaged in issues of collective bargaining and influence on industrial relations and legislation.

employed with standard employment contracts permanently deteriorates. The union supports its member unions with advice and training, as well as up to date personal communication. It does have a website, but it has low capacities even to update it with information. The union rarely appears in media, organizes or participates in protests.

The employers' organization posits that atypical employment is necessary in the given economic circumstances. According to the calculations of the employers' organization, average profitability of businesses in the sector is marginal, or very modest, while occasional negative developments in the external environment require constant adaptation and introduction of cost saving measures for businesses to survive. Enterprises have to adapt quickly to changes in demand, which includes a strategy to minimize labour costs, and try working with fully "utilized" workers in order to remain minimally profitable. That is, enterprises cannot afford any employees on their payroll at times of market fluctuations and changes in demand, which is very high in the sector. As wage related administrative costs are relatively high (social and other contributions) employers' strategy is to escape or minimize these costs as much as possible, either directly or indirectly, by outsourcing. Moreover, saving on labour costs is a subject of harsh competition in the sector, and it leaves an imprint on employment forms: however, it is still considered better than job losses. Due to annual changing trends and volatility of members', EVOSZ adapts its ad-hoc strategies to market conditions with annually changing business cycles. In the words of EVOSZ president, everything is determined by the market, fluctuations also determines employment prospects, thus only theoretically are there strategies. Atypical employment forms are part of a solution to secure business (and job) survivals.

The social partners discuss occasionally employment related issues, especially within the sectoral dialogue committee, a channel for information sharing and interest harmonization. Whereas it is on the agenda, there are no major conclusions or decisions. Thus whereas atypical or precarious employment forms are common in discussions, especially among employers, it indicates the tacit acceptance of precarious and atypical employment forms, but also appears as testing grounds.

There is a sectoral collective agreement, and there is a two decade long tradition of sectoral collective bargaining. Sectoral collective agreements were reached every year among the representative organizations of labour and capital. Collective agreements were extended only until 2009; since then, social partners agree on updates to the earlier signed collective agreements in accordance with changes in the LC. Altogether, it is a growing problem that the coverage is decreasing on both sides. Since most of the firms in the sector are small (on average with 4 employees), and interests are conflicting, it is very difficult to expand and unionize workers, or, perhaps to a lesser extent, organize employers.

In terms of collective bargaining and collective agreements, middle size businesses show occasional interest to be covered in sectoral agreements, whereas it does not have a major relevance for more self-regulated large companies. Trade unions as well as work councils are too few, even when they exist, unions on the sites of labour are weak. The employers organization, at least annually proposes for wage tariff systems and annual reference periods, which is then typically discussed with the trade union and adopted at the sectoral dialogue committee. The sectoral trade union helps its union members with advice and expertise. In the assessment of the employers' organization, plant level collective agreements typically include provisions which represent both changes more or less beneficial than provisions in the labour code. There is little pressure from the trade union, whereas implementation of labour friendly provision is often considered potentially harmful to competitiveness of that particular "experimenting" enterprise.

As for the changes and effectiveness of the **institutional** environment of industrial relations, both social partners experienced a deterioration in opportunities and infrastructure for social dialogue. The history of post-socialist sectoral social dialogue and its infrastructure reached very modest level of development, and is experiencing a backlash in the last 5 years. Currently, sectoral social dialogue has an insecure future and an undefined role. The earlier sectoral communication channel (*Ágazati párbeszéd bizottság*) is under reconstruction, and the new government conditions financially its operation, thus harming its autonomy. The government does not provide funds for autonomous bilateral dialogue, but reserves a leading role for policy making. Governmental decisions, especially on investment or taxation levels, on the other hand have a huge impact on the sector. On the government side, there is a limited interest for dealing with specificities of industrial relations in the sector. In specific issues, especially the employers' side lobbies the government directly, which is also not transparent or systematic, since 1998 there is no ministerial representative to deal with construction. Similarly, the current government provides very little opportunities for experts of social partners to exert influence through expressing their voice. Finally, the public image of the whole sector is harmed since it is associated with corruption, due to close links of top businesses with the political elite.<sup>15</sup>

The national forum of collective bargaining, through which sectoral social partners try to exert influence have a short and shallow agenda. The National Council for Interest reconciliation, which was earlier an important forum for voice of social partners, ceased to exist. There is minimal information sharing on legislative changes, minimum wage, or wage increases. Other issues related to employment are discussed in an *ad hoc* manner, or sporadically at best.

#### **d. Conclusion**

Not only precarious employment, but also poor prospects of social partners to exert influence is hindered by organizational prerequisites of businesses in the sector. The prevalence of small and micro companies, among which many are companies of (bogus) self-employed, reflects a situation of extreme job insecurity, a dependency on employers, government investment and market demand. For skilled workers, the recent prevalent precarious employment form is part-time employment. Although there is a tradition of sectoral collective bargaining and agreements, both social partners have limited capacities and domain to act and represent the sector in a concerted way. Recent changes in legislation and governmental unilateral action provide obstacles even to build on the modest achievements of sectoral social partners: bilateral consultation at the sectoral level, and sectoral collective agreement.

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<sup>15</sup> See especially <http://444.hu/tag/kozgep/?page=3>

## **2. Metal manufacturing: Automotives and electronics<sup>16</sup>**

### **a. Economic position and employment trends**

During system change and up until the mid-1990s, Hungarian metal manufacturing was negatively affected by trade reorientation and integration into the EU division of labour. Since late 1990s, however, production radically increased. In the later post-socialist period, metal manufacturing even became the leading sector within Hungarian manufacturing. Whereas the share of total manufacturing decreased within national GDP, the weight of metal within total manufacturing reached about 60% of output. Moreover, since the late 1990s, productivity also rose significantly and continuously, up until the global economic crisis.

The metalworking sector indicates the openness and integration of the Hungarian small economy in the regional EU and global economy. Metal is an export oriented, FDI driven sector: about 70% of metal output is produced for foreign market, a trend which has intensified since 2006 (see e.g. Hunya 2015, Sass 2015: 264). Whereas the bulk of automotive and electronics manufacturing was traditionally not produced for domestic market (Greskovits & Bohle 2006), the start of the Euro convergence program along with austerity measures since 2006 negatively affected domestic consumption, decreasing its share further. The smaller, but still high percentage of metal imports indicates the high level of integration on international production chains. Metal manufacturing is crucial for achieving a positive trade balance. Multinational companies, with very few exceptions, have a leading role in metal manufacturing. MNCs have had the autonomy of building up vertically integrated supply chains, with limited reliance or integration of domestic suppliers.

Due to international openness, the global economic crisis severely affected metal manufacturing: both production and employment deteriorated in 2009. Sass and Hunya (2014) shows that "electronics – together and interlinked with the automotive industry – was the most important sector for relocations, both to and from Hungary, in the period 2003 – 2011" (Sass 2015: 267).

Between 2010 and 2012 a reindustrialization drive occurred in Hungary especially affecting positively the automotive industry: there were major investments especially in automotives and suppliers, either through the opening of new plants (e.g. Mercedes, Kecskemét<sup>17</sup>) or radical increasing the capacities of the plant (e.g. Bosch, LUK). Somewhat paradoxically, relocations took place both during and after the global economic crisis, especially, but not only in the most labour-intensive segments of the automotive industry value chain (Pavlinek 2015). On the other hand, major MNCs in electronics, both OEMs and EMS' ceased to operate in Hungary, most notably Nokia, Elcoteq, but also Jabil and Samsung closed at least parts of plants.<sup>18</sup> Several thousands of employees lost their jobs.

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<sup>16</sup> In this section I present not only automotives but also electronics, as well as employment and production data of other subsectors of metal. Automotives rely heavily on other subsectors of metal, but also Manufacture of rubber and plastic products.

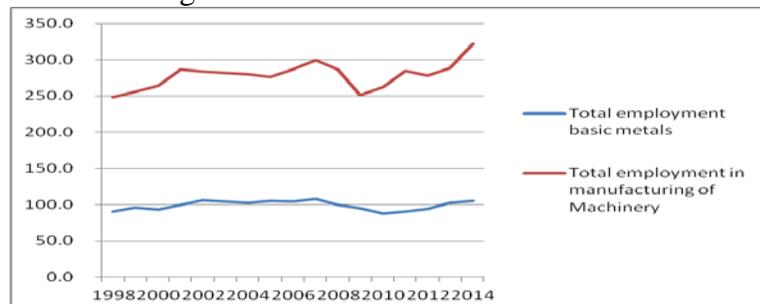
<sup>17</sup> Thus, Hungary stands out also in regional comparison, as being the first country to attract a major greenfield investment, and also the last major one so far in the CEE region .See: Pavlinek 2015: 225-228.

<sup>18</sup> "Gyárbezárási hullám söpör végig az országon" HVG, July 18 2014.

[http://hvg.hu/gazdasag/20140718\\_Gyarbezarasi\\_hullam\\_sopor\\_vegig\\_az\\_orszag](http://hvg.hu/gazdasag/20140718_Gyarbezarasi_hullam_sopor_vegig_az_orszag)

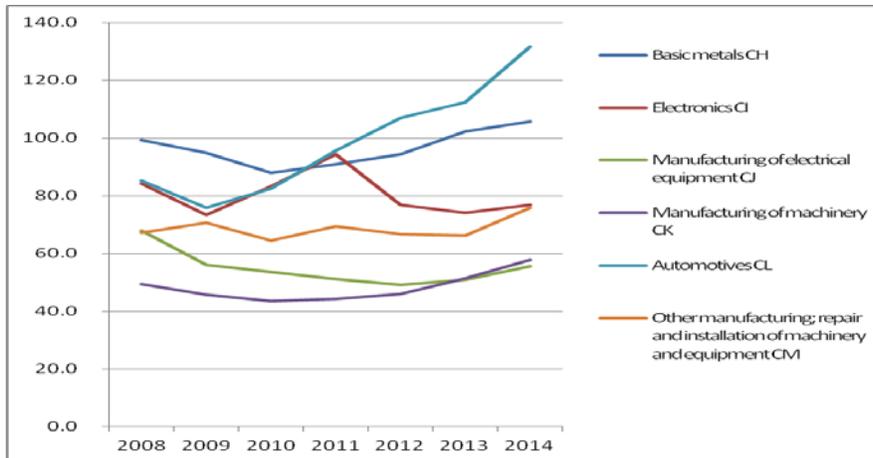
Automotives and electronics thus had quite different trajectories. Up until the global economic crisis, Hungarian electronics had a share of up to 35% of total machine manufacturing output. During the 2000s, Hungary became a regional centre for manufacturing of communication equipment. With the global economic crisis, however, the weight of the subsector decreased both in terms of production and employment. Automotives had a different trajectory. Whereas it was consistently significant, since 2010 it became the dominant metal sector, both in terms of production and employment. In this section I concentrate mostly on automotives, but reflect also on some important trends and changes in electronics.

**Employment.** Both the post-socialist as well the more recent employment history in metal manufacturing and its subsectors was very turbulent. Employment in metal manufacturing decreased until 1996, only to reach and surpass employment levels of 1992 since 2000-2001, and rising further, with a very brief period of job losses in 2009-2010 of 8% compared to 2008. Compared to both the 1992 level, and the pre-global economic crisis, metal manufacturing was the only sector which increased its earlier capacities in terms of its weight in total employment. Basic metals (metal processing) was increasingly more male dominant: from 71.6% in 1992, to 78% in 1996, 80% in 2002 males, and in the crisis period up to 87% in 2012. In the other subsectors of metal manufacturing, the share of female employees was significantly higher. By 2000 women took a 40% share in employment. Especially in electronics and electric machine manufacturing, the female participation approximated that of males. Here, whereas in the first half of the 1990s women were more likely to lose their jobs, in the following decade a new hire was more likely to be a woman. Thus, women employment share increased in the following 10 years to almost 50%: in the 2008-2014 period the share of female employees was averaging 47.9%. In automotives, and especially in machine manufacturing, the share of male employees was dominant, in the 2008-2014 period averaging 67.4% and 81% respectively. For total metal manufacturing, comparing 2008 with 2014 data, the total number of female employees remained on the same level (with slight decrease of 0.4%), while male employment increased by a significant 16.5%. This occurred mostly due to a decrease of employment of the most “feminized” electronics, and increase in the more male dominated automotives and machine manufacturing.



Graph M1. Total employment in basic metals (for 1998- 2007 Nace 03:DJ 27-28, for 2008-2012 NACE 08: 24) and machine manufacturing (Nace 03: DK 28-29, DL 30-33, DM 34-35, Nace 08: C 25-30 same period) in thousands. Source: KSH

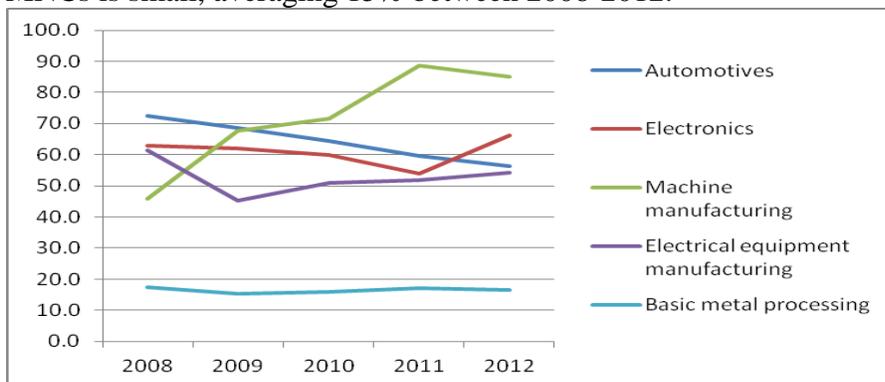
Graph M1 shows the change in total employment in machine manufacturing, including all subsectors, as well as basic metals. In 2013, total employment has reached the 2008 level, even to surpass it in 2014. Graph M2 shows the changes in all subsectors of machine manufacturing since 2008.



Graph M2. changes in employment in all subsectors of metal 2008-2014

As graph M2 shows, some subsectors stagnated or fell even under the 2009 level. Within metal subsectors, the most radical increase in employment occurred in automotives: compared to the 2008 level, employment expanded by almost 50% by 2014. In contrast, there are two subsectors which did not reach the 2008 employment levels: electronics and electrical equipment manufacturing. The graph also indicates subsectoral commonalities and differences in trends. Whereas in all subsectors 2009 was a negative year, in 2010 and especially 2013 there was a positive change in employment. In 2011, however, whereas some subsectors increased further – automotives, but also basic metals and manufacturing of machinery, the remaining subsectors either stagnated (manufacturing of electrical equipment, other manufacturing) or plummeted, as was the case with electronics.

In terms of employment, but also the share in total value production, large multinational companies dominate the Hungarian sectors of automotives, but also electronics. Graph M3 indicates the multinationals share in employment in sub-sectors of metal. Note that the share of automotives is higher than indicated.<sup>19</sup> It is only basic metal processing where the share of MNCs is small, averaging 15% between 2008-2012.



Graph M3. Employment in foreign owned companies, share (%) in total employment of subsectors

<sup>19</sup> Namely, as researched by Antalóczy and Sass (2014) Hungary's FDI stock in automotives decreased from €6.4 billion in 2007 to negative €1.7 billion in 2011 "partially because a large Audi investment in Hungary was transferred from manufacturing to other services for statistical and accounting purposes" (Sass 2015: 216).

Public policies and macroeconomic measures targeted (foreign) investors in terms of providing incentives especially for creating more value added jobs since late 2000s<sup>20</sup> (see also Meszmann 2015), but also for creating jobs in passive regions with higher levels of unemployment. During the global economic crisis, especially in 2009, MNCs were mostly not interested in applying for public funds created in order to preserve employment levels. There was no interest from MNCs due to the requirement of long-term preservation of employment level as well as limited authorization from global headquarters necessary for application.

## **b Issues and forms of precarious employment**

*Standard employment.* Since 2002, and especially since the global economic crisis regulation via the LC and collective agreements increasingly brought in more flexible working time arrangements, the employer-production request side of employment increased. The introduction of annual timeframes allowed employers to cut labour costs significantly, whereas employees would not receive extra payments e.g. for work during the weekend, or overtime would be conditional. In the assessment of employers even these achievements of company-defined flexible working time regimes had their limits, as it could catch only short term changes in production, of up to few months, but not seasonal changes. As production increasingly includes not only change in volume, but also significant change in the ratio of produced products, adaptation via working flexibility time is not sufficient: even annual working time reference periods cannot solve medium or large fluctuations.<sup>21</sup>

In automotives, average wages, especially with extra income reach the living wage. However, for blue collar permanent employees, the additional employee non-wage benefits as well as compensation for extra-work or shift work, often negotiated within a collective agreement was very important to maximize incomes. Collective agreements during the crisis period, as well as changes in legislation since 2012 defined new threshold and limited its significance. Typically, in smaller domestic companies wages approximate the national minimum wage, and there are no extra compensations, for example via employee benefit schemes.<sup>22</sup>

Blue collar employees typically do not have any chance of upward mobility via acquiring additional, more general or alternative education. In company level collective agreements in metal, 'education and training' is a common section, but it is regulated very generally. In practice it covers either training within the company or individual study contracts in general terms - the latter mostly for supervisory, administrative and managerial employees (Interview, Flextronics), or highly skilled workers (earlier *GE, Vishay, Videoton*). As regulated in LC, employer formulated training on the job requirements are mandatory to all employees, with few exceptions. Training on the job for work in multiple shifts for production workers in automotive and, especially electronics follows swift and periodical changes to new products and processes, as well as an increasing need for higher employee capacities for taking up more tasks in the production process. In other words, the interest of the company is to teach a more specific skill

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<sup>20</sup> For a recent example see: "Automotive Industry in Hungary" The Hungarian Investment and Trade Agency (n.d) <http://www.invest-export.irisnet.be/documents/16349/24447/Automotive+industry+in+Hungary.pdf/cc70f051-d2cd-4fdf-a68c-6e5f3117e7fd>

<sup>21</sup> Interview with Herbert Rupp, honorary chairman of MAJOSZ, October 19, 2015, Kecskemét

<sup>22</sup> Interview with Zoltán Szőke, Coordinator (*ügyvivő*), Expert Committee for Machine manufacturing and Automotives, Vasas. Budapest, April 10 2015

and not a more general one. Upward mobility for a blue collar ends at team leadership or production line supervision.

During the global economic crisis, job security in metal manufacturing in general became lower, especially for lower or semi-skilled employees. A major issue at the beginning of the global economic crisis was related to avoiding job losses, but also keeping skilled labour. Many agreements introduced various measures aimed at minimising redundancies of ‘core’ employees and retaining jobs. The agreements were largely concluded in 2009, and typically included wage restraint, reduced working time (taking various forms, most commonly introduction of 4 day week), with partial or no compensation for the non-working days at larger manufacturers (but not in many smaller companies); and other cost-cutting measures. Since changes in legislation in 2012, job security decreased, as well as notice period and severance payments. However, especially for automotives where the main trend is a general lack of skilled labour, this has not manifested itself.

Two forms of precarious employment are very common in automotives and electronics: fixed term contracts and temporary agency work. In addition, two forms are used only in small enterprises and/or were used more commonly during the peak of the crisis period: part time employment. The share of precarious forms of employment in metal manufacturing, with the exception of part time employment, increased or stagnated.

**Common forms of precarious work** The main forms of precarious employment in metal manufacturing is temporary employment, with two forms: temporary agency work and fixed term contracts. According to *Eurostat* data, the use of temporary employment in total manufacturing was constant, averaging 7.4% of all employed in manufacturing. At its peak, between the 3<sup>rd</sup> quarter of 2008 and the fourth quarter of 2013 it averaged 8.0%. As will be explained later, temporary employment is shaped by two crucial factors: large fluctuations in market demand and the lack of skilled labour.

*Fixed term contracts.* There is no data on fixed-term employment in metal manufacturing. As already mentioned in part one, in total national economy, the share of fixed term contracts increased significantly from the pre-crisis level of 7.3 in 2007 to almost 11% in 2013. Empirical evidence shows that the use of fixed term contracts significantly increased in metal manufacturing, especially in multinational companies.

There are two main uses for part-time contracts, each with different logic. Employers use it either as an extended trial period or, to a lesser extent, to escape additional social costs. Both the union and employer organization representatives observed that these two kinds of usage of fixed term contracts differ both in terms of function and user company. Fixed term contracts in medium or larger, typically foreign owned companies are used as a trial period, often for 2 years. The other kind is chain-contracting: a continuation with fixed term contracting even after the legally defined period of five years expires. Typically smaller or medium sized domestic Hungarian companies use fixed term contracts, mostly in order to escape additional social costs – such as payment of severance. The use of fixed term contracts is company specific as well as the extent of its use: some companies use it in large numbers, in others there are a few maximum. Since 2012, the main new form of precarious work in large, unionized electronic and car manufacturing firms became fixed-term contracting. Initial empirical evidence suggests that in large multinational companies fixed term contracts were used to a large extent as trial periods.<sup>23</sup>

*Temporary agency work.* TAW is the other major form of precarious employment, used extensively in the last ten years. It is used in both subsectors, but with changing intensity. In the

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<sup>23</sup> Interview with Tarsoly Imréné, coordinator, Expert Committee for Electronics at Vasas, Budapest March 12 2015.

domain of the subsector of electronics, among precarious employment forms, the use of TAW was the most significant before the global economic crisis. However, since 2012, its significance decreased. Somewhat differently, in automotives, except for 2009, in large MNCs there was a constant reliance on TAW.

