

## Tilburg University

### Enterprise level industrial relations under economic and political pressure

Héthy, L.

*Publication date:*  
1994

*Document Version*  
Publisher's PDF, also known as Version of record

[Link to publication in Tilburg University Research Portal](#)

*Citation for published version (APA):*

Héthy, L. (1994). *Enterprise level industrial relations under economic and political pressure: The case of past big state enterprises*. (WORC Paper). WORC, Work and Organization Research Centre.

#### **General rights**

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

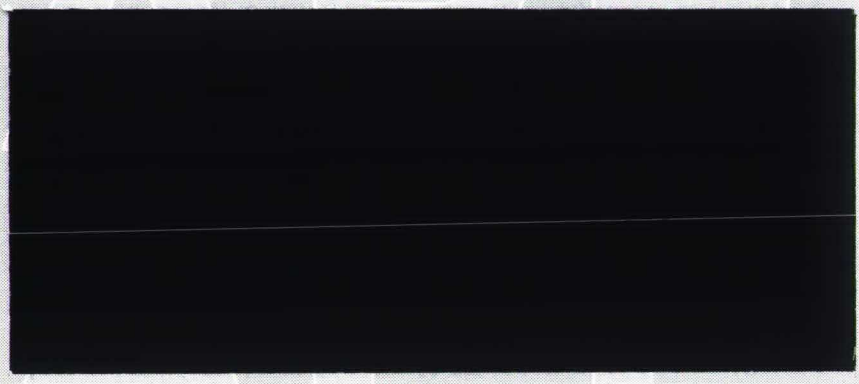
- Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
- You may not further distribute the material or use it for any profit-making activity or commercial gain
- You may freely distribute the URL identifying the publication in the public portal

#### **Take down policy**

If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.

CBM  
R  
9585  
1994  
NR.2

UNIVERSITY  
MOLDE  
UNIVERSITET  
ERABANT



R3  
- industrial relations  
- economic reform  
- Hungary  
- transition economy

# PAPER

PAPER  
PAPER

Enterprise Level Industrial Relations under  
Economic and Political Pressure  
The case of past big state enterprises

L. Héthy

WORC PAPER 94.03.002

Paper presented at the workshop  
'Labour Relations in Development Focus on Eastern Europe'  
Tilburg, March 23-25, 1994

March, 1994

**WORC papers have not been subjected to formal review or approval. They are distributed in order to make the results of current research available to others, and to encourage discussions and suggestions.**



#### ACKNOWLEDGEMENT

This paper was written for the workshop 'Labour Relations in Development focus on Eastern Europe, Tilburg, March 23-25, 1994.

**Enterprise Level Industrial Relations under  
Economic and Political Pressure  
The case of past big state enterprises**

L. Héthy

Research Institute of Labour, Budapest

*Keywords: industrial relations, socio-economic change, Hungary*

In Hungary national level industrial relations developments are widely known: the taxi driver blockade (1990), tripartite negotiations and agreements in the National Council for the Reconciliation of Interests, the conflicts among the major trade union confederations (1991-92) as well as the Social Security Board elections (1993) - all have been followed up by and covered in the mass media. Much less is known - except for a couple of industrial actions at some prominent enterprises - about enterprise level industrial relations, about the direct contacts between employers, employees and unions at the level of business organisations. What kind of changes occurred as a consequence of the overall economic and political transformation? What is going on in the (past) big state owned companies - privatized or facing privatization? In the rapidly growing private small and medium size enterprises? In the plants of multinationals which have also appeared in the country and established their production units - by purchasing state assets or carrying out "greenfield" investments? What are the positions of the employees to fight for their interests in the new conditions? Are these positions stronger or weaker than they were earlier? Do they have their representative organisations and what the unions do? Where are the major lines of labour disputes and conflicts and how are they settled? These questions, in our view, are of utmost importance: albeit national level tripartism has far reaching consequences for industrial and social peace, the relationship of employers and employees in the business organisations is the direct foundation of their eventual conflicts and cooperation.

## Political versus economic determination

The present paper (and the research project and case studies <sup>1</sup> it relies on) is to examine the relationship between transformation, privatization and internal restructuring of the business organisations - as an independent variable and enterprise level industrial relations - as a "dependent variable"; it is to describe and to analyze the changes in the relations of employers, employees and their organisations.

Privatization is conceived as an enterprise level (micro) process although ownership change on this level cannot be treated separately from those national level (macro) processes - marketization, macro economic stabilisation, privatization - which are engined by governmental economic programmes and policies.

Similarly, industrial relations are also investigated as an enterprise level phenomenon: (micro) developments in the business organisation, however, seem to be related to the movements in national level industrial relations and in the national political arena as well as (labour) legislation.

The business organisation (in the emerging political democracy and market economy) enjoys more and more autonomy: it means that it is increasingly independent to shape its internal organizational and management structures, business policies and strategies and industrial relations, i.e. the relationship between the employer (management), employees and unions on its own.

In the above context two fundamental questions emerge for the researcher:

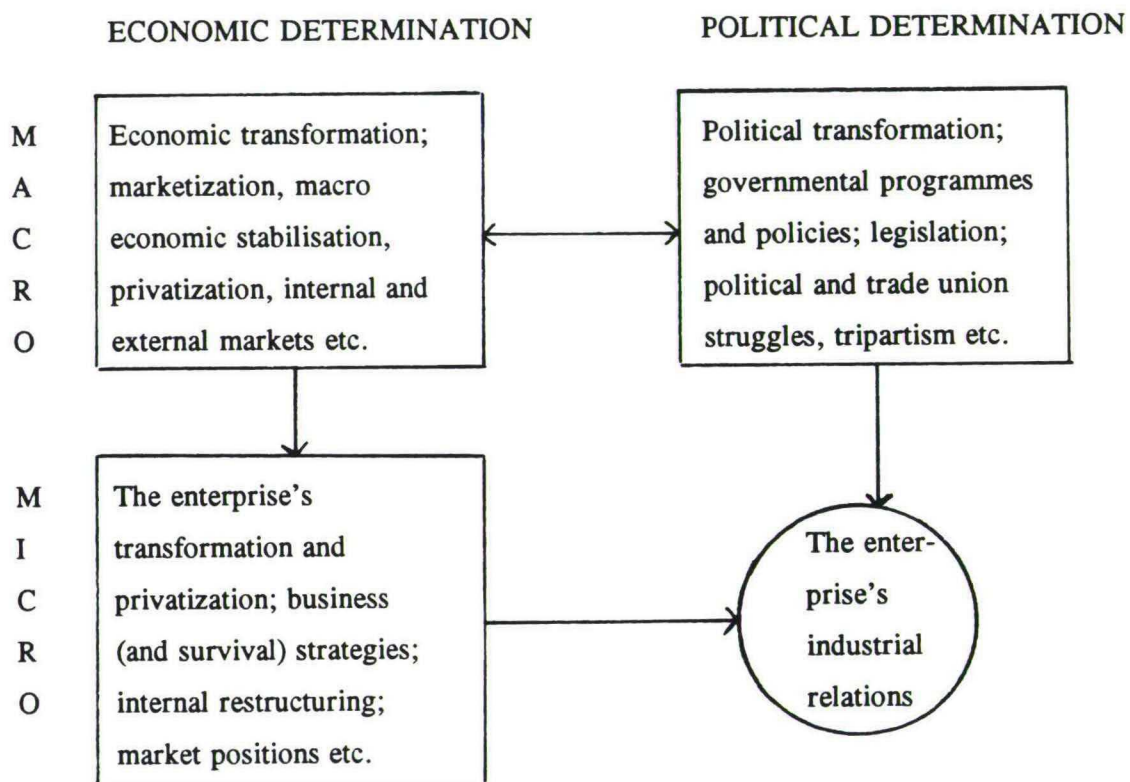
1. What was the relative importance of economic versus political determination in enterprise level industrial relations developments?

---

<sup>1</sup> The multinational comparative project "Enterprise level industrial relations, restructuring and privatization" is carried out with the assistance of the British ESRC (Economic and Social Research Council) and coordinated by the University of Kent. Its coordinator in Hungary is L. Héthy. The case studies have been prepared by Gy. Kaucsek (MALÉV), P. Simon (DUNA-FERR), F. Ternovszky and M. Adorján (Comasec-Respirator)

2. What measure of enterprise autonomy could be perceived in the reshaping of industrial relations on this level?

These questions are to test those wide spread hypotheses in the field of industrial relations changes according to which political transformation (towards pluralistic democracy) and economic transformation (towards market economy) are to result 1) in a withdrawal of politics from the economy and the business organisations and 2) in an increased autonomy of business organisations in shaping their internal structures. While these hypotheses seem to be well founded in the long run, it is an open question: to what extent are they valid in the short run, in the critical initial period of change?



## Privatization and industrial relations

Privatization is looked upon as a prerequisite of transformation towards market economy.

