National Background Report and Seminar - HUNGARY

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1990-94: „transition recession”, 1 million jobs lost, long lasting legacy: one of the lowest employment rate (56%) in Europe

- Slowly growing service sector (62.8% % in 2007). However, Hungary is still an industrial country with massive manufacturing share in employment (25.7% in 2007)
- Consequences for the current recession: a small, export-oriented economy exposed to decline in European manufacturing
Company restructuring

- 1990-2000: profound FDI-driven restructuring of manufacturing
- A new phenomenon from 2000 onward:
  Relocation from Hungary due to higher labour cost mainly in low-wage-low-skill industries (clothing, manufacturing of electronics and automobile components)
- Relocation’s impact: further decline of employment rate of the unskilled

Relocation cases from the European Restructuring Monitor (accessed on 14/101/2010)

<table>
<thead>
<tr>
<th>Announcement date</th>
<th>Country</th>
<th>Company</th>
<th>Type of restructuring</th>
<th>Sector</th>
<th>Planned job creation</th>
<th>Planned job reductions</th>
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<td>02-06-2010</td>
<td>Hungary</td>
<td>Sony Hungária</td>
<td>Offshoring/Delocalisation</td>
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<td>03-08-2006</td>
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<td>Ajkawa Hungária Elektronikai Kft.</td>
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<td>Artesyn Hungary Electronics</td>
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<td>Leoni Hungária</td>
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<td>Manufacturing</td>
<td>250</td>
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</table>

9 out of a total of 12034 restructuring cases have been found.
The lack of anticipation of structural change

• There is practically no public discussion, or social dialogue forum, in relation to structural changes and the need to prepare for them.

• The lack of anticipating and planning economic change is rooted to some extent in the economic ideology of the regime change period: faith in the omnipotence of the market.

• Early 1990’s:
  – dismantling planned economy
  – no structural policies
From mid-1990’s: cautious come back of forecast and planning

- 1995 Regular short-term labour market forecasting tools

- 2007: mid-term planning required for the utilisation of EU funds; EU co-funded projects for long-term forecasting of skill needs

- 2008: Regional Vocational Training Councils make decisions on which occupations should be taught in vocational schools
  - Employer survey on skill demands done by the Chamber of Industry and Commerce

- 2010: Launching an EU co-funded research for forecasting structural changes and demand in the labour market for 200 occupations
Supporting restructuring: legal context

Tools developed before the crisis:

- As a precondition for the accession, all previous EU regulations were adopted:
  - Information and consultation procedure
  - Regulation of collective redundancies
  - Regulations relating to bankruptcy and liquidation
  - The wage guarantee fund
- Problems:
  - to less extent with transposition
  - but main concerns related to compliance / enforcement

Measures to tackle the crisis:

- Labour law amendments:
  - Legal base of state subsidies for shortened working hours
  - Reference period of working time accounts extended up to the end of 2011
  - Relaxing the ‘fair labour relations’ criteria for public procurement and state subsidies (despite trade unions objection)
- No collective agreement is needed for shortened working hours

Seminar: changes imply a drive towards further individualisation of labour relations
State support for company restructuring

Measures established in the transition recession:

• Active labour market policies
• Direct support for workers
• Special tools for tackling company restructuring
• Continuous Vocational Training (CVT)
  – The enrolment rate of the population aged 25-64 in adult learning is very low (2008: 3.1% in Hungary, 9.6% in EU)
• Initiatives for cooperation between government agencies and companies
  – Employment-creating companies (Case Study 2)
  – Territorial employment pacts (Case Study 3)

Some shifts during the crisis:

• Financial supports for employers on tendering basis
  – paying part of wages and wage levies
  – subsidising the introduction of shortened working hours
  – contributing to the costs of training and re-training
  – provision of State-run services in the labour market;
• No change in direct support to workers (despite the new unemployed are significantly different from the old ones)

Seminar:

• Too rigid rules of subsidies
• No industry specific programmes (except for construction)
• public policy measures should be transparent and agreed on through the social dialogue institutions
Problems with company level actions

- At Hungarian subsidiaries of multinational companies, the lack of anticipation of structural changes is due to the fact that strategic decisions are made in the company headquarters abroad.
  - often the Hungarian management is only informed at the last moment and is left with the responsibility for implementing decisions and crisis management
  - trade unions have no direct access to decision-making

- Restructuring of a company is regarded as an internal affair as long as the company does not request help or subsidy from the Public Employment Service or a higher-level government agency.
Relatively rare ‘best practice’ cases of anticipation and preparation

- Steel Foundation of ISD Dunaferr: Employment-creating company, established before privatisation in mid-1990s (Case Study 2)
- Hungarian Post: management recognised the challenge of liberalisation due in 2013 (Case study 1)

**Seminar:** The methods used here are hardly transferable in unchanged form, since in this case a special company is involved (State ownership, extensive usage of public employment policy tools, strong trade unions, etc.)
Limited role of collective agreements and works councils

Shrinking collective representation (2009):
12% Trade union density
28% Unions' workplace presence
19% Works councils' workplace presence
22% Collective Bargaining coverage

(Source: Labour Force Survey)
Very few ‘best practice’ cases for union and/or Works Council involvement

- Earlier cases: a complex employment package negotiated that regulated both the extent and the terms of redundancy, and the different kinds of assistance for laid-off employees
  - Examples:
    - Hungarian State Railways (MÁV)
    - Hungarian Telecom (owned by DT, the agreement was influenced by German models)

- During the crisis: ‘concession bargaining’ in large, ‘high-road’ companies (such as Audi Hungária) in order to protect core workers. Trade-off between job security and temporary wage decrease