TAWs in both sectors have a skill specific profile, that is, the share of semi-skilled workers - employees who undergo training at the user company sites - is high. Table M1 indicates the radical decrease of semi-skilled, trained workers, but also the significant decrease in the number of user companies in 2009 in manufacturing, with a quick recovery in 2010. Interestingly, although not dominant, among TAW in manufacturing the share of skilled, but also white collars and unskilled workers increased continuously.

	no of user companies manuf.	no. of temp. employment cases (tec) in manuf.	skilled	Semi-skilled	unskilled	white collar	total user companies nat. ec.	total tec national economy	% manuf. user companies	% tec
<b>2006</b>	1022	68221	9655	50069	6805	1692	2529	128475	40.41	53.10
<b>2007</b>	1815	66439	10536	45497	8829	1577	3829	129447	47.40	51.33
<b>2008</b>	3920	94918	12623	64398	14528	3369	6417	183305	61.09	51.78
<b>2009</b>	1449	79430	14955	40597	20909	2969	4082	193550	35.50	41.04
<b>2010</b>	3508	129031	18469	66773	39326	4463	7099	361026	49.42	35.74

*Table M1. Number of temporary employment workers by skill level employed at user companies in manufacturing 2006-2010.*

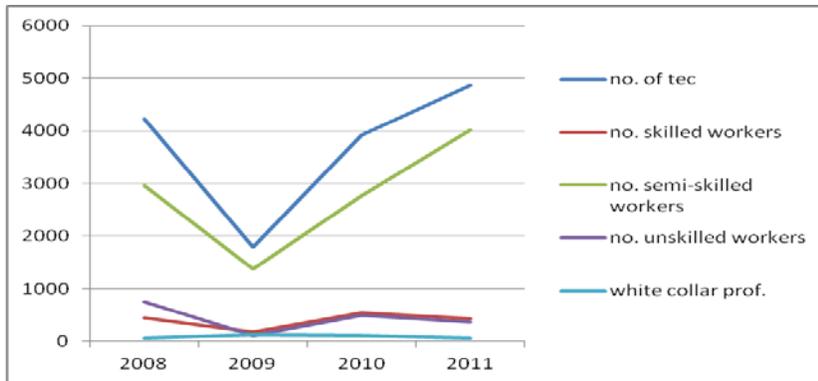
Within total national economy, the share of recorded cases, as well as the share of user companies of temporary employment (tec) of manufacturing decreased in 2009-2010. In 2011-2014 period, the number of employed temporary agency work by user companies stabilized, both in manufacturing and in metals. Table M2 shows the most recent trend for 2011-2014.

	2011	2012	2013	2014
<b>Total national economy</b>	111044	101485	120704	103968
<b>Total manufacturing</b>	71867	63210	69932	65529
<b>Total metal</b>	?	47547	51816	46606

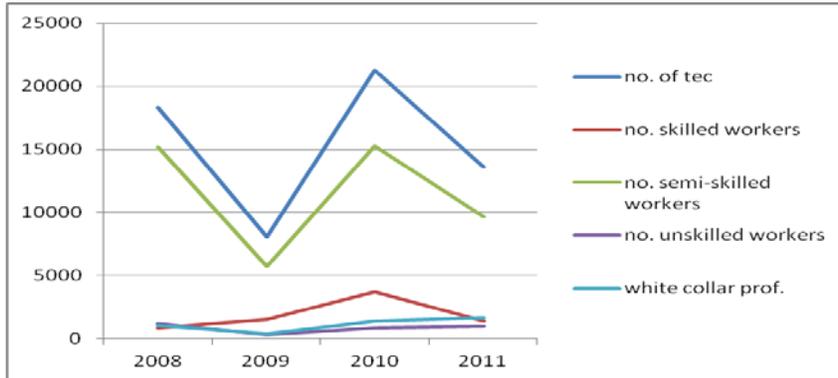
*Table M2. Number of TAW in total manufacturing, total metal and total national economy 2011-2014.*

*Source: NFSZ.*

The following two charts show the use of temporary agency work in car manufacturing (nace03: 29 and electronics (nace03: 26)



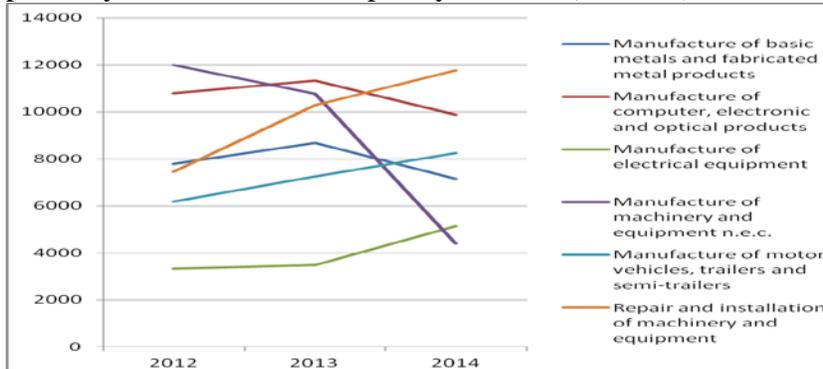
Graph M4. TAW in car manufacturing 2008-2011, by number of temporary employment cases and skill level



Graph M5. TAW in electronics 2008-2011, by number of temporary employment cases, and skill level

Graphs M4 and M5 show that the share of semi-skilled workers is very high, so much so that it determined also the general trend of TAW employment. Thus in 2009 a radical drop in use of semi-skilled workers occurred in both subsectors, contributing crucially to another drop in total use of TAW, and conversely, a rise in 2010.

More recently, since 2011, however, the trajectory of the two subsectors is different: whereas car manufacturing using TAW increasingly, surpassing even the 2008 level, in electronics it decreased significantly below the 2008 level. This is confirmed in most recent subsectoral developments. As Graph M6 shows, a subsector associated with relocation, repair and installation of machinery and equipment became the subsector with highest number of TAW, probably also due to the temporary demand (increase) and nature of jobs.

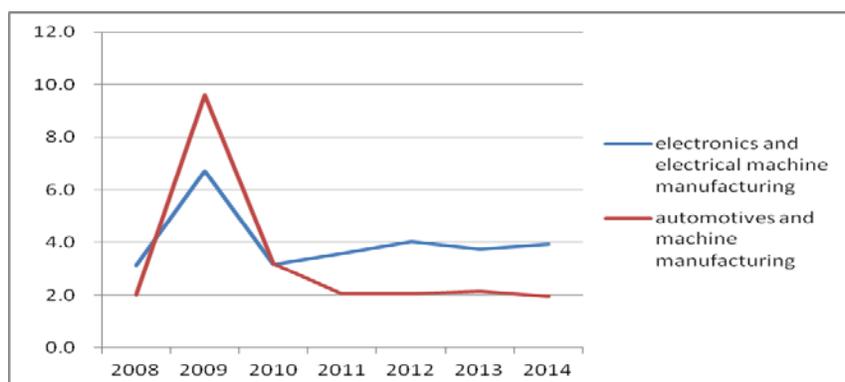


Graph M6. Number of TAW in metal subsectors 2012-2014. Source: NFSZ.

Automotives also increased the number of TAW, as well as a subsector associated with automotives, the manufacture of electrical equipment. The three other subsectors underwent a decrease, but the most radical is the threefold reduction that occurred in manufacture of machinery and equipment.

In the assessment of a MAJOSZ representative, the share of TAW among those employed at vehicle component manufacturers reached 10%. The use of TAW is common, and sector specific: it is due to periodical radical increase in demand for products, or an unpredictable market. Another force is also shaping the reliance on temporary employees: the lack of skilled workers. Since employers need to fill gaps in quickly and the labour market does not provide sufficient number of qualified workers, user companies turn to agencies. The latter solution, especially when demand requires skilled workers on a more permanent basis, the necessity of cooperation with agencies creates a suboptimal situation for employers. Namely, the costs of fluctuation and needs of re-training is not in their interest.

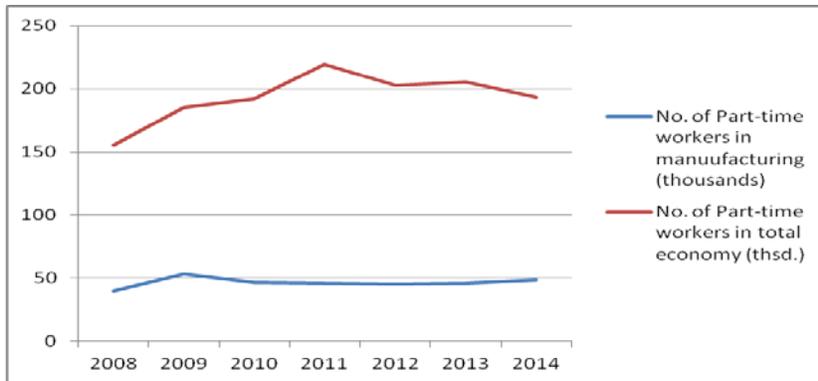
*Part time contracts* are not a characteristic form of employment in metal manufacturing. As graph no. X shows, there was one exceptional year, 2009, when the share of part-time employment contracts<sup>24</sup> more than tripled in electronics or quadrupled in automotives. The use of part time in 2009 was a temporary arrangement and a successful compromise solution for both businesses and employees, affecting mostly skilled blue collar workers. Whereas businesses could thus keep skilled labour, in some instances trade unions could negotiate good or acceptable solutions for core employees - either same wages (for less working time and additional, compulsory training) or unscheduled downtime (*állásidő*). The small share of part time contracts which remained after 2009 are used most likely in non-unionized small shops, businesses, some of which were probably also shady forms of employment. In electronics, where equal portion of males and females work, the use of part time work is higher. Part time is not characteristic to the affiliated member companies to MAJOSZ, also because of job specializations, ISO rules certificates do not allow part-time contracting.



*Graph M7. Share of part time employment in all employment in the subsectors of automotives and electronics, 2008-2014 (%)*

The following Graph Y shows that the total number of part time workers, except for 2009, remained constant in manufacturing, whereas it increased radically in the total economy.

<sup>24</sup> In practice, part time work time is defined broadly: less than 40 hours per week (average) and more than 60 hours per month is defined as part time employment. In electronics and automotives, the common forms for 2009 were 4 day workdays (and 1 day training) thus 30, 32, and less often, 24 hours per week.



Graph M8. Number of employees with part time contracts, in thousands, 2008-2014

*Other forms* Subcontracting to medium and small companies does not occur often, but employment standards are typically lower on lower tiers of production. However, with the crisis there was increased pressure on lower tiers, and increased competition and pressure to cut costs, which affected both wages, employment and safety conditions, and employment forms. According to the insight of the union representative, characteristic to these smaller, typically domestic companies is a shallow implementation of LC regulations, no subsidies for extra work, and only partly registered work, with side payments. However, this represents below 10% of the workforce in the automotive sector, in enterprises employing less than 100.<sup>25</sup>

**Forces** There are two crucial forces which predict the use of temporary employment forms: market fluctuation (production demand) and the lack of skilled labour. In the view of the employers' organization, whereas production demand changes occur swiftly, and there is little predictability, the situation is acute in terms of lack of skilled labour, a factor which limits the interest of investors. The two factors which seem to determine the *extent* of use of precarious forms of employment are in turn business size class (along with unionization level) and unit value added associated with labour skill. That is, according to a union representative in car and machine manufacturing, the size of the company and the position in the production chain (or value added) predicts sufficiently well not only the extent of the use of precarious employment forms, but also whether (efficient) union voice was present or not. The larger the company was, and the higher it was in the production chain (OEM or TIER1 production) the higher the likelihood was that there was a trade union, a collective agreement, that standards and legal regulations were respected and fulfilled, and the lower the likelihood that precarious employment forms were used on a large scale. And vice-versa: The smaller the company and lower its position in the production chain, the lower the likelihood of interest representation via a union, and higher the probability of: shallow implementation of legal requirements, use of informal rules, shady forms of employment, such as part time, or non registered employment. As a rule, job security would be higher in larger companies with higher value added, and lower in smaller

<sup>25</sup> Thus, for example, in contrast to smaller, typically local private companies, in large companies there is no problem e.g. stemming from paying out bonuses due to overtime work, respecting security standards, guaranteeing free days etc. Similarly, in an MNC it is not imaginable that an employee is not registered, or that the income is (partly) paid informally, as side payments, "in pockets." In small companies thus it is common not only to use bogus part-time contracts for full time employment (sometimes, at best, instead of informal employment). There were also incidents that TAWs were employed at a company in charge for a single more simple outsourced product and operation, which could change owners etc.

firms, at the bottom of the production chain. Wages, especially in smaller companies, barely reach a living wage and the employees are deprived of various social benefits and additional income.

Strategies of firms to cut down labour costs varied according to the above presented model. Only at larger companies, with higher value added, could trade unions effectively engage in collective bargaining, and find acceptable solutions even in periods of falling demand. The following tables indicate dimensions of precarious employment for main employment forms in the sector, separately for ideal typical large and small companies.

*Large companies, higher position in production chain (value added)*

The formal employment status dimension	Quality of working conditions dimension					
		Wages	Working time	Job security	Social security	Voice through trade unions, protection through collective bargaining
	Open-ended contract		(X)			
	Fixed-term contract		(X)	X		<b>Limited coverage, possible penalties of job loss due to a membership in a union</b>
	<u>Part-time contract</u>					
	Marginal part-time contract					
	Work agreement contract					
	Temporary agency work	(X)	X	X		NA
	Bogus self-employment					

*Small and medium sized companies, lower position in production chain (value added)*

The formal employment status dimension	Quality of working conditions dimension					
		Wages	Working time	Job security	Social security	Voice through trade unions, protection through collective bargaining
	Open-ended contract	X	(X)	X		<b>Rare</b>
	Fixed-term contract					
	<u>Part-time contract</u>	X	X	X	(X)	NA
	Marginal part-time contract					
	Work agreement contract	(X)	(X)	(X)		NA
	Temporary agency work					NA
	Bogus self-employment	?				

### c. Union and employers' capacities, strategies, and best practices

**Actors and capacities.** In the sector of metal manufacturing there are three union federations: the metalworkers union "Vasas", LIGA Metal federation, and the National Alliance of Worker Councils in Metal and Machinery FGMOZS. LIGA and FGMOZS do not have subsectoral organization, but include and represent plant level unions directly from metallurgy, metal and machinery as well as subcontractors within automotives.<sup>26</sup> Only Vasas has a developed sub-sectoral structure.

The union with the longest tradition, 'Vasas,' is member organization of the 'Hungarian National Confederation of Trade Unions' - *Magyar Szakszervezetek Országos Szövetsége* (MSZOSZ), as well as of the International Metalworkers Federation –IMF-), and of EMB (Europarische Metallgewerkschafts Bund). Vasas is the only sectoral trade union federation which also has a sectoral organization (reorganized in 2012 from a federation). At the moment, apart from the sectoral committee in metallurgy<sup>27</sup>, the two largest sectoral committees at Vasas are:

- Expert Committee of Electronics, Information-communication, Instruments, and Electric machines and equipment manufacturing (EHMVSZB - Elektronika, Híradás, Műszeripari, Villamos-gép és -készülékgyártó Szakmai Bizottság)* covering 74 plant level union organizations (2009 status). A great majority of affiliated unions represent employees at larger companies, employing at least 250. Vasas EHVZSB supports not only companies in metal but characteristically also subcontractors from plastic manufacturing as well as companies which due to privatization changed profile but the union continued to belong to the federation.
- Expert Committee of Machine manufacturing and Automotives (GJSZB -Gépipari és Járműipari Szakmai Bizottság)*. The sub-sectoral organization was created in 2010 – from a merger of machine manufacturing and automotives federation. 110 plant level union organizations were members of the federation in 2015, a decrease from 136 (2005 status). The largest member union organization is the trade union of *Audi*. The domain of the trade union in automotives goes to the Tier 3 level, but not below. Thus, in domestic medium and small companies there are no trade unions. The sectoral trade union is aware of issues determining precarious employment (low wages, grey part-time contracting, limited social security) but has no capacities to act.

The sub-sectoral committee at Vasas for electronics predominantly gathers unions from electronics and instruments, and electronic machines and equipment. According to union documentation, between 2000 and 2009, union density in Vasas domain, at unionized companies fell from about 33% to 24%, the number of fee paying members halved and the number of affiliated plant based trade unions also decreased significantly. Total trade union density in metal was about 16% in 2009, and around 9-10% in 2014. Unionized workers are with very few exceptions only blue collar, an increasingly serious limitation for the union, which indirectly

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<sup>26</sup> LIGA Vas (Metal) is a representative sectoral trade union. It includes unions from automotives but does not include unions from electronics, which are direct members of LIGA. The national peak level federation of LIGA allows direct participation of large company based trade unions. Both unions support member unions loosely, during wage and job negotiations, providing legal advice and support also for individual union members. For FGMOZS see: <http://femesgepipar.munkastanacsok.hu/rolunk/>. LIGA Metal federation is affiliated to LIGA peak level confederation while the smallest FGMOZS is affiliated to MOSZ, the National Alliance of Worker Councils.

<sup>27</sup> Federation for Interest representation in metallurgy and Basic metals (Kohász-Öntész Érdekvédelmi Szövetség). It gathered 47 workplace level union organizations (2005 status).

decreases the unionization ratio among all skilled workers. Major strike actions and activities in the public and media campaigns are organized through the main federation of metal Vasas. Most recent large actions included solidarity protests against the firing of union representatives, and representation at court, rallies in front of the German embassy due to precarious employment in two companies.<sup>28</sup>

There were and remain large differences in density among companies.<sup>29</sup> The size of plants also varied greatly in both subsectoral unions, from smaller to large companies (e.g. in electronics: the car electronics manufacturer *Videoton*, in automotives: Audi). Several factors seem to matter for the level of unionization: legacies of union activism, management tolerance of unionism, skill level of employees, as well as unit value added all seem to have a positive correlation with union presence and density rates. In companies which were established through greenfield investments, employers often opposed union foundation. More recently, in 2013, in an automotives subcontractor, *Honsa Kft.* seven union representatives who were leading a freshly founded plant level union gathering of 45 members, were fired within a restructuring decision. The sectoral union, as well as the confederation launched a protest in front of the factory gates, and later, even in front of the Embassy of Germany. A lawsuit was also won on the first level, but the judicial process has been ongoing for more than two years now. The trade union in the plant ceased to operate.<sup>30</sup> The case also has a negative implication: in the whole Southwestern county-region of Baranya, (potential) union activists are intimidated, and discouraged to engage in trade union initiatives, or establishing trade unions in newly established plants. Vasas follows statistics in its domain, as well as official statistics related to wages and unionization level, and in some cases, also to precarious employment forms. The latter is especially the case in the subsector of electronics.

**Employers** in automotives, especially the vehicle component manufacturers are well organized, but in electronics, and other subsectors of metal this is not the case. The most significant sectoral employer organization in metals gathers automotive subcontractors, manufacturing of parts and accessories for motor vehicles: the Association of Hungarian Vehicle Component Manufacturers - MAJOSZ (*Magyar Járműalkatrészgyártók Országos Szövetsége*).<sup>31</sup> MAJOSZ recently gathered 212 members – affiliated companies, in which, according to a 2010 analysis, a total of 52350 workers were employed, representing an estimated 52.3% in the subsectoral domain and 16.4% of metal sector domain.<sup>32</sup> Affiliated member companies vary in size – from small to large;

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<sup>28</sup> See „Két német cég munkavállalóellenes lépései miatt demonstrál a Vasas szakszervezeti Szövetség” *Ma.hu* (MTI). October 19 2015.,

[http://www.ma.hu/belfold/263895/Ket\\_nemet\\_ceg\\_munkavallaloellenes\\_lepesei\\_miatt\\_demonstral\\_a\\_Vasas\\_szakszervezet?place=srss](http://www.ma.hu/belfold/263895/Ket_nemet_ceg_munkavallaloellenes_lepesei_miatt_demonstral_a_Vasas_szakszervezet?place=srss)

<sup>29</sup> For example, in 2000 in plant unions in electronics and electric equipment manufacturing affiliated to *Vasas*, the density was ranging between 71.2% and 5.8%.

<sup>30</sup> See: “Honsa ügy – Két év után születhet ítélet” June 17 2015. <http://www.vasasszakszervezet.hu/hirek/1-hirek/1579-honsa-ugy-ket-ev-utan-szulethet-itelet>, aslo Ungár Tamás "Kicsinált szakszervezet: a tagságot is titkolják a dolgozók" *Népszabadság*, NOL online 2015.06.16 11:50 <http://nol.hu/belfold/erotlen-munkaero-1540211> Both accessed December 15 2015

<sup>31</sup> The other two subsectoral organizations, MAGEOSZ (Magyar Gépipari és Energetikai Országos Szövetség) – Association of Hungarian Producers of Power Engineering Tools and Machinery and MEISZ (Magyar Elektronikai és Infokommunikációs Szövetség) Association of Employers in Hungarian Electronics and Information Communication Branch are more modest in size and influence. These two organizations gather predominantly small or medium sized companies.