As for the relationship of enterprise transformation and privatization on the one hand, and enterprise level industrial relations, on the other two (closely interrelated) questions emerge: 1) to what extent are transformation and privatization (their way and consequences) a subject of industrial relations. In other words: do the employees (trade unions) have any influence over this process? 2) What is the impact by transformation and privatization on industrial relations at the enterprise? Below we will discuss the possible answer to the first, in the rest of the paper to the second question.

Hungary has had its own particular way in privatisation: its original philosophy being the selling out of state assets to home and foreign investors<sup>2</sup>. The process, having its roots in the development of small private firms in the early 1980s, was speeded up by the Economic Association Act (1988) and the Transformation Act (1989).

Ownership change in the state sector has had two distinct periods: until 1990 privatization was initiated and realized by the state enterprises themselves (it was the so called "spontaneous privatization");<sup>3</sup> since 1990 (when the State Property Agency was established and transformed into a governmental agency) privatization has been controlled by the government; on the one hand the SPA's approval has been needed for privatization deals initiated and prepared by the enterprises; on the other hand, the SPA itself has initiated and implemented privatization programmes. Technically the process was realized in such a way that in the first phase the state enterprise was transformed into an economic association (a limited

---

<sup>2</sup> Stark, D.: Path Dependence and Privatization Strategies in East Central Europe East European Politics and Societies. Vol 6. No 1. Winter, 1992; Bartlett, D.: The Political Economy of Privatization: Property Reform and Democracy in Hungary. East European Politics and Societies. Vol 6. No 1. Winter 1992.

<sup>3</sup> For the initial phase of privatization and debates about it see: Marer, P.: Transformation of a Centrally Directed Economy: Ownership and Privatization in Hungary during 1990. In: Dallago, B. et al (Eds): Privatization and Entrepreneurship in Post-Socialist Countries. Economy. Law and Society.



liability company or share company) and in the second phase it was sold (partly or fully) to investors. The present Government, after it took into office (1990) envisaged the privatization 50% of state owned industry and trade until 1994. (Until now 15-20% of state assets have actually been given to private hands). Governmental decisions identified those enterprises that would be kept in state property in the long run - to control these companies a State Property Management Holding was set up (1992) - and also those in which the state was to maintain its majority ownership. (LRI, the Air Traffic and Airport Directorate - closely related to MALÉV - belongs to the first group, while MALÉV itself into the second group of these companies.)

The original philosophy of Hungarian privatization, i.e. the selling of state assets has somewhat loosened up in the meantime - because of difficulties in finding proper investors and of political reasons - and new ways of privatization (MRP - ESOP, Small Investors' Stock Ownership Programme etc.) have also appeared on the scene.

The three past big state owned enterprises discussed in the present paper - all of them "flagships" of the past socialist economy - can be found in differing stages of ownership change:

MEDICOR (producing medical equipment and employing about 5000 people in its numerous plants in the 1980s) was the first state enterprise to be transformed into an economic association in 1988; from the transformation it hoped the consolidation of its financial position and the improvement of its competitiveness. The new organisation was a holding: the past enterprise headquarters retained a partial ownership (together with some commercial banks) in the plants which were turned into share companies. It was in this way too how the plant investigated was transformed into a share company in 1988 and (partly) sold to a French investor in 1990. In the joint company called Comasec-Respirator, both the Hungarian and French owners have 50-50 % share.

MALÉV (Hungarian Airlines) employs 4500 people; its privatization started in 1991/92; the process had two stages: at first the airplane maintenance plant was separated from the company and on its basis a new American-Hungarian joint venture - named Aeroplex - was established: it was to take care of MALÉV's orders of maintenance and to attract orders from other customers in the market too. In 1992 the privatisation of the air company itself

began; at first it was turned into a so called uni-person (state) share company and afterwards 35 % if its shares were sold to a foreign investor (ALITALIA): the deal was completed in 1993 (when ALITALIA actually paid the price).

DUNAFERR (earlier Danube Iron Works), employing 11500 people, was a typical highly centralized big state company until the end of the 1980s; it was the child of the rapid socialist industrialisation of the 1950's based on the development of heavy industry (primarily metallurgy and steel). In 1988/89 - it was given a new type of organisation: its plants were transformed into limited liability companies in which the (earlier) company headquarters had (full or partial) ownership. (It had such ownership in 46 such limited companies and other business organisations.) The headquarters retained close control (in the field of finances, investments etc) over its (earlier) units. In 1992 the enterprise group was transformed into a share company in which the state remained the sole owner except for one or two joint ventures. (The first of them, DUNAFERR-VOEST Alpine, was established in 1991).<sup>4</sup>

In the initial period of privatization (1988-92) the employees (and their representative organisations) - according to some experts - were in too weak position to have an influence over the process;<sup>5</sup> this state of affairs was equally due to the general uncertainties as to trade unions rights (to be dealt with in more details later on) and to the confusion as to workers' participation in decisions in this field:

1. According to earlier labour legislation (preceding the new Labour Code, 1992) trade unions (in fact Shop Steward Committees) had a wide range of codecision and consultation rights in enterprise level decision making having a relevance for the working and living conditions of employees: legislation, however, did not (and could

---

<sup>4</sup> Compare the transformation (and privatization) process of DUNAFERR with those of another giant of Hungarian steel industry, Lenin Metallurgical Works. Burawoy, M. - Lukács, J.: *The Radiant Past. Ideology and Reality in Hungary's Road to Capitalism*. The Univ. of Chicago Press, Chicago, 1992.

<sup>5</sup> Neumann, L.: *Privatizáció és foglalkoztatás. (Privatization and Employment)* Európa Fórum, Vol. 2. No 4. Dec. 1992. p. 4. Bartlett op.cit.

not) make mention of transformation and privatization, although its provisions were applicable in this field too.

2. Enterprise Councils - these institutions of enterprise self-management including also workers representatives - were (had to be) reelected in Autumn 1990 and continued to live on until the state company was transformed into economic association and the latest till the end of 1992. Enterprise Councils, at least according to the law, were powerful institutions: they were in the position to define the enterprise's business strategy, to elect and fire its chief executive etc.<sup>6</sup> Most Hungarian enterprises had such councils, except for those under direct control by the government (for the latter an example was MALÉV).
3. The Acts on Economic Associations (1988) and Transformation (1989) made no mention of workers' participation in privatization; legislation however prescribed Supervisory Boards for economic associations employing more than 200 people, the third of their members were to be selected from among the representatives of workers.
4. A Governmental decree to regulate workers' say in privatization was issued at the end of 1991. It obliged the management (and the Enterprise Council) of the state enterprise as well as the management of the economic association to inform the employees about the transformation and privatization process with special emphasis on its wage, social and welfare consequences as well as the possibilities of employees' ownership.<sup>7</sup>

As it is obvious from the above description workers' participation in decisions concerning privatization has been guaranteed, at least in principle, by a set of institutions (Shop Steward

---

<sup>6</sup> For the rights of Enterprise Councils see: Governmental Decree No 33/1984 (31th Nov.) on the Implementation of Act No VI/1977 on State Enterprises. *Törvények és Rendeletek Hivatalos Gyűjteménye. I. kötet. Közgazdasági és Jogi K.* Budapest, 1985. 251-258. old. For a detailed description see: Héthy, L. - Csuha, V.I.: *Labour Relations in Hungary.* Institute of Labour Research, Budapest 1990. Enterprise Councils, in the representation of workers too, were dominated by managers. Héthy L.: *Plant level participation in Hungary.* *Osterreichische Zeitschrift für Soziologie, Wien, No 1. 1988.*

<sup>7</sup> Governmental Decree No 119/1991 (12th Dec.) on Workers' Say in the Transformation of State Enterprises and the Privatization of State Assets. *Magyar Közlöny No 99/1991*

Committees, Enterprise Councils, Supervisory Boards etc.) and legal provisions: in practice, they have offered wide manoeuvring space for those forces (the enterprise management and later the SPA) which have been in the actual control of privatization.

From the point of employees' say in privatization it is essential to know where decisions are born.

Until 1990, in the period of so called spontaneous privatization such decisions were basically taken at the level of the enterprise. Since 1990 - when the State Property Agency (SPA) was established - the decision making authority has been shifted over to the government (the branch ministries and the SPA itself). It was a special contradiction of this situation that on the one hand, it was the SPA's right to decide but it was the enterprise management's (or Enterprise Council's) responsibility to keep the workers informed.<sup>8</sup> The SPA could force the enterprise's management to proceed with this duty, while the agency itself was obliged only to produce written answers to comments by trade unions and "if necessary" to receive their representatives in person. Today it is difficult to tell what guarantees (if any) have been built in into the privatization process as for its social and employment consequences: the probability of such efforts on the part of the SPA has been questioned, according to experts, by its policies aimed at the maximization of budgetary income from privatization.<sup>9</sup> The trade unions possibility to delegate one representative into the SPA's Board of Directors and the existence of the NCRI's Privatization Subcommittee did not compensate for the close limits of employees' influence either.<sup>10</sup>

---

<sup>8</sup> According to Governmental Decree No 119/1991 the management's duty was fulfilled in the case if the plan for the transformation and privatization of the enterprise had been subscribed by the employee' representatives before its submission to the SPA.