<sup>32</sup> Gyöngyi Tarnóczyné Juhász & László Neumann “Representativeness of the European social partner organisations: Metal sector – Hungary” *European Observatory of Working Life, EIRO*, 22 December 2010.

profile (whether they have a specific profile – concentrate production only in automotives *or* have a broader production profile), and ownership – dominantly foreign or domestic. There is no competition among affiliated members.<sup>33</sup>

MAJOSZ does not collect data, monitor or prepare their own statistics and reports. Its task is providing relevant information to its members, enhancing communication and cooperation in the network, organizing trainings and conferences, and represents the common interests of its members – affiliated companies. MAJOSZ is a member of CLEPA, nationally to peak level employer organizations of VOSZ and MGYOSZ.

Despite high organisational density, in the past there were very few multi-employer collective agreements, let alone subsectoral or sectoral agreements. In the pre-crisis years, between 2003-2006 in machine manufacturing (nace 03: 29-35) the coverage averaged 24.9% respectively, and with few exceptions, these were single-employer agreements (altogether there were 3 multi-employer agreements) (Fodor et al. 2008: 15).

**Union strategies.** As for the two widespread precarious employment in larger companies, TAW and fixed term contracts, employers used it as an available option and adaptation mechanism to economic changes - swift changes in labour demand and supply of skilled labour. Union strategy was to limit these forms in both time and extent.

The use of *fixed term employment form* does not cause conflicts between sectoral or plant level trade unions and employers or sectoral employer organizations. Trade unions attempt to softly influence and to minimize the use of fixed term contracts. The sectoral committee in electronics “*Vasas*” builds influence from a cooperative strategy of suggesting that plant union members convince employers that higher job security exemplified in standard permanent contracts would also mean higher commitment, motivation and loyalty of employees to the company. The general suggestion builds on limiting fixed term contracting in both extent and intensity. The standpoint of *Vasas* is that a 2 year fixed term contract is sufficiently long, enough for the employer to know the capacities of its employee and sufficiently long to establish a standard employment relationship. At the same time, the union also suggests decreasing the extent, that is, the share of fixed term contracting among all employees, as a general proof of commitment and attitude of employers towards employees. An employers’ organization evaluates the relationship between unions and employers as cooperative. As for the issue of temporary workers and fixed-term contracts, according to MAJOSZ, trade unions could also play a constructive role in limiting its use when helping employers in attracting and keeping skilled labour. In this way according to the MAJOSZ representative, both the costs of fluctuation and training of new semi-skilled hires would decrease, there would be a lower proportion of fixed term contracts and more could be also kept for wage increase.

However, the sectoral committee in machine building and automotives in “*Vasas*” noted that in many companies fixed term contracts are used as a way of blocking trade union capacities. Namely, in many companies, employees with fixed term contracts who become union members would not receive new contracts, irrespective of the fact that the firm had the practice of employing on permanent contracts, after a trial period of a two year fixed term contract. In general, in automotives, according to the union representative, both employment standards and union capacities vary significantly. Particular strategies, and concrete sectoral advice differed

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<http://www.eurofound.europa.eu/observatories/eurwork/comparative-information/national-contributions/hungary/representativeness-of-the-european-social-partner-organisations-metal-sector-hungary>

<sup>33</sup> For MAJOSZ members and organization profile see also

[http://www.majosz.hu/3/index.php?option=com\\_content&view=article&id=53&Itemid=50&lang=hu](http://www.majosz.hu/3/index.php?option=com_content&view=article&id=53&Itemid=50&lang=hu)

according to circumstances at the plant level. Both sectoral committees in electronics and car manufacturing provide additional models, record and disseminate good examples and strategies to solve issues, according also to plant level circumstances. In large automotive companies employing more than 1000, the common form of exerting influence is via collective bargaining. In those large companies legal security is higher, and unions can exert influence over very particular and concrete issues. The situation is very different in many medium sized companies where employers do not allow a union to exist, and undermine self-organization of workers by every means. In cases of violation of rights and standards stemming from employment, the sectoral union appeals to the Hungarian Equal Treatment Authority, or even starts a collective suit against the company. Possibilities thus dictate different strategies. Vasas collects information from affiliated plant based unions and attempts to formulate common strategies for various circumstances. Nevertheless harmonization of various forms and issues related to precarious employment into one concrete, more detailed strategy has yet to happen.

Compared to the issue of fixed term contracts, the trade union finds less interests and ways of influence toward the issue of temporary agency workers. Whereas in electronics, especially in the past, many temporary agency workers were unionized – with up to 2000 members, interest and energy devoted to the cause is significantly less in the automotives. Even stronger plant level unions influence employers by limiting the share of temporary agency workers, for example, they find 5 or 7% to be an acceptable share. Such a strategy, in current circumstances, is a good model for the union representative.

The reasons for limited interest in representation of TAW on part of unions lies in both low incentives and complicated mechanism of unionizing them. Plant level unions have little incentive, and do not try to unionize TAWs. Namely, plant level union representatives do not get any time or other bonuses for a unionized TAW. If unionized at the user company, the membership would end at the same time employment ends. Payment of dues from the TAW site of employment, from the agency, also require extra organizational effort from the union. There was also the structural problem that the union was not eligible to represent TAWs if they are not union members. The temporality of employment at the user company limited union and TAW interest in joining the union. Procedurally, a proposed longer term solution was to establish trade unions also at employment agencies which would then be signatories also to collective agreements at user companies, simultaneously leveling other employment benefits, was a too demanding proposal, with potential drawbacks.<sup>34</sup> Whereas in electronics there were more serious efforts to unionize TAW, especially before and during the global economic crisis, this interest decreased since the number of TAW also fell radically in the sector. In contrast, in the automotives there was little interest and capacity to deal with unionization of TAW. In the union's evaluation, employers reliance on TAW also dictates maintaining good relations with agencies rather than increasing commitment to its own workforce. Unions might want to influence employers to change such an attitude instead. Unions rarely appear in media (only in extraordinary circumstances), use rather their own newsletters and websites to practice communication with member unions. The union also rarely turns to courts in cases related to job loss or precarious employment, and if so, mostly for protecting union representatives. Strike is not a common instrument, while occasionally there are protest activities.

**Use of industrial relations system.** On the national level, *Vasas* exerted lobbying activities towards the government, influencing changes in legislation, especially via the confederation of

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<sup>34</sup> See Filius Ágnes „Ki képviselje a kölcsönzöttek jogait?” HR portál, March 13 2012.  
<http://www.hrportal.hu/hr/ki-kepviselje-a-kolcsonzottek-jogait-20120313.html>

MSZOSZ. Since 2010, due to radical change in the political cycle, such activity brought significantly less positive results than was earlier the case. *Vasas* exerted influence onto legislation as a member of confederation - the whole *Vasas*, including issues related to precarious employment forms. The 2012 draft of the Labour Code was successfully modified due to union intervention, related to precarious work, and especially related to fixed term contracts, and less successfully, related to temporary agency work. The employers' organization exerts influence onto legislation and employment policies mostly via national employer confederations, especially VOSZ, but also MGYOSZ. Peak level wage bargaining and collective bargaining system are going under a negative change since 2010, its significance further eroding.

The sectoral union's sub-sectoral expert committees participate at respective sub-sectoral social dialogue committees (*Ágazati párbeszéd bizottság*). The employers association of MAJOSZ has been participating at the sectoral social dialogue for Machine manufacturing since its establishment in 2006: it is an important channel but with very little results.<sup>35</sup> The employers association has limited authority in representing the interests of its members: MAJOSZ cannot sign any contracts, but only represent and exert influence according to the common interests of affiliated member companies. The organisation fosters information sharing, training and education among its associated companies. MAJOSZ negatively evaluated changes in sectoral communication and dialogue. In the interest of reconciliation, negotiations were conditioned by governmental participation and approval. From the employers' organization particularly problematic and slow progress was the issue of dual training and education system in secondary vocational schools, which thus cannot address the increasing problem of the lack of skilled labour. Problems are not sufficiently evaluated and discussed, and as a result, there are no concrete attempts to remedy the situation. Direct communication and its quality with the government representatives on policy issues was not judged as sufficient. Simultaneously, large employers lobby the government directly, and also have sufficient resources for company level training of the newly hired workforce. The *ÁPB* recently held a session, in November 2015. The issue of precarious or atypical employment forms have not appeared on the agenda of APB.

Collective bargaining in automotives and electronics occurs only at the company level. Up until 2010, recommendations of average wage increases were used as reference points for bargaining between company level unions and employers. Both subsectoral committees within the *Vasas* metal union federation acts as a loosely coordinating agency: it prepares reports and recommends, represents and defends sectoral interests to higher levels of national unions and via international cooperation. *Vasas* supports affiliated member unions with legal advice and help, training, as well as with an active presence during collective bargaining, or wage bargaining. A similar weak coordinator is also the employers organization: MAJOSZ only informs and advises its members on current changes in legislation and regulation, pros and cons of concrete solutions in collective agreements, which occurs annually, according to changes in legislation and regulation. Until 2010, a dual model prevailed with 'quasi-centralized' wage bargaining and decentralized collective bargaining and agreements (Héthy 2000: 12)<sup>36</sup>, a model which recently

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<sup>35</sup> At the other sectoral body, the Sectoral Committee for Information Technology and Communication (Információtechnológia, Kommunikáció Ágazati Párbeszéd Bizottság - IKPB), the largest, recently established employer organization which also sporadically covers electronics is the employer organization of IT related employers is IVSZ, the Hungarian Association of Information Technology Companies (IVSZ - Informatikai Vállalkozások Szövetsége). IVSZ gathers mostly domestic service providers in telecommunication.

<sup>36</sup> More precisely, at the peak national level, within the tripartite institution statutory minimum wage, minimum wage for skilled workers (in force from July 2006) as well as recommendations for annual wage increases are defined

further eroded towards decentralization. The agenda of company level collective bargaining, still influenced indirectly from the peak level, became even more shallow after 2010, and concentrates on jobs and wages.<sup>37</sup> Collective bargaining in automotives and electronics occurs only at company level. Collective agreements concluded by company based trade unions have a majority coverage and cover all directly contracted company employees, not only union members. The decreasing significance and shallow agenda of collective bargaining and agreements occurred not only because of the negative changes in the economic environment due to the global economic crisis, but also due to further erosion of union power, which has been further weakened with provisions of the LC of 2012, radically decreasing union organizational and veto powers (Laki et. al. 2013). In addition to requests for job security and business survival, company level collective agreement focuses on wages, and in the minority of cases, attempts to maximize social non-monetary employment benefits, according to taxation rules of the current year. Before and during the crisis, flexibilization of production and working time arrangements were linked to pay negotiations as well as higher shift allowances and overtime work. Since 2012, company level trade unions do not have these weapons in their hands, which indirectly fosters exit from the Hungarian labour market.

#### **d. Conclusions**

The significant increase in the share of precarious employment forms represents the shady side of employment increase in metal sector. The two most important forms of precarious employment are fixed term contracts and temporary agency work. Most recently, especially in electronics, the share of temporary agency workers decreased and the share of fixed term contracts increased.

Union and employer strategies clearly point at limitation of these two employment forms. Moreover, business unionism might offer new opportunities for cooperation, both on the company and the sectoral level. There seems to be great common ground for developing common strategies and action of the two social partners in, at least, defining acceptable standards and limiting the use of precarious employment forms. Negative trends in industrial relations infrastructure, and the lack of opportunities to influence the government make such cooperation even more important.

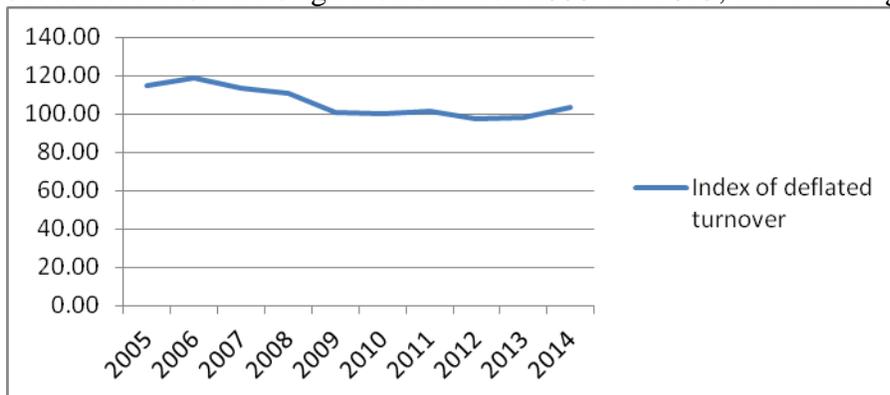
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<sup>37</sup> For employers standpoint see especially „VOSZ: ne legyen elbocsátás” *Világgazdaság online* 2015. 11. 5. 05:00 <http://www.vg.hu/gazdasag/vosz-ne-legyen-elbocsatas-460379>

## II. 3. Retail sector

### a. Economic position and employment trends

In the Hungarian retail sector, after continuous growth in turnover in the 2000s, growth was halted temporarily by the global economic crisis, mostly by the falling purchase power of the population. Graph R1 indicates the impact of the global economic crisis on revenues. Falling revenues were recorded especially in 2009 and 2010. The index of deflated turnover shows a sudden decrease and stagnation between 2008 and 2013, and a timid growth in 2014.



Graph R1 Index of deflated turnover: retail sale of non-food products (except fuel) 2005-14 Source eurostat

Especially during the 2000s, leading up to the global economic crisis, multinational retail chains increased their presence and share in total retail revenues to about half of total revenues, which moderated to 40% in the following years.<sup>38</sup> The conquest of multinational retail chains in the postsocialist period used incapacities and deficiencies of both domestic retailers and producers (Nagy 2014). Since 2010 the state intervened increasingly often in the sector. New regulation disproportionately affected the large MNCs. In late 2010, the state introduced temporary ‘crisis’ taxes on retail businesses, affecting only the large retail chains with larger turnover.<sup>39</sup> Since 2013, the government reformulated the tax system for companies in retail trade, introduced regulation of shopping hours (aka: Sunday closing time), and most recently, in 2015 also announced a food chain store supervision fee, as well as a special supervisory employment requirement for spatially large shops<sup>40</sup>. The state also introduced an online cash register system

<sup>38</sup> For intense competition among chains see e.g. "Ranking of retail chains stays the same: Tesco leads, followed by two Hungarian chains" *Trade Magazin* April 27 2010. <http://www.trademagazin.hu/en/hirek-es-cikkek/piaci-hirek/boltlancok-stabil-rangsora-tesco-az-elen-utana-ket-magyar-lanc.html>

<sup>39</sup> See e.g. "Gazdasági akciótér - A kereskedők azonnali tárgyalást kérnek" *Népszava* (based on MTI) October 15, 2010.. <http://nepszava.hu/cikk/357222-gazdasagi-akcioter----a-kereskedok-azonnali-targyalast-kernek?print=1> also: Chris Bryant "Hungary unveils ‘crisis’ taxes on business" *Financial Times*, October 18, 2010 <http://www.ft.com/intl/cms/s/0/c6c86b1e-dac1-11df-81b0-00144feabdc0.html#axzz3uU5nm1fR>

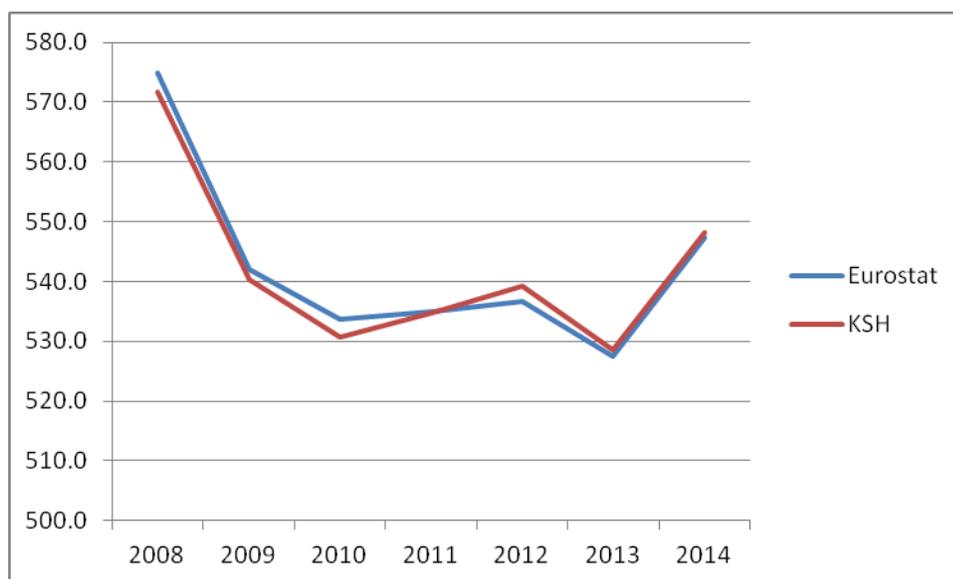
<sup>40</sup> See e.g. Facsinay Kinga Hungary seeks to restore domestic ownership of major enterprises *Heti Válasz* December 10 2014

in 2013, which curtailed both unregistered employment and sales, and the advantage of the small companies stemming from it.<sup>41</sup>

Since 2003, but especially since 2010, retail also underwent a high degree of concentration, both in business class size and spatially. Multinational chains, and more recently a few domestic chains began aggressively fighting for increasingly higher shares in total sales. According to KSH data, the total number of shops decreased since the record of 2006 by 21.1%. While the share of single shops decreased the most, the number of chains also decreased from 162 in 2003 to 126 in 2014.<sup>42</sup> Especially high degree of concentration occurred in the metropolitan area of Budapest, the area of the largest purchase power of population (Nagy 2014).

## Employment

In terms of employment, the retail sector is slightly female dominated, but with some changing tendencies. In the period of system change, until 1996, the low-point of employment in the sector, the share of female employees decreased to 51.6%, a significant decrease compared to 58.2% in 1992, only to stabilize around 525 until the EU accession. More recently, after the global economic crisis, statistics show an increasingly higher share of female employees in the sector, a rise from 52. in 2008 to 54.9% in 2012. One must take into account, however, here the significant rise of part time contracts, which positively increase the numbers, especially among female employees. Graphs R2 and R3 present both the changes in total employment in the sector, and the rise of part time employment in the 2008-2015 period.



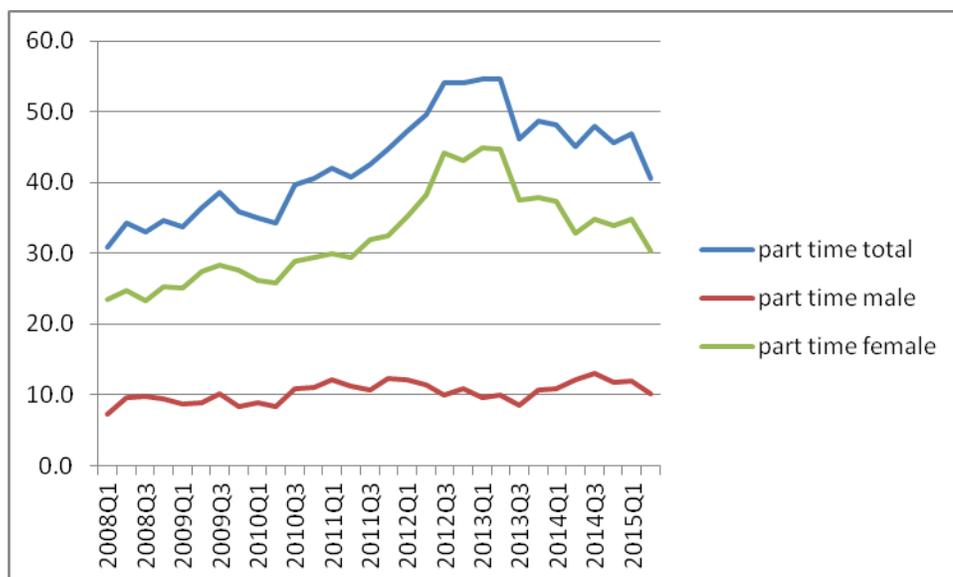
[http://www.budapesttelegraph.com/news/819/hungary\\_seeks\\_to\\_restore\\_domestic\\_ownership\\_of\\_major\\_enterprises](http://www.budapesttelegraph.com/news/819/hungary_seeks_to_restore_domestic_ownership_of_major_enterprises), "Hungary raises taxes on advertising and supermarkets" *The Guardian* 18 November 2014

<http://www.theguardian.com/world/2014/nov/18/hungary-taxes-advertising-supermarkets-soap>

<sup>41</sup> "The recently formed Hungarian Cash Registers Association proposing tenable deadlines" *Trade Magazin* October 30 2014. <http://www.trademagazin.hu/en/hirek-es-cikkek/piaci-hirek/tarthato-hataridoket-ker-a-penztargetp-szovetseg.html>, for further prospects of electronization and electronic bills see also Kovács Vilmos Levente *Az online kasszák után Világ gazdaság online*. January 24 2013. <http://www.vg.hu/velemenyelemzes/az-online-kasszak-utan-396266>

<sup>42</sup> For the most recent see KSH data 2011 June - 2015 June period see: [https://www.ksh.hu/docs/hun/xstadat/xstadat\\_evkozi/e\\_okk011.html](https://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_okk011.html)

Graph R2 Total employment in (G) Wholesale and retail trade; repair of motor vehicles and motorcycles 2008 -2014, in thousands. Source: Eurostat and KSH



Graph R3 Number of part-time employees in G Wholesale and retail trade; repair of motor vehicles and motorcycles 2008 Q1 – 2015 Q2 in thousands, Source: eurostat

Out of total employment, the share of those with employment contracts in shops with at least 5 employees averaged 56.7% only in the 2008-2014 period, but with a decreasing tendency.<sup>43</sup> The share of those employed by MNCs for the domain of shops employing at least 5, was increasing continuously from 20.6 in 2008 to 24.3% in 2012.

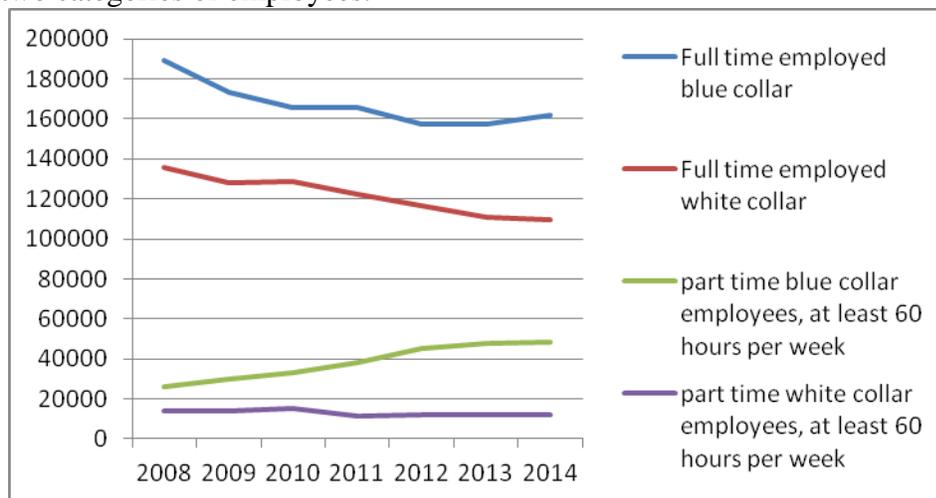
## b Issues and forms of precarious employment

**Issues** The two main dimensions of precarity of employment in retail are wages and working time. Wages are relatively low in the sector. Since 2011, average net wages for blue collar employees surpassed subsistence level only by few percentage points: 6.5 in 2012 and up to 10% in 2014. The working time dimension is precarious due both to flexible working time arrangements (which somewhat decreased with the regulation of shopping hours) and high work intensity, especially in retail supermarket chains. Part-time employees are affected negatively in both dimensions. Finally, job insecurity is present, as a general drive behind cutting down labour costs, either due to pressure from lower revenues (turnover), multinational chain relocation, and/or governmental regulations affecting revenues of large businesses.

**Forms** There are four detectable forms of precarious employment forms in the sector: part-time contracts, temporary agency work (especially student work), marginal part time contracts, and finally, fixed-term contracts. Whereas we do not have data for fixed term contracts, all other forms were increasingly present in the sector.

<sup>43</sup> Employees with employment contracts, employed full or part time for at least 60 hours per month. See: „Útmutató a munkaügyi-statisztikai adatszolgáltatáshoz” KSH, valid since January 1. 2015

*Part time employment* is the main form of precarious employment in retail. Both the absolute number and the share of employees with part-time contracts almost doubled from the share of 5.3% in the first quarter of 2008 to 10.4% in the third quarter of 2013, to moderately decrease in 2014 and 7.5% recorded for the second quarter of 2015 by Eurostat. The share of part time contracts was thus at least a percentage higher than the national average, and almost 3 percentage points above the national average in 2013. In the category of shops employing at least 5, blue collar workers were increasingly contracted on a part time basis. The following Graph R4 shows the radical increase in part time employment, contrasting it with full time employment, for the two categories of employees.



Graph R4. Part time and full time employment of blue and white collar workers in G Wholesale and retail trade; repair of motor vehicles and motorcycles 2008-2014. Source: KSH

Graph R4 indicates that the number of blue collar workers (*fizikai munkavállalók*) employed on part time basis doubled between 2008 and 2014, whereas part time employment was both less characteristic to white collars workers and their number decreased further in the same period. *Temporary agency workers.* The share of temporary agency workers is relatively low, but it increased to 1.2% of all employed in the sector in the 2011-2014 period. Interviews confirmed that among temporary workers the share of seasonal student workers is the most significant. Table R2 shows the number and share of TAW in retail.

	2008*	2009*	2010*	2011	2012	2013	2013
<b>Number of TAW in G retail</b>	1429	1249	5377	5036	4951	6315	5153
Number of TAW in total economy	116835	79085	130434	111044	101485	120704	103968
Share of TAW employed in retail user companies	1.2	1.6	4.1	4.5	4.9	5.2	5.0
Share of TAW among all employed in retail	0.2	0.2	1.0	0.9	0.9	1.2	0.9

Table R2 Number and share of TAW in retail. Source KSH and ÁFSZ Foglalkoztatási és Szociális Hivatal. \*Data for 2008, 2009, 2010 is my own estimate, calculated from the number of hires from the agency based on the 2011 ratio of case of hiring/TAW

**Marginal part-time contracts.** Although not very large, employment for less than 60 hours per month, via typically simplified, occasional employment form increasingly occurred. Among shops with at least five employees, the share of marginal part time contracts increased gradually from 0.5% (1958 recorded cases) in 2008 to 1.4% (4801 cases) in 2014 (KSH data). A tax authority (NAV) report indicated that the use of simplified employment form was more widespread though: in 2013 there were 31.739 and in 2014 there were 35.601 marginal part time contracts concluded in retail, thus up to 6.5% of all employed. Predominantly thus, this is a major employment form in small, especially seasonally operating retail shops.<sup>44</sup> However, as labour inspectorate reports also indicate, employers in domestic retail shops often employ workers irregularly, with irregularities of registration of employment, as well as working time being the most common.

**Fixed term contracts.** We do not have data for fixed term contracts. Interviews with social partners indicate that fixed term contracts are present in the sector among some multinational companies - retail chains. They depend on employment practices, the “culture” of the employer. It is possible that small retail shops also employ via fixed term contracts.

**Forces.** The economic environment, and more recently, governmental regulatory steps shaped in crucial way prospects of the sector, including employment. Austerity measures and the financial crisis decreased consumer purchasing power significantly, and affected retail negatively. More recently, governmental steps also contributed to changes: between 2011 and 2013 a special tax on retail businesses was introduced, and in 2015 a decree on Sunday closing came into force. A digitalization of invoices also pushed smaller employers to register employees. The dense market situation and the legal regulatory environment pushed employers to cut costs. Large employers and retail chains responded to limited prospects and increased expenditures (taxes) via cutting labour costs. According to an interviewee from the employers’ organization, the tendency will continue: part time employment as a flexible employment form will increase in the future due to changing markets - *economic prospects, an increasingly regulated business environment* and further introduction of *technologies* (webshops). In contrast to large employers, different forces operate in small domestic retail shops. Here labour costs were often saved either through grey employment forms, or occasional, simplified, flexible employment forms. The following table summarizes the quality of employment in medium and large retail shops.

		Quality of working conditions dimension				
The formal employment status dimension		Wages	Working time	Job security	Social security	Voice through trade unions, protection through collective bargaining
	Open-ended contract	(X)	X	(X)		limited coverage
	Part-time contract	X	X			limited coverage
	Marginal part-time contract	X	X	X	X	NA
	Fixed term contract			X		
	Temporary agency work	(X)	X	X	X	NA

Table R5 Precarity of employment forms according to working conditions in retail

<sup>44</sup> Note that part of the franchise stores of the Hungarian chain stores are small, family-operated ventures, which also use simplified employment forms see later: KISOSZ. The other store COOP more stable employment: A Coop 2010 ben, at 1 650 settlements there were about 3000 shops and about 32000 employees (3.2 in average)

Employment in small shops are not presented on a separate table, since there is no data on it, but it is simple to summarize. Especially for the form of marginal part time contracts, or possibly also work agreement contracts, all working conditions dimensions are precarious.

### **c. Union and employers' capacities, strategies, and best practices**

*Social partners and their capacities.* There are four relevant sectoral organizations: one trade union and three employer representative organizations, which are together also founders and members of sectoral social dialogue committee. On the **employer** side the social partners are: Hungarian National Federation of Consumer Co-operative Societies and Trade Associations – ÁFEOSZ-COOP Federation (ÁFEOSZ-Coop Fogyasztási Szövetkezetek Országos Szövetsége, the National Federation for Interest Representation of Traders and Caterers (Kereskedők és Vendéglátók Országos Érdekképviseleti Szövetsége (KISOSZ), and the National Wholesale and Retail Federation (Országos Kereskedelmi Szövetség - OKSZ).

ÁFEOSZ is a federation of cooperatives of retail franchise stores, gathering 3000 stores, with 32000 employees, and representing more than 1000 Hungarian small and medium sized entrepreneurs<sup>45</sup>. KISOSZ is a federation of small, family-operated ventures in retail and tourist services: it represents almost 40.000 micro- and small enterprises, typically enterprises of small individual entrepreneurs or family businesses. Finally, OKSZ is an umbrella federation, gathering large retail chains (most importantly, Tesco, Spar, Auchan, ALDI, the Hungarian chain Reál), domestic wholesalers, as well as medium and small retail businesses.

On the national level, until 2011 KISOSZ and AFEOSZ were members of the peak level tripartite forum of the National Interest Conciliation Council (OET), and participated also in national bodies, while OKSZ was represented here by MGYOSZ and VOSZ<sup>46</sup>. Since 2011, only AFEOSZ participates directly in consultative peak level forums of the Permanent Consultation Forum between the Private Sector and Government (VGF), as well as the National Economic and Social Council; in these bodies OKSZ is represented by MGYOSZ and VOSZ. All employers' organizations are members of international, EU level federations and organizations: KISOSZ is a member of the European Association of Craft, Small and Medium-sized Enterprises (UEAPME), AFEOSZ is a member of EUROCOOP, and OKSZ is a member of EuroCommerce. Whereas AFEOSZ is the most present, it is OKSZ, however, which deals more specifically with employment related legislation, issues of employment policy in the sector and leads the employers' side in sectoral social dialogue committee, to be discussed later. OKSZ regularly monitors statistical data related especially to turnover (revenues) and employment, and focuses much attention to monitoring changes in regulation and legislation affecting retail, including employment. OKSZ also devotes a separate attention to monitor changes in business costs, working time and operating schemes in its domain. In the later section of sectoral strategies, only OKSZ standpoints will be presented.

The only representative trade union is the Trade Union of Commercial Employees [Trade union of Employees in Retail Sales] (Kereskedelmi Alkalmazottak Szakszervezete (KASZ). KASZ is

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<sup>45</sup> Ágazati szakmai tanulmány: „Felkészült Érdekvédelem – az ÁFEOSZ - COOP Szövetség kapacitásfejlesztése a Dél-alföldi régióban” TÁMOP no. 2.5.3.A-13/1-2013-0018 July 31 2014. Accessed at [http://afeosz.hu/Documents/KereskedelmiEsSzovetkezetiTorvenyek/%C3%A1gazati-szakmai%20tanulm%C3%A1ny\\_1.-10.%20%C3%ADv.pdf](http://afeosz.hu/Documents/KereskedelmiEsSzovetkezetiTorvenyek/%C3%A1gazati-szakmai%20tanulm%C3%A1ny_1.-10.%20%C3%ADv.pdf)

<sup>46</sup> For info on MGYOSZ and VOSZ see above, footnote no.14, page 26 of the report

the only representative trade union affiliated with the peak level union MSZOSZ and internationally member of the UNI Global Union. According to its informative and up to date website, KASZ has 106 affiliated member unions or territorial representatives. Typically affiliated members in Budapest are union organizations at multinational chains, whereas in the other regions, they mostly belong to the domestic retail cooperative (Coop), or saving cooperatives. KASZ unionized employees, with very few exceptions, are employed at companies employing at least 5. In this domain, as of June 2012, the trade union active membership had a density rate of 4.9%, thus totaling about 16.200 employed rank and file members. Rank and file union members are employed at cooperative retail, multinational retail chains as well as savings cooperatives. 57% of rank and file are employees at multinationals, with tendencies of further increase. The last union report indicates that the general trend<sup>47</sup> is that the weight and (relative) membership in Budapest centered MNCs is increasing, the share and membership via domestic retail cooperative and that employees of small Hungarian shops decrease. The youth section and the Budapest center is the most active in attracting and enrolling new rank and file members<sup>48</sup>, which will contribute further to this tendency.

**Strategies.** The employer organization lobbies the government either directly, or via employers' confederation of VOSZ and MGYOSZ. OKSZ follows changes in legislation and regulation on all levels and represents its associated members by formulating recommendations. It follows market trends related to wholesale and retail trade, and with its recommendations and analyses attempts to positively influence the government and thus also prospects of domestic retail and wholesale traders. The issue of increased taxation and increased regulation of retail businesses induced higher activity of OKSZ. In terms of employment regulation, OKSZ stance was similar to employers during the modifications of the new LC in 2012, and supported the flexibilization measures. Specific issues where OKSZ contributed with recommendations addressed employee working time arrangements, as well as taking out extra-bonuses (income) for afternoon shift work. There is no sectoral collective bargaining, and OKSZ is not present during collective bargaining of its members – employers. OKSZ operates a legal working committee, which provides advice on application of new regulations of LC, informs affiliated members about statutory minimum wages to be paid etc.

KASZ strategy differs at the peak national level and at retail company level, towards affiliated members. On the national level, KASZ lobbies together with other trade unions for higher consultation and voice<sup>49</sup>, and also resists unilaterally declared governmental measures in retail. With other trade unions it engages in actions for lower taxation of additional employee benefits. For affiliated companies, KASZ provides legal help to rank and file members, and organizes open days to employees in retail<sup>50</sup>. KASZ also offers expert help, as well as training for affiliated union members in wage negotiations, collective bargaining, procedures related to employee responsibilities at inventories, rules of working time and breaks in retail. Occasionally, KASZ also prepares studies and surveys, but not on a regular basis. Its website and Facebook site is up

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<sup>47</sup> Beszámoló a KASZ kongresszusa részére a 2007. október 17-18-i IV. Kongresszus óta végzett munkáról. KASZ V. kongresszusa, October 11-12, 2012, p.9 [http://kasz.hu/html/main/2013/v\\_kongresszus/01\\_Beszamolo2012.pdf](http://kasz.hu/html/main/2013/v_kongresszus/01_Beszamolo2012.pdf)

<sup>48</sup> Interview with Nikolett Kiss, KASZ, leader of the youth section, Budapest November 30, 2015.

<sup>49</sup> See e.g. Lencsés Miklós "Eltűnt húszmillió, feljelentik a kormányt?" *Népszabadság online - NOL*. November 23, 2015 [http://nol.hu/belfold/eltunt-huszmillio-feljelentik-a-kormanyt-1576561#comments\\_1576561](http://nol.hu/belfold/eltunt-huszmillio-feljelentik-a-kormanyt-1576561#comments_1576561)

<sup>50</sup> On the open day for employees in retail about union services, see Nyílt nap a kereskedelemben dolgozóknak <http://www.kasz.hu/index.php/8-altalanos-hirek/220-nyilt-nap-a-kereskedelemben-dolgozoknak>

to date, and maintains a good platform for communication with rank and file members, as well as with affiliated unions.

The role of KASZ is especially important in collective bargaining and wage bargaining at multinational retail chains: thus the federation representatives either actively supported affiliated unions, but also participated at bargaining or intervened with statements related to working time arrangements most recently. Most recently, KASZ supported its affiliated union member at *Auchan* and at *Tesco*. As for lobbying and protest activities, the KASZ representatives wrote protest letters to government representatives, but also appeared in the media targeting governmental unilateral decision making without trade union involvement<sup>51</sup>. On the more particular level of worker protests, while recently there have been no retail strikes, KASZ organized public awareness campaigns on low wages and working conditions in retail, such as flash mobs<sup>52</sup> but also participated in protests along with other trade unions, such as the protest of Vasas against higher taxes on extra-wage employment benefits.<sup>53</sup>

As of strategies related to precarious employment, OKSZ supports measures eliminating unregistered or semi-registered employment as the most precarious employment forms. The general standpoint, and strategy of the **employers** side in the domain of retail chains, approximates a standpoint of *far-stretched business unionism*. *First it posits that flexibilization of employment is in the long run in the interest of employees too – since it is securing more stable jobs, and second, that it is not in the employers’ interest to tread out his or her employees, but to have motivated employees satisfied with his or her wage.*

KASZ formulated a general strategy with a limited but concentrated agenda: higher wages (incomes) and (preserving or opening more) jobs in retail. The general assessment of the union is that the generally high work intensity in the sector requires more jobs in the sector, but also, that wages (incomes) are too low. *Union strategy thus follows the general logic of both increasing wages (with employment benefits and bonuses) and securing and increasing the number of jobs.* KASZ however does not have any defined strategy related to precarious employment forms. This is an appealing outcome, but might be logical if we take into account that the strategic priorities of job preservation (opening) and higher wages or incomes dictate a distorted, potentially contradictory agenda. The limited capacities and increasing presence in retail chains also seem to have an influence here. Not surprisingly, the union paid no particular attention to the increase of

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<sup>51</sup> E.g. “ATV Egyenes beszéd, vendégek: Sáling József és Balassa Balázs” ATV November 5 2015.

<http://www.atv.hu/videok/video-20151105-saling-jozsef-es-balassa-balazs>, also: Levél Varga Mihály nemzetgazdasági miniszterhez és Áder János köztársasági elnökhöz. December 18. 2014.

<http://www.kasz.hu/index.php/8-altalanos-hirek/334-level-varga-mihaly-nemzetgazdasagi-miniszterhez-es-ader-janos-koztarsasagi-elnokhoz>, also Sok a bizonytalanság, munkahelyek kerülhetnek veszélybe a szövetkezeti hitelintézetek integrációjáról szóló törvény miatt September 27 2013. <http://www.kasz.hu/index.php/8-altalanos-hirek/224-kasz-sok-a-bizonytalansag-munkahelyek-kerulhetnek-veszelybe> Accessed December 17 2015

<sup>52</sup> „AZ OLCÓSÓ MUNKA KÁRTYÁJÁVAL JÁTSZUNK!” Flashmobot rendezett a KASZ October 3. 2014.

<http://www.kasz.hu/index.php/8-altalanos-hirek/314-az-olcso-munka-kartyajaval-jatszunk-flashmobot-rendezett-a-kasz> Accessed December 17 2015

<sup>53</sup> See. Élőlánc a Kossuth téren - Demonstráció a munkavállalói érdekek mellett November 18. 2014.

<http://www.kasz.hu/index.php/8-altalanos-hirek/325-elolanc-a-kossuth-teren-demonstracio-a-munkavallaloi-erdekek-mellett>, also Május 1 - Felvonulás, nagygyűlés a Városligetben, April 22 2013.

<http://www.kasz.hu/index.php/8-altalanos-hirek/178-majus-1-felvonulas-nagygyules-a-varosligetben>

part time employment in the sector<sup>54</sup>, and most likely it accepted its increase as a necessary lesser evil to job losses. More particular issues defining precariousness collide with other precarious dimensions. A telling example. More regulated, employee (family) friendly working time arrangements collided with wages and job security in the sector. That is, the regulation, ban on Sunday operation of retail chains eliminated Sunday bonuses but also affected negatively jobs in retail chains.<sup>55</sup> KASZ maintains a good relationship with sectoral employer organizations especially through regular exchange with OKSZ. Dialogue means information sharing and discussion of economic developments and changes in legal environment, and its anticipated impact on employment and wages. The relationship between the trade union and employers' organizations was cooperative. Although typically different, even standpoints on governmental regulations seemed to converge over time. There was especially a consensus in terms of the lack of opportunities to raise the voice of social partners and institutional solutions to influence decisions.

**Fora of negotiations: sectoral dialogue.** Whereas the sectoral trade union is more involved in collective bargaining and supporting its affiliated member union, this is less the case on the employer side. Namely, OKSZ has a limited authority in representing affiliated member companies. Thus, OKSZ is not authorized to conclude sectoral collective agreement. Due to high competition levels among some member retail chain companies, OKSZ is also not present or able to receive any information related to wages or other collective bargaining outcomes in affiliated companies. As a loose umbrella interest representative organization, it supports its members with advice on general issues, such as recent changes in regulation and legislation. Thus, there are no real opportunities for collective bargaining at the sectoral level. Yet, in the last ten years the sectoral level provided grounds for social dialogue, with more limited agenda in the most recent years.