<sup>9</sup> Neumann, L. op. cit. Neumann, L.: Munkaügyi kapcsolatok - vállalati üzemi szinten. (Labour relations - on enterprise, plant level) Manuscript. (Abbreviated published version: Munkaügyi Szemle, Budapest, No 6. 1993)

<sup>10</sup> The privatization process has evaded social control in general: SPA decisions could not be disputed in court and all parliamentary efforts to control the SPA have met with failure.

The Hungarian trade unions - both the reformed old and the newly formed ones - have assumed a positive attitude towards market oriented economic change: they considered privatization and its social consequences, such as growing unemployment as inevitable. Although views of MSZOSZ, the League or MOSZ (Workers Councils) - these confederations will be described in more detail later on - differed somewhat, the three trade union confederations raised claims for privatization in three major identical issues as early as 1990: a) the proper treatment of its social (employment) consequences b) employees' participation in the related decision making, c) possibilities for employees to acquire property.<sup>11</sup>

At the three companies it was impossible to explore to what extent (if at all) employees, i.e. trade unions could influence transformation and privatization: direct information is extremely limited, although it was reported that there had been consultations between management and workers's representatives. At the same time there exist meaningful indirect information: in issues considered to be of importance also by the national trade union confederations, such as the maintenance of employment and the opening up of possibilities for employees' stock ownership, obvious signs of impact by the workers' representatives could be perceived.

In the context of these cases the presentation of employees and unions as victims of privatization without any influence over it after 1990 does not seem to be properly justified.

1. Both MALÉV and DUNAFERR maintained their employment level in the period investigated: no mass lay-offs or significant cuts in labour took place at the two companies, although both suffered of overemployment (redundant labour); when the staff was slightly reduced the managements applied such methods and techniques which were the least painful for labour. Certain privatization contracts, e.g. those of Aeroplex and DUNAFERR VoestAlpine, as reported, contained guarantees against radical cuts. (Radical decline in employment has taken place, however, at Comasec/-Respirator since its privatization in 1990.)
2. At both MALÉV and DUNAFERR employees' stock ownership programmes have been worked out (by joint efforts by the management and the unions) and approved

---

<sup>11</sup> Neumann, L.: Privatizáció, munkavállalók, szakszervezetek (Privatization, employees, unions) Társadalmi Szemle, No 10/1991. p. 43-44.

by the State Property Agency and State Property Management Holding. This programme of MALÉV, at the pressure by the labour organisations, has been left open also for those past employees of the company who were transferred to Aero-plex.<sup>12</sup>

### **Industrial relations: actors and institutions**

In 1989/92, in the context of general political and economic change, a profound transformation of industrial relations actors and institutions took place.<sup>13</sup> The major developments can be summed up as follows:

1. Trade unions were pluralized and transformed: newly formed "alternative", "independent" unions appeared on the scene (1988-89) which later on united to form the League (the Democratic League of Independent Trade Unions) and MOSZ (the National Alliance of Workers' Councils); the dependence of (reformed) old unions on the (party) state arrived at an end; the past monopolistic national trade union centre ceased to exist: its member organizations assumed more decentralized and

---

<sup>12</sup> In MALÉV's 7,5 billion HUF basic capital 5 % share is reserved (by the State Property Management Holding) for stocks available for employees; the selling price of the stocks is fixed at 200 % of the face value which is reduced however by 50%; a further privilege for employees is that they have to pay only 25 % of the price right away; the time period for full payment is fixed in 3 years (the interests of the credit, however, are lower than that of the National Bank). Stocks can be purchased also in exchange of so called "compensation vouchers" (accepted at their face value plus interests). The employees' stock's circulation is limited: for a 5 year period the State Property Management Holding has the right to repurchase the stocks when sold. Employees are entitled to buy stocks to a limit of the annual sum of their wages or salaries and maximum up to 140 thousand HUF. (The minimum limit is fixed at 40 thousand HUF.) MALÉV trade unions fought for a somewhat higher ratio (10 %) of employee shares in the capital so that they could delegate a representative to the Board of Directors and for more favourable conditions. HVG (Heti Világgazdaság) Budapest, 16th October 1993. p. 105.

<sup>13</sup> For details see: Héthy, L.: Hungary's Changing Labour Relations System. In: Labour Relations in Transition in Eastern Europe. (Ed. Gy. Széll) De Gruyter, Berlin-New York, 1992.; Ladó, M.: Workers and Employers' Interests - as they are Represented in the Changing Industrial Relations in Hungary. Conference on "Transforming Past Socialist Societies". Cracow, Oct. 21-23. 1993.

democratic structures.<sup>14</sup>

In Spring 1990 seven trade union confederations dominated the labour scene (existing also in our days): MSZOSZ (National Association of Hungarian Trade Unions). ASZOK (Autonomous Trade Unions' Confederation) and SZEZ (Trade Unions' Cooperation Forum) - the three major confederations uniting old (reformed) unions - as well as the League, MOSZ (Workers Councils), ÉSZT (Trade Union Association of Intellectual Workers) and Solidarity.

2. The transformation of employers speeded up in the context of privatization and the development of the private sector.
3. A tripartite National Council for the Reconciliation of Interests (NCRI) was established (1988) with the participation of the labour and employer organisations and the government: at first its functions were limited to the field of wage determination, afterwards - when confirmed by the Antall Government (1990) - it was given wider authority in the formulation of public policy, the reconstruction of the industrial relations institutions and the preparation of labour legislation.<sup>15</sup> (The legal foundations for the NCRI itself were provided by the new Labour Code.)
4. The new Labour Code (1992)<sup>16</sup> - and already the amendments of the old one (1989) - pulled down those legal obstacles which had seriously hindered free collective bargaining in the past decades; the Strike Act (1989) provided the (earlier missing) regulation of collective labour disputes. The rights were coupled with new economic manoeuvring space, as past administrative wage determination by the state - setting strict limits for both partners in bargaining - was gradually loosened up and finally abolished (1989-92).

---

<sup>14</sup> Decentralization included disposal over financial resources. Dunaferri trade union membership fees (representing 1 % of wages and salaries) are divided as follows: 50 % remains with the local trade union organisation, 10-10 % are transferred to the strike fund and to insurance while 30 % is paid to the branch federation of Iron Workers (10 % of which goes to MSZOSZ).

<sup>15</sup> For comparative details, see: Héthy, L.: Tripartism in Central (Eastern) Europe: its chances and limits. In: (Ferner, A. and Hyman, R. Eds.): *New Frontiers in European Industrial Relations*. Blackwell, London (forthcoming)

<sup>16</sup> Munkatörvénykönyv. 1992. évi XXII. Törvény. (Labour Code, Act No XXII. 1992) Magyar Közlöny. 1992. május 4. In English; Labour Law Documents, ILO, Geneva, No 1. 1993.

Trade unions (considered to be representative) were given the right to negotiate and conclude collective agreements on the part of labour.

5. Works Councils, new institutions of enterprise level workers' participation in decision-making, were set up and endowed with (mostly) consultation functions by the new Labour Code. Their actual election (May 1993), however, followed up the relevant labour legislation (May 1992) with one year delay. In the meantime those earlier institutions of workers participation which had been provided with more extended authority, disappeared from the scene (such as Enterprise Councils)<sup>17</sup>.

The transformation of industrial relations was gravely burdened by political struggles: conflicts flared up among the (new and reformed old) trade union confederations as well as between the labour organisations, the government and the parliament (political parties).<sup>18</sup>

The seven trade union confederations joined the NCRI in 1990 and cooperated in relative peace. (To coordinate their activities a Trade Union Round Table was set up by them). In Spring 1991 their relationship - primarily the contacts of MSZOSZ, on one hand, and the League and the Workers Councils, on the other - deteriorated to the extent that the Trade Union Round Table ceased to function. The major issues of conflicts were the redistribution of trade union assets, legitimacy and representativeness. A positive turn took place as late as Autumn 1992 when six major confederations arrived at an agreement as to the (partial) redistribution of assets.<sup>19</sup>

---

<sup>17</sup> For Enterprise Councils also see: Makó, Cs.: Enterprise councils in Hungary: Tools of Management or Tools of Workers? KOSMOS. (?)

<sup>18</sup> For more details, see: Héthy, L.: Political Changes and the Transformation of Industrial Relations in Hungary. IIRA 9th World Congress, 30 Aug. - 3 Sept. Sydney, Proceedings Volume No 4. Deppe, R.: The Trade Union Perspective within the Process of Change in the former GDR and Hungary. (In German: Institut für Sozialforschung, Frankfurt, Mitteilungen No 1. Aug. 1992)

<sup>19</sup> The confederation Solidarity refused to join the agreement. Solidarity later on was excluded also from the NCRI by the other confederations, for its extremist policies.