Since its establishment in 2002 the trade union and all three employers associated cooperated within the Committee for Sectoral Dialogue in Retail and Wholesale Trade (*Kereskedelmi Ágazati Párbeszéd Bizottság - KerÁPB*). KerÁPB was defined as a sectoral forum for interest conciliation, and a relatively broad agenda: conciliation related to wages, wage increase, legal regulation (including the Labour Code), development of vocational training, assistance in implementation of regulation, mutual information sharing, expert discussions, preparation of joint recommendations, reconciliation of interest in avoiding conflicts on the site of labour etc. KerÁPB, however, had limited authority: it was first of all a consultative, regulation supporting body, without binding decisions. According to both social partners, the channel was used well for sharing and discussing different solutions, including sensitive issues of employment, and testing applicability of various regulations. The trade union could characteristically tell or veto if a solution would not be acceptable to the union rank and file. The Labour Code and its application was also thoroughly discussed, and the ÁPB offered a testing ground for reactions on concrete proposals. KerÁPB also organized training sessions, supporting vocational skills for

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<sup>54</sup> The KASZ strategic programme for 2012-2017 does not include any reflection on part time employment. See the document: Program 2012-2017 KASZ V. kongresszusa, October 11-12, 2012 At [http://kasz.hu/html/main/2013/v\\_kongresszus/02\\_Program.pdf](http://kasz.hu/html/main/2013/v_kongresszus/02_Program.pdf)

<sup>55</sup> Union response was also inconclusive. Especially before the global economic crisis, KASZ had a standpoint of stricter regulation of shopping hours and employment in retail (e.g. 2007 congress documents). However, the Sunday ban for retail chains meant also lower incomes for employees in retail chains, as they would lose extra bonuses for Sunday work. KASZ later thus revised its standpoint and did not support the unilateral regulation of the government.

members of affiliated organizations on various issues related to retail and wholesale trade. The annual reports for years 2008-2013 indicate that, especially for 2012 and 2013, ÁPB operation in the sector was much more limited, with fewer sessions, and more limited agenda, discussing mostly effects of governmental regulation in the sector.<sup>56</sup> In general, both the trade union and the employer organization evaluated the developments in social dialogue negatively: according to both actors there were less opportunities and channels for interest representation and bilateral or trilateral consultation. Both the trade union and the employers' organization exerted influence on peak level national organizations in their attempts to influence regulation in the sector.<sup>57</sup>

#### **d. Conclusions**

Whereas employment in retail recovered relatively quickly after the shock of falling turnover in the beginning of the global economic crisis, and probably also due to austerity measures of government, the share of precarious employment, especially part time employment increased very significantly. Sectoral trade union and employers' association in retail sector have limited capacities and/or authority, especially to deal with employment policies and define industrial relations in the sector. Whereas the employers' organization justifies the use of flexible precarious employment on the lines of extreme business unionism, the trade union is coping with finding specific answers in concrete situations within its too general strategy of rising wages and keeping or increasing jobs in the sector. In the last five years, social partners were increasingly left out from influencing decision making affecting regulation of the retail sector. That is, the government plays the leading role in shaping regulation, prospects and factors shaping the sector, including employment, without prior institutionalized consultation of sectoral social partners. Unilateral governmental action seems to have brought standpoints of social partners closer to one another.

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<sup>56</sup> See annual reports for the operations of sectoral dialogue committee in retail and wholesale sector at [http://www.tpk.org.hu/engine.aspx?page=tpk\\_Kereskedelem\\_Agazati\\_beszamolok](http://www.tpk.org.hu/engine.aspx?page=tpk_Kereskedelem_Agazati_beszamolok)

<sup>57</sup> KASZ exerted influence via MSZOSZ (MSZSZ), whereas OKSZ used its influence via VOSZ. For the latter, see footnote no. 14, page 26 of the report.

## ***II.4. Health care: hospital based inpatient care***

### **a. Economic position and employment trends**

Hospital based health care in post-socialist Hungary underwent several cycles of reform, and was shaped by negative economic developments and associated financial constraints, negative impact of political cycles, and an increasing problem of sustainable and sufficient employment of skilled health care workers. The reform of the hospital centered health care system stem from five interrelated factors: 1) high demand for hospital health care and limited capacities, 2) structural problems of public health care and political partisan influence in the reform process (a high dependency on political – electoral cycles), 3) investment and pressure to modernize, 4) financial constraints and finally, 5) a lack of a skilled and professional labour force. Hospital based inpatient and outpatient care in particular has been in permanent crisis since at least since 2003.. Modernization and restructuring of hospitals prioritized the agenda of technological modernization and cost efficiency of health care throughout the post-socialist era. Since the EU accession, health care expenditures were also limited and shaped by strict Maastricht criteria of limited spending per GDP on health care, and requirements of international actors on reaching fiscal balance. As a share of GDP, public expenditure on health dropped from 6.1% to 5.2% between 1995 and 2009 (Gaal et al 2011: 59), and averaging 5.1% in the 2011-2013 period.<sup>58</sup> Moreover, as an outcome of debt crisis, since 2007 Hungary has been following IMF recommendations of “reducing public employment, instituting co-payments by patients, rationalizing [sic] hospital beds, and scaling back pharmaceutical subsidies.”<sup>59</sup> The global economic crisis only worsened the situation as governmental spending was curtailed even further: a radical fiscal responsibility law was adopted, with strict guidelines on spending. (Cordero 2009: 10)

Before the crises, governmental programmes prioritized the creation of a cost efficient health care system through involvement of private companies and capital. A drawback in the process, detected only in mid 2000s, was that the strategy did not define more exact tasks, roles and responsibilities of private health care providers in providing health care, and their structural role in the health care, but allowed spontaneous involvement of service providers<sup>60</sup>. A related process in modernization of hospitals was outsourcing. In Hungary, outsourcing started the most capital intensive therapeutic and diagnostical services (dialysis, laboratory, CT-MR) continued with support services (e.g. IT, catering, cleaning, washing, property protection), then to services directly linked to health care treatment (supply of medicines, surgery interventions) and culminated in outsourcing of the complete operation of hospitals.<sup>61</sup>

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<sup>58</sup> <http://data.worldbank.org/indicator/SH.XPD.PUBL.ZS>

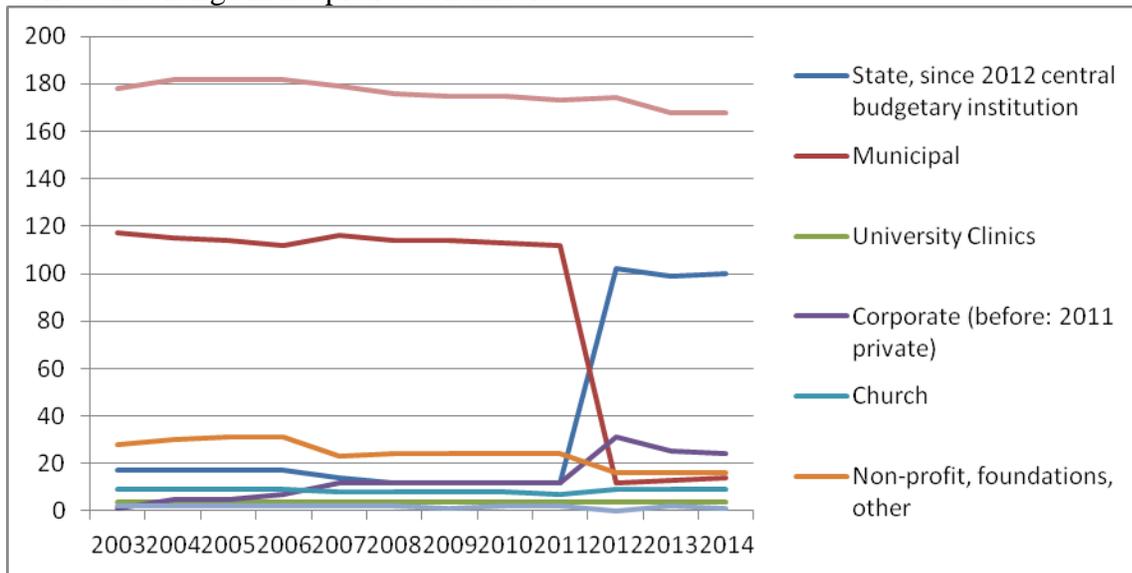
<sup>59</sup> IMF “Hungary: 2007 Article IV Consultation—Staff Report; and Public Information Notice on the Executive Board Discussion.” IMF Country Report No. 07/250, July.  
<http://www.imf.org/external/pubs/ft/scr/2007/cr07250.pdf> as quoted from Cordero, 2009: 8

<sup>60</sup> “Jelentés az egészségügyi szakellátások privatizációjának ellenőrzéséről” *Állami számvevőszék* July 2006 p. 13  
<http://www.asz.hu/jelentes/0609/jelentes-az-egeszsegugyi-szakellatasok-privatizaciojanak-ellenorzeserol/0609j000.pdf>

<sup>61</sup> “Jelentés az egyes kórházi tevékenységek kiszervezésének ellenőrzéséről” *Állami számvevőszék* p. 13 July 2009  
<http://www.asz.hu/jelentes/0921/jelentes-az-egy-es-korhazi-tevekenysegek-kiszervezesenek-ellenorzeserol/0921j000.pdf>

The governmental programme of the *Semmelweis Plan*, drafted in 2010, set the strategy for reforming the Hungarian healthcare system on a territorial, cost efficient basis, also as a strategy of adaptation to an increasing lack of qualified labour. The implementation of the Plan started in 2011<sup>62</sup>. Eight national health regions were established, which serve as territorial bases for the organisation of healthcare, providing care on all levels of progressivity. A regional health care center is responsible for the provision of health services to, in average, 1.2 million people. Before 2012, the majority of hospitals (policlinics, dispensaries and hospitals with main specialities) were owned by municipalities, the largest hospitals were owned by county governments, while only a few institutes belonged to the state. Since 2012, however, the ownership of inpatient care providers was transferred from local and county government ownership to state ownership. The ownership transfer was coordinated by the National Institute for Quality- and Organizational Development in Healthcare and Medicines (GYEMSZI). Since 2015, according to Governmental decree no. 27/2015 the successor of GYEMSZI became the National Health Care Center (*Állami Egészségügyi Ellátó Központ -ÁEEK*) in charge of managing state assets and providing services in health care, along with the associated tasks such as coordination and development of inpatient health care.

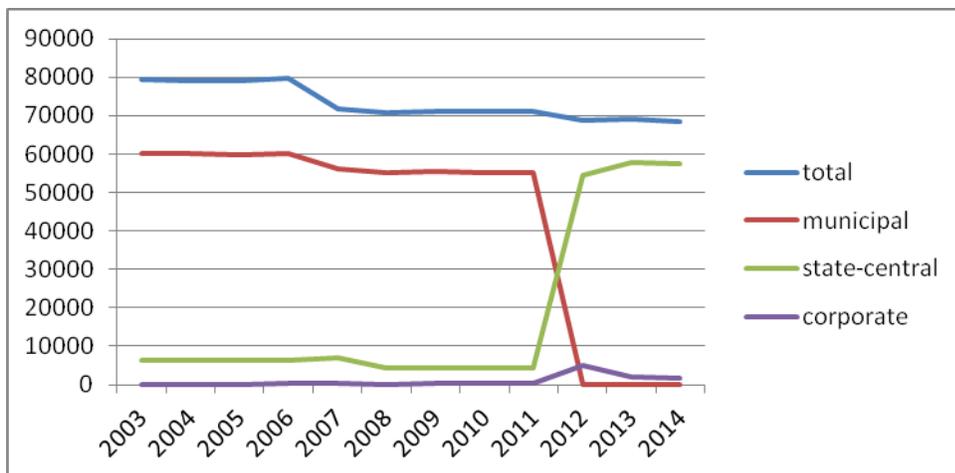
The following two graphs H1 and H2 indicate the changes in both capacities and ownership structure, in terms of changes in the number of hospitals (total and by ownership structure) as well as the change in hospital bed numbers.



Graph H1. Number of hospitals total and by ownership structure 2003-2014

Graph H1 indicates that the total number of hospitals was declining gradually and continuously since 2004. In terms of ownership forms, until 2012 the dominant operator-owner of hospitals were local municipalities or counties, while since 2012 the majority of hospitals became central budgetary institutions. There was also a significant change in the weight of corporate (before 2012 privately owned) hospitals, and a decline of alternative forms since 2012.

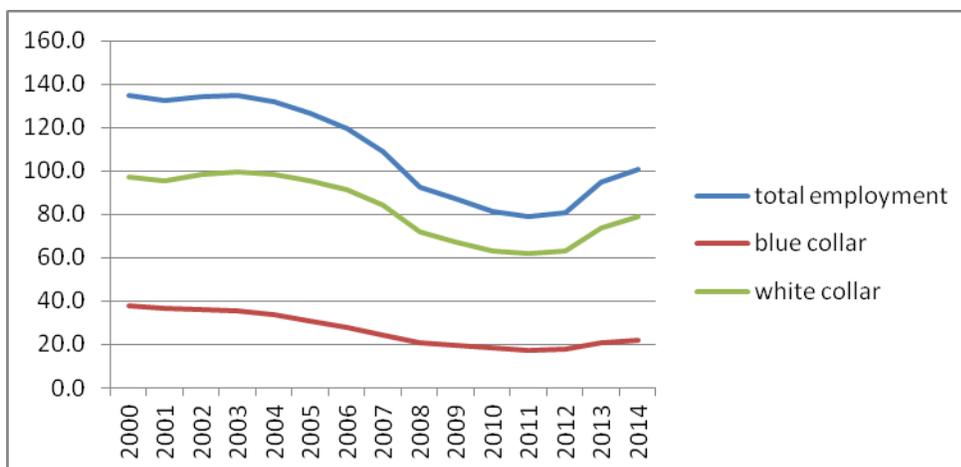
<sup>62</sup> Governmental decree no. 1208/2011. on health care system restructuring



Graph H2. Number of hospital beds total and by ownership structure 2003-2014. Source: OEP

The decrease in the number of hospitals is also visible in the decline of operating hospital beds. Whereas the number of hospitals decreased by 7.7% in 2014 compared to the 2004 level, the number of hospital beds decreased by 13.7%<sup>63</sup>. The dominance of one type of hospitals is even more pronounced in terms of share in hospital beds. Until 2012 municipal hospitals had the dominant share in inpatient care, and since 2012, (now) state hospitals took over an even more dominant role. This is even more the case, since with few exceptions, municipal hospitals remained to operate as outpatient service providers, without hospital beds.

**Employment.** Most hospitals are budgetary institutions, employing the bulk of employees, doctors, nurses, and support personnel. Graph H3 shows the decline in employment in overall public Hungarian health care in 2003-2011, and its consolidation in the 2012-2014 period, by groups of blue collar workers (physical) and specialized health care workers (intellectual).



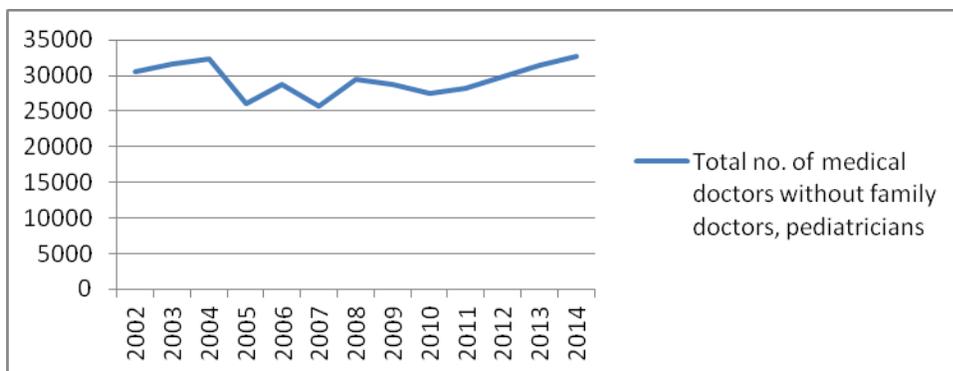
Graph H3 Employment in health care, budgetary institutions

<sup>63</sup> Own calculation, OEP data.

[http://www.oep.hu/felso\\_menu/szakmai\\_oldalak/publikus\\_forgalmi\\_adatok/gyogyito\\_megelozo\\_forgalmi\\_adat/korhazi\\_agyszam\\_es\\_betegforgalom\\_2013.html](http://www.oep.hu/felso_menu/szakmai_oldalak/publikus_forgalmi_adatok/gyogyito_megelozo_forgalmi_adat/korhazi_agyszam_es_betegforgalom_2013.html)

In Graph H3, the red line indicates the employment level of support personnel at all health institutions (statistically blue collar, physical employees), while the green line stands for employment of medical doctors and qualified nurses in total health care. The graph shows that employment fell continuously in budgetary health care until 2011, including both groups of employees. Whereas the total number of support personnel halved by 2011 compared to 2004 (partly or mostly due to outsourcing) the share of white collars decreased somewhat less steeply, in 2011 to about 60% of the 2004 level. Since 2012 however, total employment, also employment of both groups increased significantly, all reaching the 2008 level. Employees with public service employment contracts in inpatient care form about 80% of the employment indicated in the graph: in early 2011 there were 63.422 employees, and in early 2014, 79.950.<sup>64</sup>

Some more precise data are available only for medical doctors, for all sectors of health care.



*Graph H4 Total number of employed medical doctors, not including family doctors and pediatricians. Own calculations. KSH*

Curiously, although it also includes some medical doctors not employed in hospitals, the graph indicates that the number of medical doctors (non-family practitioners) was relatively stable, with low points in 2005 and 2007, and a stagnation since then.

## **b Issues and forms of precarious employment**

Precariousness of employment is applicable first of all to the working time dimension: both the intensity of work as well as the extent of working time are alarmingly high, often causing overtime work to collide with the maximal working time allowed in legislation.<sup>65</sup> The new Health Care Act introduced in 2012 only worsened the situation with obligatory, flexible on-call duty hours arranged on a weekly basis (Berki et al. 2012: 33). The second issue is working conditions, with many hospitals facing outdated equipment and poor working environments.

<sup>64</sup> The number is indicated for NACE08 8610 Inpatient care, for calculating official union density <http://mkir.gov.hu/tag2011/onlinelista.php> for January 2014 data see

[http://mkir.gov.hu/tag2014/dokumentumok/2014\\_tablazat\\_3.pdf](http://mkir.gov.hu/tag2014/dokumentumok/2014_tablazat_3.pdf)

<sup>65</sup> Communication with dr Katalin Antmann, Chairwoman of Trade Union of Medical University Hospitals October 28-29. 2015.

Wages are also an issue<sup>66</sup>. However wages for nurses are typically above the subsistence level, but compared to work intensity and international, Western standards they are poor. Employees have a general feeling of precarity, and have a general insecurity due to the absence of a long term development model for health care professionals, poor financialization of the sector and lack of labour support and renewal from younger generations.<sup>67</sup> Financial constraints and lack of labour are the two strong forces shaping employment prospects of the sector.

*Lack of (employed) specialized skilled labour*, understaffed operation, is a one of the major forces causing precarious employment in the sector. According to the calculations of a union representative, 24.000 to 26.000 nurses would be needed in Hungarian hospitals and outpatient clinics for normal operation. The lack of employed physicians is perhaps less acute, it was estimated to more than 2000 missing jobs.<sup>68</sup> Whereas the Budapest area copes with the lack of nurses, in other parts of Hungary – especially towns that are not medical university towns – there is a lack of medical doctors. There is also significant emigration, with 1000 doctors and 500-600 nurses leaving the country annually.<sup>69</sup> According to the Chamber of Hungarian Health Care Professionals, whereas in early 2000s there would be a more significant immigration from the neighboring countries (Hungarian speakers) which filled, at least temporarily, some gaps, this trend ended. A related alarming problem is that the average age of nurses is high – an alarming trend for the future.<sup>70</sup>

The force of financial constraints shaped precarious, or at least atypical forms of employment. More "liberal" contracting occurred first with the austerity measures of finance minister Bokros from the mid 1990s, which were then curtailed and revised between 2003 and 2006<sup>71</sup>. Since 2006 austerities again dictated a need to find flexible employment forms and contracting relations. Until the recent recentralization occurred, hospitals and municipalities had broad autonomy in economic management of hospitals as both large units of social public health care providers but also economic entities. As economic entities, however, the majority of hospitals became increasingly indebted to suppliers<sup>72</sup>, and were facing tremendous stress and dependency in terms of both paying out suppliers, and securing delivery of health care to the population, both

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<sup>66</sup> For the evolution of wages and complicated nature of wage setting, including relation to working time or reference period see especially Berki et al. 2012: 33

<sup>67</sup> Interview with László Kiss, president Independent Trade Union of Health Care, Budapest May 21

<sup>68</sup> "Ápolónőhiány miatt osztályt zártak be a Semmelweis Egyetemen" *Népszabadság online* December 12 2015

<http://nol.hu/belfold/apolono-hiany-miatt-osztalyokat-zartak-be-a-semmelweis-egyetemen-1579731>,

Nagy B. György "Ki altatja el? Ki ébreszti fel? - Gyakorlatilag a véletlenül múlik, ki marad életben" *Vasárnapi hírek* December 5 2015. [http://www.vasarnapihitek.hu/fokusz/ki\\_altatja\\_el\\_ki\\_ebreszti\\_fel\\_egeszseguy\\_2015dec](http://www.vasarnapihitek.hu/fokusz/ki_altatja_el_ki_ebreszti_fel_egeszseguy_2015dec) ,

"Hatezer forintos órabérért sem találnak orvost" *Index*. November 26 2015.