The reformed old labour organisations (primarily MSZOSZ) got sharply confronted with the Government (and the legislation) in Summer 1991, as the parliament - in lack of agreement among the labour confederations - passed an act about the trade union assets: it obliged the unions to report on their assets, sequestered those assets, blocked union funds and established a body as a provisional caretaker of those assets and funds.<sup>20</sup>

The intervention by the legislation was welcomed by the newly formed unions, while the traditional unions protested sharply and labelled the acts as unconstitutional and politically discriminatory. The uncertainty created by the political struggles was coupled by the uncertainty of trade union rights: in Summer 1991 the earlier co-decision rights of unions were annulled by the Constitutional Court, while the new trade union rights were laid down - after much debate - as late as Spring 1992 by the new Labour Code.

The representativeness of trade unions were subjected to repeated tests by the parliament. In Summer 1991 an act<sup>21</sup> required that check-off authorizations by union members be confirmed by those members. (Traditional unions mostly applied this method to collect their membership fees.) In 1993 the elections of the trade union members of Social Security Boards as well as - with considerable delay - the elections of Works Councils took place.<sup>22</sup> In this process the reformed traditional unions - MSZOSZ, ASZOK etc - suffered certain losses, but retained their predominance, while the newly formed unions - the League and the Workers Councils - could also prove a certain representativeness. (Appendix)

In general the trade unions' transformation (and struggles) were associated with a decline in density: the level of unionization, estimated to be between 40 and 60 % in the country, still

---

<sup>20</sup> 1991. évi XXVIII. Törvény. (Act No XXVIII. 1991) Magyar Közlöny, 1991 jul. 17. (In English: Labour Law Documents, ILO, Geneva, No 3. 1991).

<sup>21</sup> 1991. évi XXIX. Törvény (Act No XXIX. 1991) Magyar Közlöny, 1991. jul. 17. (In English; Labour Law Documents, ILO, Geneva, No 3. 1991) At DUNAFERR 99 % of the trade union membership renewed their authorizations, while this ratio was lower at the two other companies.

<sup>22</sup> In public services Public Servant Councils were elected.

could be qualified as rather high, if compared with most Western European industrialized market economies.

The trade unions' presence was part of the "legacy" of the three (past state-owned) companies which we covered in our case studies.<sup>23</sup>

In two companies - MALEV and DUNAFERR - the national pluralisation of the labour organisations was reproduced, but the unions suffered only slight losses in membership. At MALEV the reformed old union survived (it was thought to be affiliated with MSZOSZ)<sup>24</sup>; two new unions were established (they were thought to be affiliated with the League); one of them moved over to the Hungarian-American joint venture Aeroplex engaged in the maintenance of the airplanes; there existed also two further unions - those of pilots and stewards/stewardesses - which did not belong to any national confederation. Similarly, at DUNAFERR the old Iron Workers Union - affiliated with MSZOSZ- continued to function and also local organisations of the League, the Workers Councils and Solidarity were established. It was a particular feature of this company that the Youth Organisation - a successor of the (past) Communist Youth Organisation - also survived as a union: it had "patronising" members who simultaneously belonged to (other) union(s). In the (past) MEDICOR plant there existed only one labour organisation: it joined the Iron Workers Federation (and MSZOSZ).

---

<sup>23</sup> It seems to be a general trend that trade unions survived at (transformed or privatized) state companies; the absence of unions is limited to a smaller group of companies where the employer assumed (hidden) anti-unionist policies ("closed shops" being unlawful according to labour legislation) or where the employees seem to have no interest in joining to form unions (e.g. in case of greenfield investments for which an example is Ford's plant in Western Hungary). In practice it is very difficult to judge what is really going on in such cases. (There are examples of union organisation in greenfield investments too: at Hungarian Suzuki e.g. the Iron Workers union is engaged in efforts to recruit members.)

<sup>24</sup> The MALEV trade unions were cautious to openly reveal their affiliations: by this secrecy they probably tried to evade biases in politics and public opinion.

The establishment of new trade unions at the Hungarian enterprises seemed to follow up three possible scenarios.<sup>25</sup> 1) The employees joined to form a new union: at the same time (or even earlier) the old union ceased to exist; 2) the new labour organisation was formed in a definite group of employees or organisational unit with well-defined distinct interests of their own while the old union survived in other groups or units 3) the new union appeared on the scene, but the old union also continued to function and it often retained even its predominance. For cooperation among the individual labour organisations the third version was the most critical and conflictual: it was according to this last scenario how the pluralisation of workers' representation began at both MALEV and DUNAFERR: later on a shift took place into the second scenario and it was in this way how the trade union situation consolidated at both companies.

At the two big companies the establishment of the new unions most probably reflected the presumable strategies of their national confederations<sup>26</sup> - beyond the local initiative - to get foothold in such business organisations which were covered by the mass media and in this way to build up their public support. Such strategies seemed to be very reasonable as the new trade unions started to function in a disadvantageous position - if compared with the old ones - as for their human, organisational and financial resources and they could hope success only from the concentration of these limited resources on well-chosen battle-fields. At first it was thought that developments in the trade union stage would follow up those in the political arena i.e. the traditional unions would collapse or at least get in the minority like the successors of the Communist Party (HSWP) which were defeated in the 1990 elections. The events, however, took a differing course: the new trade unions were not given the opportunity to secure their legitimacy and to prove their representativeness by a single action: it has taken years of struggles for them to do so.

---

<sup>25</sup> Kameniczky, I.: Munkavállalói érdekképviseltek együttműködése. (Cooperation among trade unions). ILO Expert Group on IR Development in Hungary. Aug. 1992. (Manuscript)

<sup>26</sup> Developments seem to indicate that new trade unions had limited interest in declining economic branches (such as metallurgy, mining) while their primary targets were those with solid perspectives (such as transport).

At Comasec/Respirator no alternative labour organisations appeared on the scene: there was no local initiative to organize them. The local Iron Workers union retained its monopoly to represent the workers' interests; the level of unionization - unlike the two other companies - however sharply declined, from the earlier 85-90 % to 25 %; there were changes in the composition of the membership too: managers and white collar workers - unlike the two other enterprises once again -left the union: the staff the new influential commercial department - developed in the conditions of marketization - did not join it either.

In May 1993 Works Council elections took place at the three companies (and all over the country); these elections had a double importance: 1) they made it possible for the unions to prove their representativeness; at enterprise level 10 % of the votes (or Works Council seats) was needed for a union - according to the law - to be qualified as representative; representativeness, at the same time, was a precondition for the availability of certain trade union rights (such as the protection of trade union officers) 2) they opened up the possibility for (the) representative trade union(s) to enter collective negotiations and to sign the collective agreement: to be in such a position the union(s) had to achieve 50% of the votes (or Works Council seats).<sup>27</sup>

The Works Council election results were as follows:

MSZOSZ member organisations proved to be most successful at the three companies: these unions went beyond the minimum limit of representativeness and got into the position to bargain and sign collective agreements; newly formed unions very often failed to surpass such minimums. At DUNAFERR the results of the individual unions were the following: Iron Workers Union 80,3 %, Youth Organisation 11,3 %, Workers' Councils 3,2 %, Commercial and Financial Workers Union 0,7 %, independent candidates 4,5 %. In MALEV's five Works Councils four were occupied by the candidates of the reformed old union, while in the fifth the organisation considered to be close to the League and a non-affiliated union won seats. At Comasec/Respirator the Works Council became dominated once again by the Iron Workers union.

---

<sup>27</sup> Until the Works Council elections all trade unions were provided with the right of bargaining and signing collective agreements by the interim legislation.

The success of MSZOSZ (and its member organisations) created special - strong - positions for the trade unions of the enterprises: it became obvious that the rights of both bargaining and (indirectly) of participation would be exercised by labour organizations relying on a developed national organizational structure, on a similar network of activists, on considerable experience and competence as well as on important positions in public policy formulation (in the NCRI, the Social Security Boards etc.) In this way the employer - let it be state, private or quasi-private - would be faced both in collective bargaining and (indirectly) workers participation with the same union: in this set-up the chance would be very limited that one union could be played off against another or the labour organisation(s) could be "domesticated" or "privatized" (i.e. separated from the national confederation). On the contrary: there is a good chance that workers' representation and participation would be coordinated - perhaps both following up a nationally set scenario in a sense.

A precondition is, however, the close cooperation of MSZOSZ and its unions which did not seem to be present at the three companies.<sup>28</sup>

Further questions are: what level of influence can be achieved via participation taking into account the Works Council's weak (mostly consultative)<sup>29</sup> legal authority and how successful the unions can be in the actual process of collective bargaining?

At the three companies no new collective agreements were concluded in the period investigated: there were negotiations, but those old collective agreements remained in force - repeatedly prolonged and modified - which had been arrived at within the framework of the past state-owned enterprise with the past management in the earlier era. These collective contracts, which had been hurriedly signed in view of the coming changes, provided more extended protection for workers against dismissals (in terms of severance pay and the length of period of notice) than current labour legislation. It had been normal on the part of the

---

<sup>28</sup> In Hungary enterprise level trade unions are independent legal entities over which both federations and confederations have very limited control.

<sup>29</sup> The Works Council, as regulated by the Labour Code, is endowed with co-decision right in two issues: a) the disposal over social welfare funds and assets (as regulated in the collective agreement) b) the regulation of labour safety.

unions to stand up for such strong guarantees; on the part of the management the acceptance of these guarantees could be explained by negligence but also by cunning preparation for the (uncertain) future: managers themselves - as employees - were covered by these collective agreements too. In 1992, in the collective negotiations in a basically new situation, there were efforts by the employer - both at MALEV and DUNAFERR - to reduce provisions in the collective agreements to the minimum standards of labour law.<sup>30</sup> Instead of (wider) collective agreements, however, only narrow annual partial agreements (on wage increases, employment) were concluded.

### **The enterprises: economic situation, conflicts and cooperation**

In 1991/92 all of the three companies, as to their current economic and financial situation, belonged to that group of Hungarian business organisations which, partly as a result of good luck and partly of their efforts, could remain above water. MALEV was successful in exploiting chances offered by international politics: it had an important share in the transport of Jewish emigrants to Israel from the (past) USSR; it continued to fly to the Middle East even in the risky period of the Gulf War, it earned profits on the (for a time still) cheap Soviet kerosene. Comasec/Respirator was also given such orders by the Gulf War which made possible for it to sell its stocks and boost (even if provisionally) its production. DUNAFERR, as the country's technologically most developed steel work producing good quality steel, could sell its products both at home - after its rivals collapsed - and abroad. This success, however, proved to be short-term, as it was due to transitory boom (and to its

---

<sup>30</sup> In the first half of 1993 there existed 380 enterprise level collective agreements covering 580 thousand employees. (The numbers are roughly equal with those of 1992.) 60 % of these agreements (in terms of the number of enterprises) contained provisions for average wage growth and 80 % for the growth of basic wages. (The rate of negotiated wage growth averaged about 16-17 %; it was in line with forecasts as to the increase of consumer prices but would be previsibly inferior as to the actual rate of inflation); 40 % of the agreements provided for a minimum wage above the legal guaranteed minimum (by an average 10 %) and regulated wage scales. In manufacturing 35 % of the employees were covered by collective agreements; this ratio was much higher - about 70 % - in transport, telecommunication and postal services dominated mostly by big companies. Tájékoztató a keresetalakulás és a kollektív bérmegállapodás jellemzőiről, 1993. I. félévi adatok alapján. (A survey of wages and collective wage agreements on the basis of data in the first half of 1993). Ministry of Labour, Budapest, Sept. 1993.

exploitation by the managements) and had little to do with efforts to overcome the basic structural problems of the three companies. In 1993 MALEV ended with a serious deficit and DUNAFERR was also faced with grave difficulties (as a result of the recession in Western Europe and of the Yugoslav embargo).

For the companies three interrelated economic processes set challenge calling for profound structural change: 1) marketization, 2) recession and 3) privatization. By marketization we mean the elimination of the earlier shelter by the state and the exposure to the impact of the market, i.e. a process involving both possibilities and constraints. The Hungarian market was opened up for imports, price and wage determination was considerably liberalized and state subsidies cut already by the Németh Government (1988-90) and the process has continued since 1990. In this context the business organisations got rid of administrative obstacles in price setting: they became free to realize their costs in their sales, but they were mostly prevented to do so by the shrinking internal market and the growing competition. The decline in home demand, the collapse of Comecon trade (among the past socialist countries) coupled with the recession in Western Europe touched upon very heavily on manufacturing (including engineering) and steel industry. Economic processes within the country - the lasting drop in GDP and industrial output<sup>31</sup> - were also engined by the restrictive economic (fiscal and monetary) policies of the recent governments aimed at the restoration and maintenance of the balances of the economy and - after all - at macro economic stabilisation.<sup>32</sup> Transformation and privatization also appeared as an opportunity to survive and as a must: the firms were pushed to go on this way by legislation and often also by governmental will (for which MALEV was a typical example). Exposure to the market meant an especially sharp challenge for the small Comasec/Respirator, it had an increasing impact on MALÉV as it had to function in strong international competition and DUNAFERR too became faced with it.

---

<sup>31</sup> GDP and industrial output have continuously declined since 1990 and 1989 respectively. In 1991 GDP drop was 11,9 % while that of industrial output 19,1 % (Data by the UN European Economic Committee. *Heti Világgazdaság*, Budapest, 15th May 1993. p. 27.)

<sup>32</sup> For details, see: OECD Economic Surveys. Hungary 1993. OECD Paris 1993.

The "strategies of survival" followed up by the three enterprises were differing, but had similarities. There was a general effort to adopt to the market, to improve the quality of products and services, to develop marketing activities and to involve Western know-how and to achieve technological development (with foreign capital injections) to come closer to the targets set. Organisational changes (in fact decentralization and disintegration) - primarily at MEDICOR and DUNAFERR - had several functions: to promote the profit orientation and cost sensitiveness of units, to prepare privatization etc. All of the three companies tried to attract foreign capital: for DUNAFERR it was considered to be important to continue its programme of technological development (in the framework of which its outdated Siemens--Martin steel work had already been closed down.) For MALÉV it was also vital to get rid of its outdated and aged Soviet Tupoljev aircrafts and to substitute them with up-to date and new Western planes. The plant of MEDICOR hoped know-how and markets from the French owner. While DUNAFERR had no capital, it had accumulated a hefty debt. For MALEV the involvement of a foreign investor promised - beyond new purchases and management methods - also such a "marriage" which could provide a competitive size in the international market (and also a possible development of Budapest Airport into a regional centre of air transport, the possibility for overseas flights etc.)

The relationship between the employer (the management) and the labour organisations developed on differing tracks at the three companies in the context of transformation and privatization.

At MALEV in the contacts of management and unions periods of conflicts and cooperation alternated with each other: at the same time relations among the individual unions were seriously burdened by rivalry and competition to prove their militant determination to represent the workers; the positions of the individual unions - those said to be affiliated with MSZOSZ, the League and the non-affiliated ones - were strong and relatively balanced: of the 3500 trade union members (the level of unionization was 80 %) "only" 1500 belonged to the traditional union, while the rest - in fact the majority - of them supported other labour organisations. Debates - and confrontations - were concentrated on the below enlisted issues:



1. The establishment of the American-Hungarian joint venture.

The employers and the trade union (said to be close to the League)<sup>33</sup> were worried about several problems: a) what chances will the JV have in the market if its establishment does not involve technological development (and related capital investment)? (Aeroplex mostly relies on the old building and equipment of MALÉV rented to it.) b) What will be the consequences of the JV for work content and working conditions? (Workers were alarmed by the possibility that Aeroplex would be engaged in less qualified and lower paid work tasks - such as the repair of aircraft bodies - due to its outdated technological equipment.) c) What impact will the JV have on the income of employees? (They worried about their earlier overtime work, secondary jobs and the related income). That is why the business contract about the establishment of Aeroplex was much debated and criticized. Trade union demands at the same time, probably had a positive role in the settlement of certain problems: among others only a slight reduction of the labour force has taken place and the JV's employees have been given the opportunity to buy MALEV shares.

The trade unions manoeuvring space, however, became limited by the establishment of Aeroplex: its major background was the airplane maintenance unit, but it was cut off from the mother company.

2. The reorganisation and rationalisation of the air company.

MALÉV's general director (appointed in 1990) was aware of the redundancies in employment - a fact pointed out also by outside experts - and he had in mind its reduction (by about 15 %).

The trade unions considered mass lay-offs, in a most understandable way, a process opposed to the interests of many employees and endangering their own positions at the company too. They were worried that the management would proceed with it without proper previous consultations with the unions and the whole process would be mechanical, disregarding the much differing conditions and requirements of the individual organizational units and would not result in the improvement of the quality of the company's labour force. That is why the labour organisations' major

---

<sup>33</sup> The trade union was assisted by experts sent out by the League.

argument was that - before the management resorts to mass lay-offs - the company itself should be reorganized to discover redundancies and clear criteria should be set for the selection of people.

The conflict became extremely sharp and rude: the general director blamed the unions for hindering inevitable and for the company's survival essential changes while the unions retorted by attacking the "permanent reorganisation" of the company, called for its end - in fact MALEV's organisation has hardly changed for the past years - and at the same time they labelled the management "incompetent". It was a minor (but typical) episode of 1991: the general director wrote a letter to the Minister of Labour to explore possible assistance for the envisaged mass lay-off; although the letter, by its nature, was confidential, the trade unions got hold of it (via informal channels) and published it in the daily press as a "proof" that the general director had decided about mass lay-offs without previously informing the representatives of labour. The similarly rude reaction by the chief executive suffered no delay.

The mass lay-off, however, was postponed: the new general director in 1993, in the year of privatization, planned a slight reduction of 4 %.