[http://index.hu/belfold/2015/11/26/egeszseguy\\_orvoshiany\\_szeged/](http://index.hu/belfold/2015/11/26/egeszseguy_orvoshiany_szeged/) , Kuslits Szonja "Alig látni orvost az új kórházban", 2015. November 28 *Magyar Nemzet Online* <http://mno.hu/belfold/alig-latni-orvost-az-uj-korhazban-1316301> , Fábos Erika "Életveszélyes orvoshiány vár ránk." *Világgazdaság online*. November 29 2015.

<http://www.vg.hu/vallalatok/egeszseguy/életveszelyes-orvoshiany-var-rank-461672>

<sup>69</sup> Fábos Erika "Méltánytalan körülmények, haldokló kórházak" *Világgazdaság online* vg.hu

<http://www.vg.hu/vallalatok/egeszseguy/meltanytalan-korulmenyek-haldoklo-korhazak-450152>

<sup>70</sup> See: Fábos Erika "Méltánytalan körülmények, haldokló kórházak" *Világgazdaság online* vg.hu

<http://www.vg.hu/vallalatok/egeszseguy/meltanytalan-korulmenyek-haldoklo-korhazak-450152>

<sup>71</sup> The 223. § of Act no 91. of 2003. defined sanctions for using „simulated” contract, with the National Tax authority in charge of checking and fining. Later a memorandum – grant period was issued. See: "Tájékoztató a színlelt szerződések ellenőrzéséről" NAV 2006 June 20 [nav.gov.hu/data/cms1408/060620\\_szinlelt.pdf](http://nav.gov.hu/data/cms1408/060620_szinlelt.pdf)

<sup>72</sup> Állami Számvevőszék "Jelentés a kórházi ellátás működtetésére fordított pénzeszközök felhasználásának ellenőrzéséről" No. 13012, February 2013. At: <http://www.asz.hu/jelentes/13012/jelentes-a-korhazi-ellatas-mukodtetesere-forditott-penzeskozok-felhasznalasanak-ellenorzeserol/13012j000.pdf>

in terms of quality and quantity. Debt servicing often shaped employment policies, as well as putting these under stress and keeping them at a suboptimal level. There was an increasing lack of personnel in hospitals, which was especially significant between 2010 and 2012. Calculating biannually, hospitals operated on average 8.6% in understaffed fashion. Fluctuation was also high, and continues to be an issue, especially in the 2009-2011 period: in 2009 the fluctuation rate was at 21,3%, in 2010 at 22,2%, and in 2011 at 27,4%. Even worse, for these years, the number of new hires was below those leaving these jobs. Interestingly, however, for the period of 2009-2012 (first quarter) hospitals used savings from less employment to finance debts<sup>73</sup>. Thus were organizing work with fewer personnel than needed for normal operation.<sup>74</sup>

Whereas atypical forms of employment increased continuously in the 2000s, precarious dimensions of standard employment are more significant due to structural problems of hospital based inpatient care. That is, hospital based health care is between the Scylla of financial constraints (budgetary gap, indebtedness of individual hospital institutions<sup>75</sup>), and the Charybdis of the lack of employed and available skilled labour, with the consequence of an increasing labour market based pressure. Precarity of employment for the bulk of specialized employees plays out in a *very intense working time*, as well as in many cases *poor working conditions*. Most typically, overtime work is used as an instrument to decrease the financial burden of hospitals, which, in the words of a union representative, is an „abuse” of overtime work. Both forces, somewhat paradoxically, also cause job insecurity in the sector: hospitals can close down due to both issues of lack of labour (more commonly) but also due to poor financial conditions (indebtedness). Hospital based health care is also more openly facing the dangers of understaffed operation due to the segmentation of interests among groups of specialized professionals, who have varying market-based and collective or individual bargaining power. The weakest in this chain were blue collar workers, the majority of which were outsourced.<sup>76</sup>

In terms of types of employment forms used in Hungarian hospitals, the first difference is related to the use of simple LC based employment contracts (common to the private sector) versus public service employment contracts. Most state owned hospitals belong to the second group, and the rest is in the first, including complete units of inpatient health care services, which sometimes operate next to state hospitals<sup>77</sup>. The second difference relates to the share of atypical employment forms. Among atypical, not necessarily precarious forms, the most widespread are part time contracts, and service contracts, which appear as outsourced operations of hospitals. According to the president of the Hungarian Hospital Association, atypical employment depends on hospital institution and its „employment culture”. Consequently, there is a high variation among hospitals. Rarer are fixed term employment contracts (more common though among new medical doctors and student-practitioners), and project related activities used in some hospitals and certain services only (e.g. associated with the waiting list). All these types of contracts aim at

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<sup>73</sup> Ibid. p. 21

<sup>74</sup> Ibid. See especially Appendix 4 for the share of savings from less employment in hospital budgets – especially significant in 2009.

<sup>75</sup> The centralization of hospitals did not solve the issue of indebtedness yet. See „Rossz hír jött a magyar kórházakból - újra nőnek a tartozások” November 20 2015

[http://www.napi.hu/magyar\\_gazdasag/rossz\\_hir\\_jott\\_a\\_magyar\\_korhazakbol\\_ujra\\_nonek\\_a\\_tartozasok.606233.html](http://www.napi.hu/magyar_gazdasag/rossz_hir_jott_a_magyar_korhazakbol_ujra_nonek_a_tartozasok.606233.html)

<sup>76</sup> These contracts for blue collar services (support operations) as well as the occasionally used employment via public employment programme for support services is not the focus of the report.

<sup>77</sup> As Berki et al. (2012) highlight, the employment share in private and non-for profit enterprises in total health care employing at least 5 more than doubled between 2006 and 2011, from 13.3% to 32.3%, from which, a large segment should have affected hospital based health care.

increasing flexibility of work and services, reconcile (skilled) labour needs (additional jobs, income maximation, reconciling family and work) with financial and work intensity constraints of hospital institutions.<sup>78</sup>

Part time contracts are most common among medical doctors but sporadically nurses are also contracted on a part-time basis. In some hospitals, the share of part time contracts reaches 25% of all contracts. There are many unique individual contracts (e.g. part time contracts, for twice 12 hours a week), especially for medical doctors, reconciling family and work, more common among females, and offering opportunities for second jobs, and thus maximizing income opportunities.

Contracts stemming from outsourcing increased continuously and are characteristic for certain specialized services. This was especially the case for certain specialized professions, first of all medical doctors, especially with more market demand as in radiology or anesthesiology, and to a lesser extent also specialised nursing treatment for speciality groups. Service based contracts, contracts for health care services with small entrepreneurs, increased since mid 1990s until early 2000s. Between 2003 and 2006 these kind of contracts, labelled simulated/fictional („*Szinlelt munkaszerződés*”) contracts were politically and legally contested. In that period, many hospitals were fined and affected. After this negative wave, hospitals either continued or discontinued this practice. Some hospitals in the last ten years thus do not use at all these service contracts, but only employment contracts for public service employees or more general employment contracts. There are no exact numbers on the extent of the use of service contracts in hospitals. Especially since 2006, along with issues of outsourcing, the issue of more flexible employment came to the fore again in hospitals under fiscal restraint. Typically contracts of cooperation for health care services were concluded 79(*Közreműködői Szerződés egészségügyi tevékenység végzésére*), and motivated by decrease in patient waiting time, as well as the limited maximum working time of health care workers. A survey of 2009 conducted among 12% of all hospitals, showed that the alternative form of employment of physicians was increasing in both dimensions of intensity (more working hours) and extensity (more contracts).

In addition to cooperation contracts, volunteer (*pro-bono*) contracts were also reached between hospitals and physicians, and nurses. Volunteer contracts are typically made with retired health care professionals. An important dimension of a significant portion of volunteer contracts is that it allows the use of hospital facilities and opportunities for undeclared incomes from patient-customers. Cooperative, volunteer, and part time contracts remained in, and probably increased in the post 2010 period. Since the individual bargaining power of physicians is significant, the transition to and introduction of atypical employment occurs typically from the initiative of the employee. Contracts of outsourced operations for health care services typically do not have a precarious dimension in this sense. However, wage or income asymmetry is detectable due to specialized skills and flexible employment contracts, especially in hospitals in the countryside. In these hospitals there is a lack of medical doctors, who are offered part time, or service contracts,

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<sup>78</sup> Involuntary part time or service contracts occurred typically during austerity periods. Interview with György Velkey, president of the Federation of Hungarian Hospitals, Budapest October 15, 2015

<sup>79</sup> See especially *Appendix 7* on the extent of support operations for a representative sample of hospitals in 2006-2008. Állami Számvevőszék "Jelentés a kórházi ellátás működtetésére fordított pénzeszközök felhasználásának ellenőrzéséről" No. 13012, February 2013. At: <http://www.asz.hu/jelentes/13012/jelentes-a-korhazi-ellatas-mukodtetesere-forditott-penzeskozok-felhasznalasanak-ellenorzeserol/13012j000.pdf> pp 22-23 for an example of a contract form see [http://semmelweis.hu/jogigfoig/files/2014/10/SE\\_kozremukodoi\\_szerzodes\\_targyi\\_2014.doc](http://semmelweis.hu/jogigfoig/files/2014/10/SE_kozremukodoi_szerzodes_targyi_2014.doc) .

with significantly higher wages and working time conditions than to other hospital employees.<sup>80</sup> Nurses, typically females, for whom reconciling family-work obligations is more pronounced according to patriarchal social roles, however, at least in the Budapest area tend to find suitable working time arrangements in order to allow them to take (undeclared) second jobs, e.g. in retail, or even cleaning.

Among employee groups, apart from helping personnel, precarious employment is applicable first of all to nurses. Whereas wages are meeting living standards, it is mostly working time and work intensity what makes employment in health care, especially in hospitals, precarious. Flexible working time arrangements and overtime work is widespread, for example, it is practically impossible to leave during (unpaid) breaks. At the same time, mostly due to fiscal pressure, there are no funds for compensation of overtime work.

In private or partly private hospitals (rare) or outpatient clinics (not so rare), wages are often not higher than in public institutions, and job security is significantly lower. Wage developments of the public sector thus do not affect them. As for contracts, in private health care the share of part time contracts is significant, and relatively stable, consisting of about 10% of all contracts. Fixed term contracts are probably also significant, but no data is available. Temporary agency work in private health care is almost non-existent, in health and social protection sectors there were 17 TAWs in 2012 and 9 in 2013.

		2008	2009	2010	2011	2012	2013	2014
<b>health care</b>	number in thsd	2.6	2.6	2.7	2.8	3.1	2.8	2.6
	% in sector	9.9	9.3	9.7	10.8	11.3	10.8	10.0
Total national economy	number in thsd	155.5	185.5	191.8	219.6	202.9	205.3	193.5
	% of sector	1.67	1.40	1.41	1.28	1.53	1.36	1.34

*Table H1. Number of part time contracts in private health care, as share of contracts in private health care and as share of total part time contracts in the economy*

On the other hand, fulfillment of vacant posts may be possible with personnel without competent education, which would lead to a degradation of services. Nurses are vocal in raising the issue of the absence of the development model for the profession. Whereas nurses have to have a relatively deep and broad knowledge, competence rules are not defined yet, only promised, and it has been on the agenda for several years now. Related to career- or upward mobility, employment in health care is often a dead end: little mobility is possible, with one partial exception, learning of foreign languages, and exit via migration.

The following table summarizes the precarious dimensions of employment in hospitals.

<sup>80</sup> Interview with György Velkey, president of Hungarian Hospital association, Director of Bethesda hospital. Budapest. It is not uncommon in this case to bargain for an hourly fee. Working time intensity therefore might be very high.

		Quality of working conditions dimension				
The formal employment status dimension		Wages	Working time	Job security	Social security	Voice through trade unions, protection through collective bargaining
	Open-ended contract	(X)	X			limited coverage
	Fixed-term contract	(X)	X			limited coverage
	Work agreement contract		X		X	
	Part-time contract		X			limited coverage

### c. Union and employers' capacities, strategies, and best practices

There are several trade unions active in the inpatient health care domain, most notably MMSZ EDDSZ, MOSZ, OSZSZ, and FESZ. The density rate of unions were constantly decreasing. In total health and social care the rate fell from 33.8% in 2001 to 20% in 2009 (cf Berki et al 2012: 6). In the domain of inpatient care, union density rate was significantly higher in 2008, around 27.5%, which fell to 22.5% in 2011 while in 2014 the density decreased to 17.2%. The only trade union with sufficient membership to be recognized as representative at the sectoral level is MMSZ EDDSZ<sup>81</sup>. However, it was exactly MSZ EDDSZ which lost many union members in the 2008-2015 period: its membership halved, and most likely the membership numbers are falling further. MSZ EDDSZ<sup>82</sup> was a very vocal actor in the 2006-2010 period, leading protests, and forming strike committees. With the change in political cycle, however, it insists on using the sectoral forum of industrial relations, a channel which has not been summoned since 2009.<sup>83</sup> MSZ EDDSZ also insists on concluding sectoral collective agreement.

The other trade unions in the domain of inpatient care are quite small, but increasingly vocal. Some of them, such as OSZSZ also have a limited domain of only 4 university hospitals, while

<sup>81</sup> As for the other trade unions, according to the official membership status, in February 2014 the Trade Union of Hungarian Medical Doctors gathered 1608 members (2.5% of official density rate among public sector health care employees in inpatient care), the OSZSZ had 308 members (0.5%). Finally, FESZ was established in 2011 September, and its membership base was quickly expanding in the most recent years. Most likely it had at least a few thousand members until late 2015. Its membership was contested at its congress, causing a major internal crisis.

<sup>82</sup> That is, in its present form, MSZ EDDSZ emerged from a merger of the trade union of social workers and health care workers in late 2013.

<sup>83</sup> For a good summary of standpoints and strategy see the letter of Chairwoman of MSZ EDDSZ Dr. Ágnes Cser to EMMI Ministry representative: Javaslato a 2013. évi humán erőforrás stratégiához és bérfejlesztéshez az egészségügyi és szociális ágazatban dolgozók számára March 20 2013. [http://eddsz.hu/erdekegyeztetes/35-hirek/eddsz-hirei/1518-javaslato\\_cserh%C3%A1ti](http://eddsz.hu/erdekegyeztetes/35-hirek/eddsz-hirei/1518-javaslato_cserh%C3%A1ti). In the 2004-2009 period EDDSZ raised the issue of sectoral level collective bargaining and collective agreements several times. However, the employers side resisted the initiative for sectoral level collective bargaining and agreements. The first reason was that the employers' side was not united, and would also limit local autonomy of managers at the levels of establishment, which was then already heavily circumvented by Law on public employees, and available local finances.

most union members are enlisted in the domain of education. Established in late 2011, FESZ was the trade union which increased dramatically in recent years. However, after the resignation of its chairman in October 2015, its growth seems to have ended. In the last five years, smaller trade unions established some encompassing initiatives, pressure groups and platforms with other public sector unions.<sup>84</sup> After a promising start, however, including some demonstrations and protests, these initiatives faded away. There is intense competition among trade unions, most of them being members of different confederations, but also new trade unions appear on the scene<sup>85</sup>. Nevertheless, most of them cooperate in a short term, ad-hoc issue basis, when interests are common in wage bargaining, establishing strike committees or participate in semi-official initiatives for health care reform. All sectoral trade unions seem to have limited capacities for dealing separately with specific groups of members with various precarious employment experience. For example, The trade union of Medical University Hospitals attempts to deal with general employment in the whole sector, but it also lacks the capacity to deal with special problems, and differentiate among interests and needs of various constituent employee groups. The appearance of fixed term contracts in the public sector appeared on the agenda of consultations among OKÉT trade union members, but no clear strategy was formulated.<sup>86</sup> Public sector unions failed to define a clear stance against employment of participants in public employment programme in public institutions, in a department where dozens of employees lost their public service jobs. More alarmingly, this development signaled lax employment practices of the state.<sup>87</sup>

Besides trade unions, the medical chambers, Chamber of Hungarian Health Care Professionals (MESZK), the Hungarian Chamber of Medical Doctors (MOK) and the Hungarian Chamber of Pharmacists (MGYK) were influential lobby actors, but their power seems to be more limited since 2010.

Until 2011, the employers' side was represented by municipal interest associations of local-municipal self-governments, and three nationwide organizations with statutes declaring representation of the employer side in public health care: the Association of Hungarian Local Governments, Association of Towns with County Status and Association of County Level Local Governments. Besides the loose professional association of economic managers of hospitals (EGVE) the most relevant employer organization is the Federation of Hungarian Hospitals (*Magyar Kórházszövetség* - MK). MK is a loose umbrella federation of hospitals, operating more in a horizontal fashion for information sharing, discussion of strategies, alternatives, finding joint proposals and recommendations. MK does not directly coordinate or influence the employment policies and strategies of its member hospitals. Within MK there are sections,

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<sup>84</sup> In the period 2006 – 2010 an informal platform for joint pressure was the National Roundtable on Healthcare (Nemzeti Egészségügyi Kerekasztal) Since 2011 two initiatives especially stand out. The action federation Sincerely for Health Care (Őszintén az Egészségügyért) set forth cooperation among trade unions in the health sector domain belonging to different peak level union confederations. In November 2013, 28 public sector unions, members of five different confederations, but all participating in the Interest Reconciliation Committee for the Public Sector (OKÉT) founded a Joint Bargaining and Strike Committee (KÖZDEMOSZ). For the latter see: Ildikó Krén "Hungary – Labour Relations and Social Dialogue" Regional Project on Labour Relations and Social Dialogue Friedrich Ebert Stiftung, Annual Review 2013, Warsaw December 2013 <http://library.fes.de/pdf-files/bueros/warschau/10436-20140107.pdf>

<sup>85</sup> Establishment of a new union young medical doctors is announced for the beginning of 2016 see: Haiman Éva "Szakorvosok és rezidensek alakítottak szakszervezetet" *Magyar Idők* December 18 2015 <http://magyaridok.hu/belfold/szakorvosok-es-rezidensek-alakitottak-szakszervezetet-237265/>

<sup>86</sup> See [http://eddsz.hu/images/20120912\\_KOMT\\_MVO\\_emlekezteto.doc](http://eddsz.hu/images/20120912_KOMT_MVO_emlekezteto.doc)

<sup>87</sup> Interview with Erzsébet Berki, Expert for industrial relations at the public sector, Budapest, November 2 2015

working groups, which meet monthly. MK has no methodology for data collecting and monitoring. However, it does monitor changes in regulation as well as the press, and has its own internal journal.

Whereas recently hospital based health care was centralized, the channels of industrial relations on national and sectoral level were cut back. Collective bargaining in health care above the establishment (hospital) level happened only indirectly, via public sector confederations bargaining with the government at established forums, especially OKET and KOMT, in the latter unions having the opportunity to influence annual budgets of the public sphere. High level forums were in charge of discussing wage increase or cuts, number of employees and reform and changes, as well as legislation related to public sector employment. Thus, a centralized quasi collective bargaining took place (See Berki et al. 2012).<sup>88</sup> A classic example for quasi centralized consultation is wage determination for public service employees: it is both predefined by a set of complex regulations, a mandatory classification and salary system, incorporating education-skill (“qualification”) level and seniority, but it also deviates significantly from the complex rules due to extra budgetary possibilities on the level of establishment (Berki et al 2012: 10, 11). Since 2012 however, only the National Public Service Interest Reconciliation Council (OKÉT) remained in operation in an intact form.

In the health care sector, a consultative sectoral body, the Council for Interest Conciliation in Health Care (EüÉT) was established in 2002 and operated regularly as a consultative forum and conciliation forum until 2010. More recently, its significance has faded. EüÉT played the role of information sharing, interest presenting, consultative body on labour relations and regulations. One of its aims is also to foster industrial peace and prevent conflict. It is also a forum for raising voices in the sense of pressures, including strike threats. Among the dominant issues discussed at EüÉT in the 2004-2009 period were annual budgets, and drafts of new legislation and regulations. Since 2009, actors targeted the government increasingly with informal pressure and new types of actions.<sup>89</sup> As already mentioned, since 2010 there are less working channels for interest conciliation. Direct negotiations and information sharing with ministers of health seem to be more effective. Communication with government representatives was judged to be generally positive by the employers organization, although for some issues, there was no attention paid to the voice. In certain periods, as was also the case in spring 2015, there was an intensive interaction between unions, chambers and government representatives. With centralization, hypothetically the importance of Ministries increased. Note however, that in the Hungarian Government there is no Ministry of Health, only a Department within the Ministry for Human Resources. Moreover, in a system with strong role of the prime minister and the minister for interior, the position of all ministers, let alone the head of the Department for Health was very weak. This weakness only increased with high expectation of the difficult task of requesting resources and institutionalizing ideas in health care reform. One can interpret also the resignation of the health minister in the summer of 2015 from this perspective.<sup>90</sup>

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<sup>88</sup> <http://www.research.mbs.ac.uk/ewerc/Portals/0/docs/Hungary-national%20report.pdf> SEEE

<sup>89</sup> See e.g. A Magyar Kórházszövetség, az Egyetemi Klinikák Szövetsége, a Stratégiai Szövetség a Magyar Kórházakért Egyesület az Egészségügyi Gazdasági Vezetők Egyesülete és a Medicina 2000 Járóbeteg Szakellátás Szövetsége közös Állásfoglalása, Budapest, Szeptember 16 2009. <https://www.doki.net/tarsasag/mok/hirek.aspx?nid=10612>

<sup>90</sup> Orbán addig cselezett, míg összeakadtak a lábai HVG August 27 2015. [http://hvg.hu/itthon/20150827\\_Orban\\_allamtitkarok\\_cse\\_re\\_tervek](http://hvg.hu/itthon/20150827_Orban_allamtitkarok_cse_re_tervek)

While trade unions as well as employer organizations lost significant organizational power due to legislation, circumvented voice, centralization and unilateral governmental action<sup>91</sup>, attempts for influence moved more into the category of social movements. Hospital based health care workers, nurses and doctors experiment with multiple channels of influence. The lack of skilled labour provides significant bargaining power to employees, who increasingly use it, if not as protest (as a second best substitute to the almost impossible 'strike' pistol), but as an 'exit' threat. There is a shift from industrial relations instruments to protests, flashmobs, and lobbying and PR activities<sup>92</sup>. The main strategy of "exit threat" paid out in 2011, when the demand of 2500 young physicians, who threatened to emigrate, was met with a wage hike (Komić 2012 cf. Szabó 2013). Similar threats occurred in late 2015.<sup>93</sup> A somewhat different strategy was used by nurses who addressed the issues of generally precarious employment via public protests. A suddenly growing movement of nurses successfully demanded payments for overtime work. Protests also appeared in early summer of 2015, the largest since 2009. FESZ launched an innovative online and media campaign pointing out the situation in health care. After internal conflict, however, the organization is in crisis. Its most prominent figure and informal leader of the movement and its symbol established a non-profit association<sup>94</sup>.

Employer organizations, trade unions as well as chambers communicate regularly in more cooperative manner. After 2010, in the absence of formal channels, communication is more informal, in terms of information sharing, knowing each others stance on certain issues.

*On the level of hospitals* sectoral trade unions provide support, soft help in bargaining and collaborating with hospital management. Employer associations do not provide any input in this

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<sup>91</sup> An earlier assessment of Szabó (2013) is important to reevaluate: „Before the changes introduced by the current government, unions had two ways to influence wage setting and working conditions in the hospital sector. First, the government was obliged to consult with public sector trade unions on wage developments at a peak-level consultative forum (OKÉT). Second, as the owners of hospitals were local governments, collective agreements were concluded at every local hospital establishment. Depending on local power relations and the financial capacities of local governments, these agreements could go beyond the centrally set minimum. Now, both of these channels of union influence were clogged by the government. The OKÉT is not consulted on public sector wage setting any longer, the pay scales in different branches of the public service are separated, and from 2012 on, the central government is taking over ownership of hospitals from the local governments. The first move is clearly to the detriment of unions' bargaining capacities. However, the "re-centralization" of hospitals might turn out to be less destructive on the long run. Under the decentralized system, an ill-defined distribution of responsibilities between the central government and local administrations led to the obfuscation of employer responsibility. The new, centralized system will have the advantage that employees will at least know exactly whom to address their claims to." With centralization, sectoral unions could have gained, wages and incomes would come closer. Namely, while it is true that the better-off hospitals lost with centralization, the "poorest" hospitals and its employees gained. Initially it seemed that higher level of solidarity appeared in health due to centralization, only to fall into crisis.

<sup>92</sup> See e.g. „Villámcsődület - Hálapénzt osztottak a rezidensek” *Népszava* May 11 2015

<http://nepszava.hu/cikk/1056888-villamcsodulet---halapenzt-osztottak-a-rezidensek---foto/>

<sup>93</sup> Characteristic to this situation is that employee groups with highest bargaining power, as groups within medical doctors, such as anesthesiologists, feel strong enough to address resentments, both related to working conditions, working time, and wages (incomes). See e.g. “Ránk omlik a rendszer, mégsem történik semmi - íme, az okok” *Napi.hu* December 9 2015

[http://www.napi.hu/magyar\\_gazdasag/rankomlik\\_a\\_rendszer\\_megsem\\_tortenik\\_semmi\\_ime\\_az\\_okok.607161.html](http://www.napi.hu/magyar_gazdasag/rankomlik_a_rendszer_megsem_tortenik_semmi_ime_az_okok.607161.html), Fábrián Tamás “64 orvosnál betelt a pohár” *Index* December 21 2015.

[http://index.hu/belfold/2015/12/21/64\\_orvos\\_nyilt\\_level\\_onodi-szucs\\_zoltan\\_egeszsegugyi\\_allamtitkar/](http://index.hu/belfold/2015/12/21/64_orvos_nyilt_level_onodi-szucs_zoltan_egeszsegugyi_allamtitkar/)

<sup>94</sup> See especially Danó Anna "Botrány a közgyűlésen, új szervezetet alapít a renitens magyar ápolónó" October 19 2015, *Népszabadság* online <http://nol.hu/belfold/uj-szervezetet-alapit-a-renitens-magyar-apolono-1570061?system=cachefrissit&ajax=1> also "Botrány! Sándor Mária kilép a FESZ-ből" *Népszava* October 19 2015. <http://nepszava.hu/cikk/1073702-botrany-sandor-maria-kilep-a-fesz-bol>

process, recognizing and respecting the autonomy of hospitals. Both union officials and the representative of employer organization mentioned positive examples of cooperation, but with varying degrees of success, since in some hospitals there are more conflicts. This reinforces the importance of “employment culture” at a given hospital. Trade unions are typically too weak to request improvement in wages or working time issues. The analysis of collective agreements also showed that at the establishment level the trade union was unable to successfully request wage increments (Kisgyörgy 2008 cf. Berki et al 2012: 34) Interviews in 2010 confirmed that collective bargaining at the establishment level at best centered on work organization arrangements and employment benefits, but also that some informal groups of health care specialists typically had greater bargaining power than trade unions.

#### **d. Conclusions**

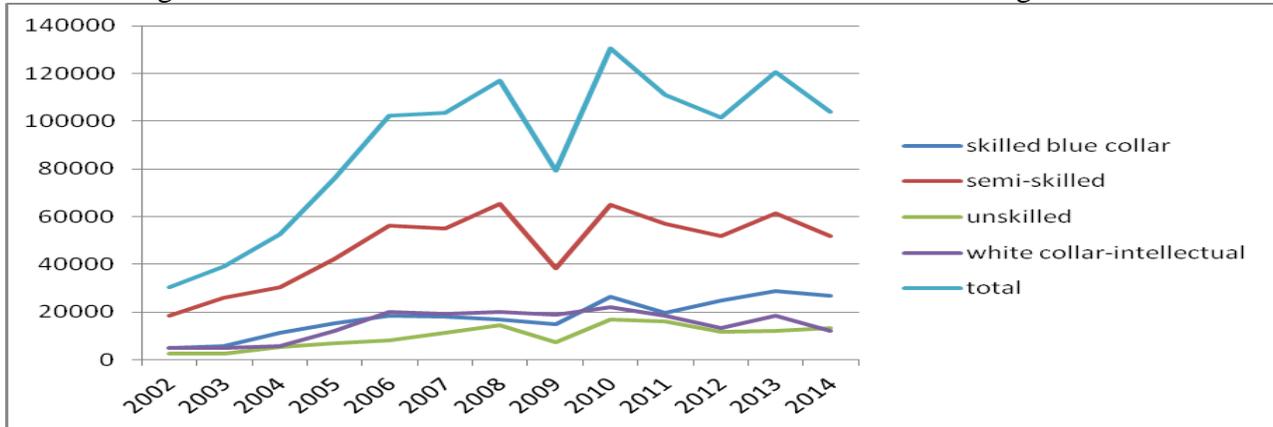
Low employment, limited labour supply of qualified health care workers, and financial constraints result in widespread precarious employment for the bulk of employees, especially in terms of working time, and comparatively low wages. The most common atypical and precarious forms of employment are involuntary part time contracts, which occurred and institutionalized typically during financial austerities.

A strong government regulates and acts unilaterally, and does not provide sufficient channels for consultation. The bulk of health care workers hypothetically have a sufficiently strong bargaining power, based on labour market developments, the lack of skilled labour. There are no strong and vocal actors and a channel for interest representation, who would be able to concert efforts and bring substantial results or outcomes. The diffusion of actors and segmentation of interests, with uneven bargaining power linked to various groups of employees makes the system prone to conflicts, as it seems, not only extensive but also intensive, issue based conflicts.

## II.5. Temporary agency work

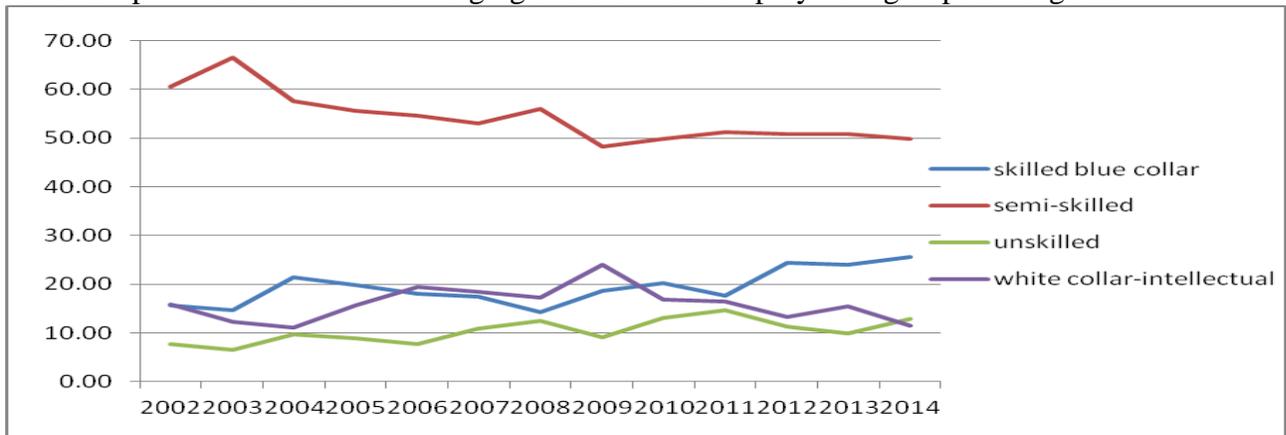
### a. Economic position and employment trends

Temporary agency work has been regulated since 2002 and subsequently monitored since then. In the last thirteen years, the amount of temporary agency work increased significantly, with an exponential rise leading up to 2009. After a radical decrease in 2009, a new record high was reached in 2010. Since 2011, the number of TAWs stabilized around the pre-crisis level of 2007 and 2008. The following Graph T1 shows the trend in developments, including the share of various categories of blue collar workers as well as white collars workers among TAW.



Graph T1. Number of temporary agency workers, and subgroups by education level 2002-2014. Source: NFSZ.

As Graph T1 shows, the number and share of semi-skilled blue collar workers was the highest among TAW, so much, that it by and large determined the general trend: the red line follows the same pattern as the light blue line. The lowest share of TAW consisted of unskilled workers, but with a more stable development over time. White collars and skilled blue collars show a different pattern. Both subgroups increased until 2006 and remained on a more stable level until 2011: both subgroups were barely affected by the cuts in 2009. Since 2012, the number of white collars decreased, while the number of skilled blue collars increased further, reaching a record high in 2013. Graph T2 shows also the changing share of these employment groups among total TAW.



Graph T2. Number of temporary agency workers, and subgroups by educational level 2002-2014. Source: NFSZ.

The share of semi-skilled workers made up, with the exception of 2009, almost half of all TAW. However, the share of TAW decreased from 66.5% in 2003 to 48.3% in 2009, to stabilize in the last 5 years, averaging 50.1%. The most different pattern to semi-skilled blue collars are white collar workers, whose share increased from 11.1% in 2004, to a peak of 24.0% in 2009, only to decrease in the last 5 years, to the low of 11.5%. Interestingly, unskilled workers show a pattern of increase and decline in cycles of 4 or 5 years, with ups and downs, but the average number of unskilled TAW in these cycle periods increased. Whereas in the initial period of 2002-2008 their share was oscillating and averaging 17.4%, the group of skilled workers had a consistent and increasing share among TAW from 14.3 in 2008 to 24.7% in 2014.

Temporary agency work is concentrated in **some sectors**. In terms of share in total net income (*nettó árbevétel*) from leasing, the share of manufacturing and service based sectors is the highest. The share of net income from TAW based activities in total manufacturing increased further in the post-crisis period, from 58.7% in 2011 to 65.6% in 2014. As already mentioned, TAW is especially widespread among sectors of metal manufacturing. A significant portion of TAW is also temporarily employed in food processing user companies (share of 5.8% in 2014), and to a somewhat lesser extent, in the chemical and pharmaceutical sectors (total of 3.7%). Except manufacturing, service based sectors of administrative services as well as information, communication services (total of 15% in 2014 and 17.5% in 2011), and to a lesser extent the retail sector (4.2% in 2014, 3.9 in 2011) and transport and storage services (5.1% in 2014, 3.5 in 2011). In tourism and catering, the share of total net income of agencies decreased radically since 2011 (share of 3%), to 0.6% in 2014.

Not only are there differences in production cycles according to different sectors, but the different cultures of user companies determine their reliance on TAW. In manufacturing, business size class also matters: domestic small and medium size companies typically do not have a sophisticated HR strategy and at best employ only a few TAWs. In contrast, among large multinationals it is a more common practice. User companies predominantly operate in the domestic national economy (99.9% in 2008). More recently, more user companies appeared as clients of Hungarian temp agencies: in the 2012-2014 period the average user company abroad employed 1.7% of TAWs.<sup>95</sup>

The number of temp agencies mushroomed in the 2002-2007 period: NFSZ registered 282 agencies in 2002, which increased until 2007 to 805 agencies. After a decrease in 2008 and 2009, the number of registered agencies increased again in the last five years, up to 911 agencies in 2014. However, the estimate of the representatives of federation of agencies is that the number of active, professional agencies is significantly fewer, around 150<sup>96</sup>. Larger temporary agencies typically belong to one of the two federations, which together total 49 agencies. There is even a larger concentration in the sector, since a dozen agencies dominate the market. In 2014, the largest ten agencies had a share of 64.0% of net income in the sector. Among these, in 2014, the largest 4 had a share of 46.2% of the total income.<sup>97</sup> The share of multinationals is also high in

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<sup>95</sup> As already mentioned, the share of user companies is proportionately quite high in construction. In absolute numbers, the most TAWs employed by user companies operating abroad were in manufacturing and administrative services. But their share was 1.1% and 2.4% respectively among all TAW employed by both domestic and foreign user companies. Manufacture of basic metals and fabricated metal products stands out in terms of share. In 2014, in this sector 7.9% of TAWs were employed by user companies abroad. Source: NFSZ, own calculation.

<sup>96</sup> Both interviewees from the temp agency federations evaluated the official statistics with caution. In case of categorization of client employees, sometimes there was no precise column to report data accordingly.

<sup>97</sup> For data on top ten agencies see “Közvetítők és kölcsönzők: íme a friss toplisták” *hrspirit.hu* April 22 2015. <http://hrspirit.hu/toborzas/12-ime-a-top-fejvadaszok.html>, own calculation with NFSZ data on total net income.

the sector: among which two multinationals, Trenkwalder and Adecco have a dominant role. Except for the crisis year 2009, in the 2008-2012 period, the sector of labour market services was among the top ten sectors with employment in MNCs<sup>98</sup>. About half of temporary agencies are concentrated spatially (geographically) in the capital of Budapest and in the region close to the metropolitan area (Pest county), a concentration which slightly and unevenly increased: in 2002 40.8% of temp agencies were based in Budapest and its surrounding areas, a share which increased to 53.9% in 2013.

Temp agencies typically do not have sectoral specialization, but there are some which attract more white collars and vice versa, specialize in skilled or semi-skilled workers or develop all groups. According to a different evaluation, in the last five years those temporary agencies increased in size, which could attract various groups of workers and contract client companies from the most various sectors. For temporary agencies facing a labour demand it was a disadvantage to be unable to find employees for certain jobs at user companies. There are sporadic exceptions though, as the temp agency *Gamax* – with a focus specialization in IT. As there is no division of labour, such competition among temp agencies is high. The global economic crisis also strengthened some domestic temp agencies. Altogether both the economic crisis and changes in regulation brought positive changes: there is a higher concentration in the number of temp agencies, but also changes in the order of the largest temp agencies.

**Forces shaping these trends.** There are three main forces which shape the extent of temporary employment: changes in market demand, lack of skilled labour, and the regulatory environment. The first two forces are in general advantageous to temp agencies, since they require higher flexibility and swift adaptation to circumstances by user companies.

Swift and large changes in market demand and production also increase labour demand. In peak production periods, especially in manufacturing, there is thus a high reliance on TAW, especially semi-skilled workers. The global economic crisis also increased cautious planning and greater cost sensitivity among user companies, a factor which increases the flexible role of TAW and temp agencies. Thus, employers evaluated temporary employment as a useful form in channeling employment back to earlier levels.

The lack of skilled labour in recent years induced a higher reliance on temp agencies, even among companies where this was not a usual practice, but can become acute in certain geographical locations also among semi-skilled workers. This situation is advantageous to temp agencies, since they develop a professional specialization and are very efficient in addressing, providing information and recruiting of employees even from distant geographical locations, and help the two parties-clients coming together, to the benefit of all. Both representatives of temp agency associations stressed that client workers also have many advantages of greater mobility, experience gathering, and finding appropriate jobs, a new feature to the traditionally less mobile labour. In addition, temp agencies secure mobility and provide various administrative services making employment in user companies quick to secure. More recently there is also a greater demand and lack of semi-skilled workers, which is evaluated negatively, and attributed mostly to the public employment programme, which attracts a significant segment of the semi-skilled.

Regulation of employment of temp workers determined its use. In general, both associations evaluated the regulatory framework, including the very flexible regulation of division of employer rights as beneficial to the sector. In the development of regulation in the last five years there were also critical moments when the associations were not satisfied with governmental

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<sup>98</sup> KSH: Az első tíz ágazat a külföldi leányvállalatoknál foglalkoztatottak száma és aránya szerint

proposals, or judged procedures overregulated or thought employment was made too costly, and successfully warned the government of effects on overall employment.<sup>99</sup>

## **b Issues and dimensions of precarious employment**

Temporary employment is precarious especially for less skilled blue collar workers, for client employees employed before December 2011, and especially for temp workers employed by employment agencies using semi-legal, cost saving practices. As already mentioned, a universal dimension of precarity are social rights in the period of ending employment relation at user companies: clauses on collective redundancy, severance pay, and notice period apply less beneficially compared to other employees at the user company.

Temp agencies contract client employees on permanent full time, part time, and fixed term contracts, including marginal fixed term contracts, starting with simplified employment contracts for probationary periods of up from a few days, an opportunity introduced with the LC of 2012. Temp agency workers do not have a collective voice. Provisions of a plant based collective agreements might affect them positively, but also negatively (Kártyás 2012). That is, indirect inclusion and coverage by collective agreement are also no guarantees for greater protection, since the LC 2012 allows a collective agreement to go below standards of LC in certain issues, such as working time.

*Job security (semi and unskilled blue collars)* Temporary work agencies contract client employees on both a permanent and a fixed term basis, and both also on apart-time basis. Job security seems to be dependent on flexibility (in changing jobs at user companies) as well as external circumstances, especially for the lower skilled. Job security is lower for temp workers employed on fixed term.

The total share of TAWs on fixed term contracts at temp agencies was relatively constant, e.g. 24% in both 2006 and 2014. The share of fixed term contracts is higher among unskilled and semi-skilled blue collars. For example, in 2006 44.2% of unskilled client employees were employed at agencies via fixed term contracts. The share of semi skilled workers on fixed term employment contracts was 29.3% in 2006 and 29.9% in 2014. The share is significantly lower among skilled blue collars: 13.1% in 2014 and 12.0% in 2006. The underlying cause for this is a different employment pattern of temporary blue collar workers by user companies, typically in manufacturing and white collars in services. There is a high work intensity for blue collars in manufacturing, but also some services, such as retail and transport, which causes fluctuation. Therefore it is not unusual for some client employees to leave user companies after a few days or weeks, and the risk of losing jobs at temp agencies is higher too. The average period at a user company is only three months, thus the five year threshold period is rarely reached. For those on fixed term contracts, chain contracting is also not unusual, with contracts being renewed every 3 months or even more frequently.<sup>100</sup>

There is a different pattern among white collars. Here a characteristic feature is substitutions for permanent employees on maternity leave or sick leave. There are very few highly qualified managerial TAWs, and the temporary agencies also do not recommend such solutions.

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<sup>99</sup> See e.g. Szabó Zsuzsanna "Rengeteg ember veszítheti el állását Magyarországon" Napi Gazdaság February 13 2012 [http://www.napi.hu/magyar\\_gazdasag/rengeteg\\_ember\\_veszitheti\\_el\\_allasat\\_magyarorszagon.510340.html](http://www.napi.hu/magyar_gazdasag/rengeteg_ember_veszitheti_el_allasat_magyarorszagon.510340.html)

<sup>100</sup> Ágnes Filius "Ki képviselje a kölcsönzöttek jogait?" HR Portal March 13 2012. <http://www.hrportal.hu/hr/ki-kepviselje-a-kolcsonzottek-jogait-20120313.html>

According to an MMOSZ survey, 49% of employees are employed for more than a year at a user company, while for white collars 24% are employed for more than years at a user company.<sup>101</sup>

Initially, therefore, it seems that the element of job insecurity is more common to unskilled or semi skilled blue collar workers. Project based companies are also typically staffed with semi-skilled temp workers.