### 3. Employees' and union rights

Labour right disputes have occurred in great number since 1990 at the company. At present we provide a couple of illustrative examples:

In 1992 one trade union sharply protested against the "excessive transgression" of flying time limits in case of stewardesses; the management, however, claimed that there were no such complaints on the part of the employees and the "excessive transgression" meant one occasion in case of one stewardess who - on a voluntary basis - undertook one additional flight to substitute a missing person and by it she passed over the 100 hour/month limit by one hour. The same union demanded the retraining of all stewardesses for service on B 767 planes to provide them with "equal chances": at the same time the management argued that many stewardesses were unwilling to undertake long distance flights. The trade unions made efforts to maintain earlier trade union rights which had been annulled: such as to have a say in the appointment of managers. In Autumn 1992, the company's traditional trade union lodged a grievance against the management's decision about wage growth and,

to lay a stress on it, it managed with strike. The management, following up the legal rules, suspended its measure and convened a meeting of conciliation. The trade union membership was unprepared and - as it felt that its wage growth was in danger - it reacted negatively to the trade union action: as a result the union quickly withdrew its complaint.

Labour disputes seem to have penetrated even workers participation. One of the Works Councils, shortly after its election in Autumn 1993 took to court the general director for his decision to close the company's holiday house at the Lake Balaton for Winter and to dismiss the staff, without previous consultations with the Works Council. In the body's views it had co-decision right in this issue.<sup>34</sup>

The company's management employed a qualified labour lawyer (an earlier labour court judge) as a human resource manager to be in good position in such debates and to resist demands which very often had their origin in the misinterpretation or ignorance of labour law on the part of the unions.

#### 4. Wages and wage growth

Collective (interest) disputes and conflicts about wages started as early as 1990/91: they led to industrial actions, however, only in 1993.

- a) At the American-Hungarian joint venture the first wage negotiation took place in Summer 1991: it was not initiated, in a paradox way, by the trade union but directly by the employees: the workers themselves (worrying about their overtime bonuses and secondary jobs) engaged in direct negotiations with the Hungarian and American management and agreed that the annual wage growth would be 21%.
- b) At MALEV itself - although menaces of strike were repeatedly formulated in the past years - the first warning strike took place in Summer 1993, after the privatization of the company: the pilots demanded 70 % while the rest of the staff asked for 50 % annual wage growth, but later they themselves reduced

---

<sup>34</sup> Népszabadság, 8th Nov. 1993.

their original claims and were granted somewhat less than half of it.<sup>35</sup>

(It is important to note: in this case those groups of employees proved to be successful in their struggle for higher wages among whom overemployment was publicly known and whose positions in the labour market were not really strong.)

- c) At Aeroplex a second term of wage negotiations followed up in Summer 1993 leading to similar results: in their first stage the union demanded almost 200 % (!) wage growth for the coming 18 month period and the final agreement - after 3 days actual strike - fixed 35 %. This industrial action was the first important strike case at a joint venture; the workers' demands were primarily resisted by MALÉV management; MALÉV managed to bring in Ukrainian and British repairmen to break down the action.<sup>36</sup>

At DUNAFERR both on the side of management and unions - as to their attitudes and contacts - cooperation and continuity proved to have deeper roots than confrontation and change.

The level of unionization remained at 80-90% at the company. The Iron Workers' local union (affiliated with MSZOSZ) - having 7000 members of 11500 employees at the company - was predominant; the membership of other unions (the organisations of the League, the Workers Councils and Solidarity) had no more than 1-200 members each. At first, in 1990/91, their small size seemed to be compensated by their "voice", by the militant attitude of their leaders: they sharply attacked the Iron Workers union on political and ideological grounds and this organisation seemed to be on the floor. But afterwards - as the national positions of the reformed old unions gradually got consolidated - the Iron Workers union of the company also became more active making use of its organisation, activists, connections,

---

<sup>35</sup> The pilots' demand was interpreted by the press and mass media as if they wanted Western European wages: what they asked for was a correction in the hierarchy of wages; they demanded a second place for themselves after top management, as it was the practice - they argued - at Western air companies.

<sup>36</sup> MALÉV's general director qualified the industrial action at the mother company as "disciplined and moderate" while the workers of Aeroplex - in his views - resorted to the final weapon too early and confused their partners by calling for unlimited strike. (Interview with A. Pákay, MALÉV's general director, Népszabadság, 28 Sept. 1993.)

experience and resources. In this period the trade unions' attitude towards the management was basically determined by the - moderate and tolerant - cooperative policies of the old Iron Workers.

DUNAFERR was free of such grave debates and conflicts between the employer(s) and the union(s) which led to industrial action (except for one or two short warning strikes of two hours e.g. at the Austrian-Hungarian joint venture, DUNAFERR-VOEST Alpine). Most debates were concentrated on wages: actual wage growth, however, regularly surpassed negotiated wage growth; the rates of actual increase were 24,5 % in 1991 and 25,4 % in 1992 while the negotiated rates were 20 and 22 % respectively. (Negotiated growth laid down in the DUNAFERR level wage agreement was obligatory for the limited liability companies, but the latter often went beyond them.) In a similar way, negotiated minimum wage slightly exceeded the national guaranteed minimum wage: in 1993 it was fixed at 9500 HUF/month while the national minimum was 9000 HUF/month. The management maintained social welfare benefits: such measures, even if benefits assisted sometimes narrow groups of workers, were looked upon as a positive gesture on the part of the employer (e.g. the company provided 30 year interest free loan for the construction of apartments by the workers.)

In the development of trade union strategies and activities managerial attitudes and efforts also had a role. MALÉV's general director, who occupied his chair in 1990 was determined to go through with his reorganisation and rationalisation programme (including the envisaged mass lay-offs) regardless the resistance of the employees and trade unions to it; he firmly believed that such changes were absolutely necessary to keep the company on the surface and that he had the full support of the owner (the state, i.e. the Ministry); he was most certainly disillusioned when - after a one year period - he had to resign and leave. His attitude so much outraged certain trade union leaders - who have also left their posts in the meantime - that they did not choose among the possible means of resistance and opposition: their means ranged on a wide scale from political demagogy<sup>37</sup> to personal attacks against

---

<sup>37</sup> When Aeroplex was established, the trade unions tried to transform the basically economic into a political matter; in a public statement they raised the question: "Whose interest is to give Hungary's most important aircraft maintenance basis into foreign hands? In our view, it is not a simple issue of business, but one of national security."

the general director and other top managers. They accused the top management of alleged corruption and immoral conduct of life. In 1991 even an official investigation was started but yielded no result. The general director himself was not reserved in his conflicts with the unions either: menaces with disciplinary procedure, retortions, inquiries alternated with each other.

At DUNAFERR - although the "paternalist" general director of the earlier period was removed in 1990 - the past traditions of "taking care of the workers", of close cooperation with the labour union seemed to live on. To prove his willingness to cooperate, the new general director refrained from attempts to change the collective agreement that had been signed by his predecessor even if the atmosphere of the economic environment of the enterprise had become rather chilly. From the point of its relations with the employees (and the unions) the management's efforts to maintain the level of unemployment were of utmost importance: the number of the labour force only slightly decreased in the period 1990/93: from 12500 to 11500 and the reduction of the employees was realized by means which were the least painful for them (by the termination of employment of foreign labour, by reducing overtime work, by administrative limitations on hiring new employees and by early retirement.)

At Comasec/Respirator, although the trade union was present, there existed no articulate trade union strategy; the labour organisation was passed unnoticed by such developments as transformation and privatization or rationalisation and labour force reduction: the number of its employees decreased from 260 in 1988 to 180 in 1992. The major guarantee for the representation of workers interests, as we learned in our investigation was the "paternalist" attitude of the Hungarian management and primarily of the chief executive. He made repeated efforts to maintain the delicate balance between the (otherwise similarly paternalist) French owner's demands for reduction in production costs and the tolerance of the employees. As the workers aspirations (concerning their wages and income) were mostly satisfied and they (at least those who remained) were grateful for the security of their jobs, the chief executive became the generally accepted and respected key figure of the company's industrial relations.

When MALÉV and DUNAFERR are compared it seems to be justified to distinguish "conflictual" and "cooperative" industrial relations; still the dividing line between these two were far from being distinct. It is true that sharp and open (as well as public) conflicts were primarily characteristic of MALEV, but one should not forget that such clashes had their limits both in time and space and in the relations of the management and the unions also the elements of cooperation were present. In the first half of 1992, when the new general director submitted his future plans to a trade union meeting to get reactions from the workers' representatives, none of the targets set by him was questioned and the unions stood up for good relations.

The above described event had been preceded by a joint declaration of the seven MALÉV trade unions in August 1991: it sharply criticized the company's (resigned or dismissed) general director for serious negligence (or even misconduct) in its relations with the employees, for grave violations of labour law, for the exclusion of unions of information vital for their effective functioning, for the generation of a climate of uncertainty of mass lay-offs and for efforts to separate the members from their unions.