*Working time* In manufacturing, the same issue of working time precarity appears, caused by production driven flexible working time arrangements, with an additional issue that working time of employees might be set either by agency or the user company, upon agreement of the two parties. Working also seems to be a major issue for part time employees. The share of client employees on part time contracts was 7.3% in 2011, which increased to 12.5% in 2014. Moreover, part time employees are also more often on fixed term contracts: in 2014, 49.7% of client employees had this kind of employment arrangement. The highest share of involuntarily part time client employees was most likely in retail and customer services up to 38.4% in 2011 (NFSZ 2011: 17). Work intensity together with flexible production driven working time arrangements in many client companies for blue collars is so high that many client employees leave after a few days. Whereas the majority of temp workers are male, the share of client employees on part time is higher among women.

*Wages.* Since the EC Directive was adopted into legislation, the principles of same wages apply also to temp workers, with the exception of workers who were employed at a temp agency before December 2011. Moreover, there are exceptions to the rule of equal pay. First, in case two of the conditions of permanent employment contract are fulfilled, in the first 184 days the user company might employ temp workers for lower wages than other workers. Unfortunately, the average relatively short period of lease seems to predict that such practices are common. The second exception is the structurally unemployed, and the third, local self-governments and for-public-benefit organizations are also exempted from the use of temporary workers (Kártyás 2012). According to a leader of a trade union confederation, especially in large, labour intensive there is a substantial misuse of temporary agency work, resulting in temporary practice of lower pay for the same job for temp workers, with the function of putting downward pressure on wages for workers with standard, or less precarious employment. Statistically, average wages of temporary agency workers are nevertheless in between the national minimum wage and average wages (Kártyás 2013). Blue collar semi-skilled and unskilled blue collars, at the most labour intensive sectors of manufacturing and services (retail, transport ) most likely barely exceed the national minimum wage, a wage which is below the subsistence level.

As already mentioned, *social entitlements* changed to the positive with the adoption of *EC Directive*, the only main issues where temp agencies have a more precarious employment is no severance payment and shorter notice period.

Finally, employment is precarious in grey, temporary agencies using semi-legal practices, which were significantly present in the Hungarian market to.<sup>102</sup> Employment in these temp agencies, typically in construction, property protection and security services was very precarious. Before

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<sup>101</sup> Rugalmas munkavégzést ajánl az MMOSZ *Nemzetgazdaság* December 12 2010

<http://www.orientpress.hu/76042/RSS>

<sup>102</sup> See e.g "Irreálisan olcsó munkaerő? Jobb vigyázni" *Jobline.hu* September 24 2013

[https://jobline.hu/karrierplusz/karrier\\_plusz/20130924\\_Irrealisan\\_olcso\\_munkaero\\_Jobb\\_vigyazni](https://jobline.hu/karrierplusz/karrier_plusz/20130924_Irrealisan_olcso_munkaero_Jobb_vigyazni) , "34 gyanúsított: munkaerő-kölcsönző láncokra csapott le a NAV" (MTI) *HVG Online* October 20 2015.

[http://hvg.hu/gazdasag/20151020\\_34\\_gyanusitott\\_munkaerokolcsonzolancokr](http://hvg.hu/gazdasag/20151020_34_gyanusitott_munkaerokolcsonzolancokr)

2013, project based companies also operated to save on labour costs, used tax evasion practices, or operated a fictive company in order to mask flows or in case of need.<sup>103</sup> Recent trends of higher regulation and stricter control seem to bear fruits of eliminating the agencies using these semi-legal or dumping practices.

The following table indicate dimensions of precarious employment, focusing on unskilled and semi-skilled workers among TAW

The formal employment status dimension	Quality of working conditions dimension					
		Wages	Working time	Job security	Social security	Voice through trade unions, protection through collective bargaining
	Open-ended contract	(X)	(X)		X	(indirect at best)
	Fixed-term contract	X	(X)	X	X	
	Part-time contract	(X)	X	(X)	X	
Marginal part-time contract	X	X	X	X	X	

### c. Union and employers' capacities, strategies, and best practices

There are no trade unions active in the sector. There are, however, two sectoral associations of temp agencies.

Temporary work agencies have had a relatively long evolution in Hungary. Whereas it was consistently regulated in 2001 as an amendment to the Labour Code, already in mid-1990s there were "project based" companies in Hungary.<sup>104</sup> The most related form of employment to agency work in Hungary was employment via student cooperatives. The advantageous operation and regulation of student cooperatives (Kártyás 2012) also brought about cleavages between largest temp agencies, typically multinationals, already organized since 2004 into the Hungarian Association of Private Employment Agencies (SZTMSZ – *Személyzeti Tanácsadók Magyarországi Szövetsége*, and domestic temp agencies. SZTMSZ lobbied for a more limited role for and beneficial taxation of labour at student cooperatives, while the domestic temp agencies cooperated more intensively with student cooperatives.<sup>105</sup> The first federation of temporary work agencies was established in 2004, with the leading role of multinational temporary work agencies operating in Hungary. The difference in interest manifested itself in the creation of another sectoral association: the National Association of Hungarian Temporary Work Agencies (MMOSZ - *Magyar Munkaerő-kölcsönzők Országos Szövetsége*), which was established in mid 2010. The incentive to create the new federation was also the opportunity to participate in consultations and exert influence on preparing the new Labour Code and harmonizing with the EU directive. Between the two federations there is also continuous

<sup>103</sup> Interview Gábor Csizmadia President, MMOSZ, Budapest, October 21, 2015, interview with Noémi Csaposs, SZTMSZ president, Budapest, November 12 2015.

<sup>104</sup> Most notably, in the late 1990s employees of Videoton Mechatronika were employed temporarily by IBM. See e.g. Gavra Gábor "Az IBM távozása Székesfehérvárról: Gyár állott" *Magyar Narancs* no. 44 2002 (November 1) [http://magyarnarancs.hu/belpol/az\\_ibm\\_tavozasa\\_szekesfehervarrol\\_gyar\\_allott-62590](http://magyarnarancs.hu/belpol/az_ibm_tavozasa_szekesfehervarrol_gyar_allott-62590)

<sup>105</sup> See e.g. "A diákmunka lesz a nyerő?" *24.hu* February 24 2010. [http://24.hu/fn/penzugy/2010/02/24/diakmunka\\_lesz\\_nyero/](http://24.hu/fn/penzugy/2010/02/24/diakmunka_lesz_nyero/)

communication and reconciliation in finding common denominators to represent jointly the sector vis-à-vis the government.

**Both federations have sufficient capacity but limited entitlement to represent their members.** SZTMSZ has 25 member agencies. Membership is conditional on meeting high standards: criteria for acceptance in the federation is based not only on business size class, but also on the reputation and ethical and professional standards of the prospective member. In the 2005-2009 period temp workers in the federation on average covered 41.6% of all TAW, up to 58.2% in 2007.<sup>106</sup> The other federation, MMOSZ, has 24 members, and typically represents medium sized Hungarian agencies. Its chairman estimated the employed TAW in its domain to be 7700 in 2014, which is about 7.4%. The incentive to create MMOSZ was to represent and incorporate those important Hungarian specific values and interests which were not recognized by other employer interest organizations. As already mentioned, cooperation with student cooperatives was more pronounced in the case of MMOSZ.<sup>107</sup>

Both federations run platforms to discover common member interest in temporary employment regulation, so as to lobby or influence the government and/or decision makers. Apart from regular information sharing on joint matters, both federations also offer training based development to its members. Both federations are members of the broadest national confederation of employers, VOSZ and MGYOSZ. While both organizations aim at establishing ties with international sectoral organizations, SZTMSZ is more established internationally: it is a member of both CIETT (International Confederation of Private Employment Agencies) and EUROCIETT (European Confederation of Private Employment Agencies). Both organizations follow statistics, but also create their own surveys. In both associations, there is high competition among member agencies, which both limit the entitlements in representation, but also concentrate the activities of both associations in exerting influence onto regulation of temporary employment, according to joint interests. Both associations aim at further increasing their own capacities. Representatives of both associations predicted an increasingly internationalized economic environment, with intense competition and associated demand for high flexibility and adaptation, also in terms of labour demand. In this, not only cost sensitivity, but also temporal and functional efficiency will matter in attracting and matching appropriate workers to user companies. Such a prospect seems to be beneficial to the further development of temp agencies.

**Strategies.** Both federations set standards for employment in temporary agencies, and both take a stand against grey employers - in temporary agencies. Both associations warned against, and more recently greeted stricter regulation and control of the shady tax related practices of employment agencies. On the other hand, both agencies were in favour of flexible regulation. The most intense interaction with the government occurred at the time of introduction of the Labour Code. Both organizations exerted direct lobbying activities, and searched for channels of influence. Both associations also signalled that if there were practical problems or obstacles to implementation of certain clauses, and proposed changes.

Efficiency of communication with decision makers increased over time, the SZTMSZ representative especially stressed that over time professionalization and the know-how of

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<sup>106</sup> For data on SZTMSZ

<http://www.sztmsz.hu/en/about+us/goals+of+the+association/goals+of+the+association+1.html>

<sup>107</sup> For the values behind establishing MMOSZ see

<http://www.mmosz.hu/uploads/files/MMOSZ%202010%20%20%C3%A9vi%20egyszer%C5%B1s%C3%ADtett%20%C3%A9ves%20besz%C3%A1mol%C3%B3.pdf>

communication with the government would increase. Changes in the infrastructure of interest representation caused only a temporary problem in finding new channels of influence.

In tripartite and other bodies both organizations are represented by the confederations of VOSZ and MGYOSZ. The importance of these bodies is considered limited, but neither of the organizations are interested or have the capacity to shape the employment policies of the government – and can at best share their opinions. Benchmark surveys on wages are conducted among employers, but this is not communicated on tripartite platforms. The lack of skilled labour is addressed indirectly at best, e.g. MMOSZ supports a program for students to try various jobs and learn skills. Both organizations advocate the recognition of temporary employment as a better and more secure form of employment than undeclared work or grey employment, and as a transit to the primary labour market. Public employment programmes are also judged negatively, and temp agencies would prefer to have its use curtailed, since it not only shrinks the labour pool, but also erodes labour standards. This voice came through appearances of VOSZ in the public.<sup>108</sup> As for the transit to the primary labour market, MSZOSZ openly supports the practice that user companies try and hire permanently temp workers, and that temp agencies should have a limited role as a transitory.

Interaction with trade unions occurred only sporadically, mostly at times of legislative changes or related to practical issues, such as paying the membership fees of union rank and files via their employer (temp agency). Representatives of both associations stressed that they have an open door policy, but trade unions rarely contacted them. Mostly sectoral unions showed interests towards temp workers, in sectors where temp workers were more commonly employed and unions were present, as in electronics, or chemicals and pharmaceuticals. Both representatives considered unions weak, and further weakening, and thus the lack of collective rights of temp workers was not an issue which could emerge on the agenda. The SZTMSZ representative judged communication with trade unions as minimal and considered the extremely negative portrayal of temporary employment by unions as harmful and misleading. Surprisingly, both representatives stressed that not only is the satisfaction of temporary workers important to agencies, but also that representing the interests of (individual) temp agencies seem to have an increasingly important role.

Trade unions are barely visible in the sphere of temporary agency work. Only some sectoral unions and, on a more general level, union federations, launched sporadic initiatives. It seems on the other hand, that only stronger plant level trade unions deal with temporary workers on the level of strategies. The main instrument for dealing with the issue of temp workers was collective bargaining and agreements. As already mentioned in automotives, unions typically adopted insider strategies of limiting the use of temp workers, e.g. setting a threshold, protecting their own standards, and influencing management of potential user companies not to use temp workers. Before the global economic crisis, the electronics industry used a more inclusive strategy, where many temp workers were unionized, however, the initiative did not seem to be sustainable. On the positive side, in some instances, temp workers were also positively affected by plant level collection agreements. However, it seems that unions rarely use collective agreements for decreasing precarity of temp workers (Kártyás 2012). Instead, limitation on the use of temp workers at the plant level seems to be the most significant strategy.

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<sup>108</sup> Bihari Tamás "Közmunka a Fidesz fegyvere" *Népszava* February 27 2015. <http://nepszava.hu/cikk/1049629-kozmunka-a-fidesz-fegyvere?print=1>

#### **d. Conclusions**

Since its first regulation in 2001, temp agency work has established itself as a statistically significant employment form in Hungarian industrial relations. Its development and success were based in both increasingly flexible production and less certain business cycles, but also the opportunities to create economic additional advantages to business, with flexible implementation. The global economic crisis contributed to its firm establishment in many sectors of the economy, especially in manufacturing and services. Changes in the labour market, especially the lack of skilled labour seem to strengthen the role and fortify the position of temp agencies. Finally, the new LC offers more autonomy to temp agencies and user companies to agree on distribution of employer rights and responsibilities, and also many flexible solutions, which is beneficial to the development of temp agencies. The situation is less beneficial for temp agencies in the case of the semi-skilled, where increased participation at public employment programme seems to limit agencies to attract employees.

While there were also positive changes in regulation, some issues remain troubling at the level of implementation. The most precarious feature of temp agency work stems from its misuse, and the lack of collective interest representation of temp workers. The most problematic misuse of temp workers is for the purpose of wage dumping at the workplace level, which has massive implications for industrial relations in the broader economy. Thus, temporary employment, in trade union's interpretation, is only partially used legitimately as temporal substitute at times of high fluctuation.

Except for exerting voice when it comes to regulation, trade unions show little interest in representing temp agency workers. At best, temp workers are union members at the level of user companies. There are no sectoral or cross-sectoral union initiatives and strategies, which is mostly due to the weakness of interest representation at the sectoral level. On the practical level, trade unions face both complicated procedures and little incentives to organize and represent temp workers.

Temp agency federations have a focused agenda in monitoring and influencing changes in regulation. Agencies also advocate more positive social and political recognition of temp work, as well as higher professional standards and capacities of temp agencies. Over the past decade, temp agency federations became increasingly efficient and successful in lobbying activities.

### III. Comparative evaluation and conclusions

Precarious employment in Hungary is shaped by economic (market and fiscal) pressures, supported by increasingly flexible regulations, built on post-socialist practices of companies as independent social and economic actors, and the organizational prerequisites of business size (cf. Makó & Simonyi 1997). All examined sectors showed contractions in employment during the global economic crisis, to varying degrees. By 2014, employment levels reached and slightly even surpassed the pre-crisis level. However, employment rates increased at a major cost of deterioration of employment standards, i.e. increased signs of precarity in all examined sectors. In addition, the growth of the public employment programme has had dubious effects on both the labour market and industrial relations.

As the sectoral case studies show, there are differences among sectors in terms of extent, dominant forms, and dimensions of precarious employment. The common pattern for all sectors is that the less skilled are typically affected by either low job security, low wages, or both. In automotives, precarious employment is limited to fixed term contracts and temporary agency work, and is also associated with jobs with lower value added activities. In retail, employers often maximize the level of part-time work under non-negotiable conditions, resulting in low wages and intense demands during condensed working hours. Still, the extent of precarity seems to be highest for the less skilled in construction and among temporary workers. Finally, in inpatient care, increased work hours and intense demands are the main factors making employment precarious, especially for nurses.

On the sectoral level, social partners have little power to address and influence precarious employment conditions. Traditionally, in post-socialist Hungary, the sectoral level, including sectoral collective bargaining, is of secondary importance: the company level is primary, with minimal standards and influence on legislation at the national, peak level. In the non-public sphere, infrastructure at the sectoral level developed modestly in the 2004-2009 period, with the development of sectoral level consultative bodies of sectoral federations of employers and trade union organizations. However, since 2010, these bodies have only experienced diminishing capacities and support, making for an insecure future. On the sectoral level the government took unilateral action, especially in terms of regulation. All sectoral social partners judged these changes in channels of influence and their efficiency negatively.

The capacities of the sectoral employer and trade unions are modest. Whereas employer density in some sectors and subsectors is quite high (in temporary agencies, automotives, to a lesser but still significant extent retail, indirectly in inpatient care), employers' organizations lack authorization to engage in collective bargaining. They are mostly limited to representing joint interests related to regulation. Trade unions are typically only present in large companies, especially in those with higher demand for skilled labour. In this way, in sectors with a more significant presence of unions and higher demand for skilled labour, as in automotives, trade unions or other worker groups seem to adopt an insider strategy by default, which limits both the domain of union action but also interest in precarious employment characteristics elsewhere in the sector. A similar, less sharply visible strategy also seems to occur in retail and construction. In all three sectors, business unionism still offers grounds for cooperation between unions and employers but might also bring new perspectives, as the issue of attracting and keeping skilled labour is a common objective. Finally, in inpatient care, the trade union scene has undergone a

turbulent period, but the overall impression is that at the end union density and strength has suffered further. Informal pressure from groups with higher bargaining power due to labour market position and age related exit opportunities also seem to have increased. This makes the sector highly volatile and rife with conflict.

Main development since 2008				Strategies: precarious work		
Sector	LM segm.; trends/ why?	Forms	Dimensions	Unions	Employers	Others: state
<b>Constr uction</b>	-increasing until 2013, then stagnating/ Chain contracting due to job insecurity & race to the bottom	- self-employment and bogus self-employment, false part-time contracts	- social security, health and safety, job security	-limited capacities, insider strategy, respect for minimal standards	Dependency on business cycles, insider strategy	- investment dependence
<b>Health care</b>	- limited/ labour shortage, budgetary constraints	- overtime work, volunteer work	- low wages, long working time	general improvement of employment conditions, wages, working time	possibility of flexible arrangements	- focus on regulation: wage increase, reforms for sustainable health care and employment
<b>Metal</b>	- stagnating/ need for flexibility and lack of skilled labour	-agency work, fixed-term employment	- working time, job instability	- reduction	- eliminate/ separation	Supportive or permissive policies towards large employers
<b>Retail</b>	- increasing/ new taxes on retail translated into lower wages, less full time jobs	- part time contracts, minor part time contracts, self-employment	- low wages, job insecurity	- general strategy for higher wages and secure jobs	Not a priority, job security at the cost of precarious employment forms	Constantly changing regulations, sometimes against MNCs
<b>TAW</b>	- increasing- stabilizing/ more cautious employment strategies after 2009	- flexible employment equal treatment rule infringement minor contracts – as probationary period,	- job instability, social security, temporal dimension. equal treatment rule infringement flexibly applied	- no clear strategy: preferred elimination, but in practice possible reduction/ separation and inclusion	- eliminate worst cases, raise TWA standards	- changing regulation
<b>Nation al level</b>	- increasing/ supportive legislation	- for each sector different	- low wages , job insecurity, (intense working time)	-no clear strategy, between elimination and reduction/ separation	- eliminate worst cases, esp. the extent of the public employment programme	Job dimension stressed, policy of raising employment rate (quantity above quality), not of employment standards

**Table F.1 Comparative summary of the main developments in selected sectors and key social partner's responses**

Among the analyzed sectors only in construction is there a tradition of sectoral level collective agreements. However, agreements have been limited in both content and extent. This is mostly due to the prevalence of micro and small companies in the sector, where the most acute forms of precarious employment persist. Furthermore, union density is very low, the lowest among the four sectors. Only unions in inpatient care saw prospects in collective bargaining and have seen attempts at reaching sectoral level agreements.

The analysis suggests that industrial relations channels are poorly utilized in fighting precarious employment. The analysis of five sectors indicates the lack of involvement of social partners, especially trade unions. Simultaneously, regulation and employment policy of the government creates sometimes alarming outcomes on the labour market, including the rise and creation of new precarious employment forms. Thus, the exponential rise in participation in the public employment programme seems to have created a new situation as well as suggesting alarming implications in the longer run: an indirect exit from the labour market, and a forced dead-end solution to a large segment of the impoverished population. Similarly, there is no clear policy related to skills training for blue collar workers, an issue where all stakeholders have interest. Finally, the rise of precarious employment and its various forms pose another alarming question from the longer-term social perspective related to the sustainability of the newly emerging Hungarian model.

Along with unilateral governmental action which has had positive short term but dubious long term effects, another worrying feature of the Hungarian model is the alarming lack of channels for unions to suggest solutions. Especially acute is the lack of opportunities and capacities of sectoral level organized labour to articulate their concerns in a constructive and effective manner. Changes introduced in the 2012 LC intentionally weakened trade unions so much that raising concerns through institutionalized channels is either more difficult or simply no longer available. Trade unions have the opportunity to use instruments of the weak – they exert influence on legislation only sporadically, either at the peak level on the rare occasions where they have managed to influence revisions to the LC, or on the sectoral level, jointly with employer organizations. This development goes hand in hand with exit from the labour market – at least for those who can: the emigration of skilled labour increased markedly in the last 5 years. The exit of some of the semi-skilled to the public employment programme might be also interpreted from this perspective. This situation risks further increases in disruptive industrial conflicts in the future and/or higher risks of collapse in some sectors.

Opportunities and incentives for the inclusion of trade unions and employer organizations into decision making should therefore be re-instated and/or strengthened. Instead of constraints, Hungarian industrial relations need opportunities for developing authentic trade union capacities that are capable of voicing concerns and influencing employment policies. A greater and more balanced inclusion of social partners is necessary for the development of a sustainable employment system.

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