This first coordinated action by the trade unions made the management learn the importance of workers representatives and negotiations with them: it reacted by an initiative of dialogue about the most pressing topical issues. Afterwards the general director also decided to receive two-two trade union representatives on the first Thursday of each month to "promote a better flow of information". (This latter was a positive gesture reflecting, however, an inequality of the partners.)

At MALÉV and DUNAFERR the managements in the new pluralised trade union situation

- did not refuse dialogue with the trade unions, although the general political climate and the uncertainties of trade union positions and rights opened up the way for such an attitude in the period between Summer 1990 and Summer 1992;
- maintained contacts with all labour organisations without marked preferences or dispreferences; no efforts to discriminate or to eliminate any of the unions were reported at the companies;
- institutions for dialogue with the workers' representatives (so called local interest

reconciliation bodies following up the example of the NCRI) were set up and functioned at both companies, their functions were limited to information and consultation.

At MALÉV the process of "reconciliation of interests" was meant to have several levels and to follow up the hierarchy of decision making: when reading through the 1991 annual reports of the deputy general directors - the procedure and institution were established in this year - there is little or no mention of such activities. An explanation for it is offered by the hierarchically upward movement of such exercises: the top managers as well as the lower levels of management did their best to get rid of conflicts in which they had to take a side in public: that is why they pushed such cases to upper levels. The trade unions, on their part, were enthusiastic, in general, to generate company level problems out of often trifle local tensions to be solved by the top management. The company level body of "reconciliation of interests", in its turn, did not know what to do as to the problems of differing type and importance it had to face and had no time and energy to concentrate on major issues touching upon the whole of the company and its employees. To hand the "hot potato" upward had been a well-known practice of the highly centralized past state owned enterprises and it seemed to continue in the new situation too.

At both companies, despite periods of rivalry and clashes among the labour organisations, there were efforts to unite for joint and coordinated action. To promote it DUNAFERR unions established a Council of Interest Protection, while MALÉV unions created a Trade Union Roundtable - both of them being trade union bodies. At the steel company the unions concluded an agreement to secure the fairness of Works Council elections.<sup>38</sup> At the air company in August 1991 also a "crisis committee" was set up to exercise joint pressure on the management. At both companies there was a more or less effective cooperation among

---

<sup>38</sup> They agreed upon certain mutually accepted rules such as: they would not conclude special agreements to defeat others, they would refrain from negative campaign, they would suspend the recruitment of new members in the campaign period, they would engage in positive propaganda for the Works Council and for their own organisation, they would limit the number of their candidates so that the validity of the elections be guaranteed, on the day of voting even written propaganda would be suspended, possible debates among them would be settled by negotiations within three days and possible violations of their agreement would be made public.



the unions also in the bodies of "reconciliation of interests" - following up the example (or rather the spirit) of the National Council for the Reconciliation of Interests.

In Hungary enterprise level industrial relations of the past decades had been characterized by management/trade union cooperation and by the lack of conflicts<sup>39</sup> in the sense that strikes had rarely occurred and if they had they had been organized with the evasion of or despite the disapproval of labour organisations.<sup>40</sup> In 1988/92 the pillars of such cooperation collapsed in governmental economic and social policies, in the institutional framework of industrial relations and labour legislation as well as in political and industrial relations philosophies and ideologies.<sup>41</sup> New possibilities opened up for both genuine cooperative and conflictual industrial relations at the enterprises: in addition the old and new trade unions were candidates for both roles. For the researcher it is an open question: what are those conditions which still make enterprise level cooperation survive, even if in a modified

---

<sup>39</sup> If the concept of cooperation is meant to indicate the relationship of autonomous partners in more or less equal positions, it can be applied much better for the description of present and future than past industrial relations of the enterprises.

<sup>40</sup> This situation is well illustrated by the case of slow-downs and work stoppages of RABA (Hungarian Railway Carriage and Machine Works) as described in Héthy, L. - Makó, Cs.: *Munkásmagatartások és a gazdasági szervezet*. Akadémiai Kiadó, Budapest, 1972 (In. English: *Patterns of Workers Behaviour and the Business Enterprise*. Institute of Sociology and Institute of Labour Research, Budapest, 1989.)

<sup>41</sup> The major guarantees of such cooperative relations were as follows: 1) job security and continuous (also modest) real wage growth (interrupted by years of decline) were taken care of by governmental economic policies; at the same time initiatives by the employers and trade unions were limited (primarily by administrative wage determination by the state) 2) legislation of industrial relations was supposed to promote cooperation between management and unions - it preferred cooperative workers participation to conflictual collective bargaining, providing considerable rights in the first field (e.g. for Enterprise Councils) and limiting rights in the second one. 3) Institutionalized (formal) bargaining, however, was substituted by non-institutionalized (informal) bargaining, at least by certain groups of labour in strong bargaining positions: since 1982 the government made efforts to institutionalize (formalize) these (informal) transactions within the institutions of entrepreneurship within and outside of the enterprises. 4) in official ideology the concepts of "workers' ownership", of "higher level interests uniting both workers and managers" as well as of the "common interests of socialist construction" were supposed to confirm this cooperation too. For the changes see: Makó, Cs.: *From State Corporatism to Divided Unionism?* Vienna Institute for Advanced Studies. Vienna 1992. (manuscript)

form. The hypothetical explanation which is relevant at least for a part of the Hungarian enterprises, is as follows:

1. the common feeling of danger (in the context of privatization) contributed to joint efforts; although it was not properly perceived by all, the lack of joint coordinated efforts endangered management with loosing its positions, it forecasted trade unions' loosing their membership and offered the employees the perspective of loosing their jobs.
2. the old (and new) managements and unions were equally faced with deficits in their legitimacy: both of them had to prove that they were able to cope with the new difficulties; an obvious way to approach this target was to try to find solutions by joint efforts;
3. open conflicts, when the companies were faced with grave economic difficulties, promised limited success, as workers demands, even if considered as justified, could not be met; at the same time they were detrimental for the company's image and harmful for its market positions and involved the risk of outer (political) intervention;
4. company top management and trade union leadership (the majority of whom had been trained by the earlier system) were instinctively cooperative, they evaded conflicts; many of the management, in its way, assumed trade union philosophies while the workers' organisation behaved and argued like employers."<sup>42</sup>
5. national level industrial relations had their impact felt too: they were mostly cooperative; it was a pattern to follow up by management and unions that the government and the trade union confederations continued to cooperate (or at least to talk to each other) in the NCRI despite all of the conflicts which occurred in their relationship in 1991/92.

---

<sup>42</sup> On the side of the unions such an attitude was perceived in the textile industry. (The Textile Workers' Union) "has sent out letters to test its local organisations as to their attitudes concerning negotiations about guaranteed minimum wages. The answers were as if given by employers: a growth in minimum wages is unwanted as it would add to unemployment, it would risk with the bankruptcy of the company, it would contribute to wage distortions etc. There was a textile company where the minimum wage had not been raised to the legally guaranteed level of 8000 HUF/month and nothing happened... The attitudes of other unions outside of MSZOSZ were not differing either..." Orolin, Zs.: Vegyesvállalatok munkaügyi kapcsolatai. (Industrial relations of joint ventures) Munkaügyi Szemle, Budapest, No 12/1992. p. 11.

6. market economy ideals (primarily the Austrian and German models) also confirmed cooperative attitudes.

### **Economic and political pressure**

When we started to discuss the transformation of enterprise level industrial relations our question was: whether economic or political determination had stronger impact in this field? For this question, on the basis of what was revealed by our case studies, there exist no alternative answers. Industrial relations at the companies - the contacts between employers and employees - seem to reflect the interrelated and controversial influence of both economic and political change. At the same time autonomous developments depending on the characteristics of the particular companies (and their particular industrial relations practices) seem to have growing importance. The increased autonomy of business organizations indicates the gradual extrication of their industrial relations from outside political and ideological pressure.

Economic determination, i.e. the impact by transformation and privatization on enterprise level industrial relations, seems to be basically indirect: ownership change in itself - that is the substitution of the state as owner by quasi-private or private owners - does not result necessarily in the transformation of industrial relations: structural changes in production, technology, organisation, employment - started by or speeded-up by ownership change - are rather those factors that seem to reshape the relations of employers and employees. The trade unions' positions - according to international experience<sup>43</sup> - are very much dependent also just on such structural developments. The direct impact by ownership change - such as the industrial relations philosophy of the new owners and their attitude e.g. towards the labour organisations - may be felt, but seem to be of minor importance. The question is: to what extent transformation and privatization were followed up (or prepared) by those

---

<sup>43</sup> The decline in the level of unionization, as it is widely known, can be attributed to such structural changes as the growth of small and medium-sized enterprises (SMEs), the growth of employment in services and its decline in traditional industries, technological development and the reduction of classical manual jobs, the spread of atypical work (part-time work) etc.

inevitable structural changes which were badly needed in the (past) state-owned socialist enterprises to secure their competitiveness and after all their survival?

At the three companies (before their transformation and privatization) large redundancies had been accumulated involving heavy burdens in terms of costs. At the (future) Comasec/Respirator, due to its quasi-military production, such redundancies had existed in the capacity of machinery, in stocks, in buildings, in land and - above all - in employment. DUNAFERR and MALÉV (as referred to above had similar redundancies adding to their costs. In this context it was an interesting phenomenon that only Comasec/Respirator - the only company behaving as a genuine private enterprise - started to eliminate its redundancies and to cut its costs - in employment too - while the other two - quasi-private or state owned - companies (willingly or unwillingly) mostly maintained the earlier state of affairs.<sup>44</sup>

At DUNAFERR and MALÉV the maintenance of (over) employment seemed to be a major foundation of cooperation between management and unions. For this phenomenon the following hypothetical explanation can be formulated: 1) The managements, feeling insecure in their positions, were hesitant to reduce redundancies; such a move appeared premature for them before it was actually made necessary by the ownership change and/or economic constraints 2) Both steel production and aviation were highly capital-intensive activities, i.e. in production costs wage costs had a relatively low share the reduction of which could not remedy the two companies' economic and financial troubles. 3) Employment was a sensitive political issue: DUNAFERR provided for the living of a medium-sized Hungarian town; MALÉV's labour force (e.g. pilots) had no alternative options in the labour market; its middle-management and administrative staff (as well as its traditional union) traditionally had good outside informal connections and was in the position to "pull strings" to resist

---

<sup>44</sup> The transformation of state property into quasi-private property is evaluated by M. Tardos as follows: "The process of so-called "spontaneous privatization" whereby state firms are transformed into state-owned partnerships is positive in that the market value of the capital is determined, dividends are paid on shares, and proprietors have clear expectations. Transformation has created however a system of cross ownership between state firms, where the new proprietors, the leading managers of the joint stock or limited liability company, and the employers are all interested in converting the firm's capital into personal income and in consuming it." Tardos, M.: *Property Relations in the Period of Transition*. In: Dallago, B. et al. (Eds.): *Privatization and Entrepreneurship in Post Socialist Countries*. Economy, Law and Society. p. 63.

dismissal. Mass lay-offs - as both DUNAFERR and MALÉV would have been followed up by the press and mass media - were likely to be transformed into national political issues 4) Both companies were much dependent on the government. Managers were appointed by state agencies, their Supervisory Boards and Boards of Directors were dominated by political nominees. In case of DUNAFERR it was an issue of a (future) political decision whether it would be bailed out of its debts. - In such a situation mass lay-offs (even if they were justified from the point cost reduction) could involve unforeseeable risks for the managements.<sup>45</sup>

Internal structural changes (even if they could be considered as insufficient) started at both DUNAFERR and MALÉV and they were likely to lead to gradual cuts in redundancies (Employment already slightly declined at both companies.) A sign of such changes was DUNAFERR's disintegration into a set of quasi-independent limited liability firms functioning as profit centres: the registration of costs and profits on the level of these firms could be looked upon as a first step towards rationalization. At DUNAFERR serious debates took place among the new limited liability companies about internal prices: those which appeared as sellers on the market tried to exercise pressure to harmonize internal prices with those in the market. DUNAFERR's (earlier) maintenance plant became the first victim of these changes: the other units proved to be unwilling to pay the high prices it charged. At MALÉV, although very few effective changes happened at the mother company, the separation of the maintenance unit (and its turning into a JV) was also an initial step towards rationalization.

The above structural changes (related with transformation and privatization) had an impact also on industrial relations, as they involved a decentralisation or separation of the employer's functions. Comasec/Respirator became absolutely independent, as for its industrial relations too, the partial ownership of MEDICOR had no importance for developments in

---

<sup>45</sup> Mass lay offs were treated cautiously even by the managements of large joint venture companies such as TUNGSRAM-General Electric. (Neumann, op.cit.) DUNAFERR and MALÉV, their efforts to maintain employment, make us suppose that overemployment continues to exist in the whole of the national economy, despite the current 12-13 % rate of unemployment. Such redundancies have not decreased, but rather increased in the past years, as both the GDP and industrial output have considerably declined.

this field any more. A similar change took place at MALÉV, by the establishment of Aeroplex, with the exception that the mother company - in its quality as one of the proprietors - continued to play an active role in industrial relations. (It actively influenced e.g. the wage negotiation process in August 1993). At DUNAFERR, the company's Headquarters retained its "coordinating functions" also in the field of industrial relations: its aim was to maintain a well-balanced situation among the limited liability companies (e.g. as to wage levels and structures). In its efforts it relied on the collective "framework" agreement, which covered all of its firms, and tried to make use of its own Works Council too.<sup>46</sup>

Political determination also had its strong impact felt on company level industrial relations developments. By it I do not mean the direct presence of politics as it had occurred in the past political regime, via the ruling Communist Party's organisations functioning at the enterprises and the management being dependent on the local (and higher) party organs: this dependence actually and legally had arrived at an end in Autumn 1989. (It was then that the Communist Party collapsed and the Parliament prohibited the functioning of any political party at the workplace). The political determination, I refer to, was indirect. Firstly, the Government (and Parliament) had an active and decisive role in the process of transformation and privatization. Secondly, in the initial phase of privatization, the state continued to function as the major owner and the major (indirect) employer. Third, struggles in national industrial relations - having an impact on the enterprises - had a basically political motivation and were closely interrelated with political struggles. Fourth, labour legislation reshaping industrial relations, was born in a process of political decision-making. Company level actors - managers, trade union activists, employees - even if they were not fully aware of such determination - acted under the shadow of politics.

---

<sup>46</sup> Works Councils, according to the law, could be established in those units of the enterprises where the management was endowed with the employer's rights. In this way in the big limited liability companies of DUNAFERR Works Councils were elected on two hierarchical level. A Works Council was also elected at the Headquarters: as the latter had no employer's rights over the employees of the limited liability companies its Works Council could not be provided with general coordinating functions.

Transformation in the political and industrial relations system had an asynchronism. The possession of political power (and the major directions of further political changes) were decided (at least for a four year period) by the 1990 elections. In industrial relations, however, major dilemmas continued to exist: who would be the employers and which unions would be the workers' representatives (in the coming four years and after)? In addition, there were grave tensions in the relationship of the government, the legislation and the trade unions. While in the political arena the governing Conservative coalition was faced with a Liberal and Socialist opposition, in the trade union arena the reformed old and the newly formed workers' organisations were opposed to each other. Another asynchronism in the relationship of the political and industrial relations system lied in the (open or tacit) political affiliations of the unions. Most important confederations (MSZOSZ, the League etc.) had links with political parties in the opposition, while the governing coalition had no such partners on the unions' side which shared its political and ideological values and rendered it support.<sup>47</sup> This situation - and the painful lack of clear industrial relations philosophies - offer an explanation for the uncertainties and contradictions of the government's and parliament's attitude towards the trade unions.<sup>48</sup>

The Government's (and Parliament's) trade union policies were double faced in the whole period investigated: they were pragmatic and at the same time ideological. It was pragmatism e.g. which made the government to revive the tripartite National Council of the Reconciliation of Interests (in Summer 1990), to engage in talks with all of the existing trade union confederations in this body and in this way to accept de facto all of them as legitimate and representative; negotiations in the NCRI were continued even in the period of sharp

---

<sup>47</sup> Among the trade union confederations MOSZ (Workers' Councils) had the closest links with the Government (and the major coalition party, the Hungarian Democratic Forum); its efforts to promote workers' self management - following up the example of the short lived Workers Councils of 1956 - collided, however, with the privatisation philosophy of the Government. In 1992 there was a (politically motivated) attempt to set up a christian trade union confederation (KESZOSZ); it participated in the Social Security Boards elections, but was not accepted by the other confederations as a member of the NCRI.

<sup>48</sup> For more details, see: Bruszt, L. *Gondolatok a gazdasági kapcsolatok rendszeréről.* (Reflections on the Industrial Relations System); Héthy, L.: *Tripartizmus: lehetőség vagy illuzió?* (Tripartism: is it a chance or an illusion?) *Társadalmi Szemle*, Budapest, No 2. 1993.

confrontations between the government and part of the unions (1991-92). At the same time, the Government (and Parliament) interfered into trade union affairs and subjected the labour organisations - as referred to above - to repeated tests of legitimacy and representativeness: these measures, most probably, were not free of ideological (and political) motivations. It is a challenging task for political analysts to reveal how the political pressure exercised by the Government contributed to the consolidation of the workers organizations in 1993 with MSZOSZ retaining its predominance among them.

The explanation for the success of MSZOSZ on national level (and of its affiliates at the companies investigated) partly is in their internal reforms and efforts; but these workers' organisation could not (and did not) become overnight "genuine trade unions". Their public support also originated - I risk this statement although there is no empirical evidence to prove it - from the general political mood as well as from the past habits of the employees and of the population in general. The old reformed trade unions' cooperative behaviour - even if it was in a sense a direct continuation of past practices - seemed to fit more adequately the present conditions of state-controlled transformation than those alternative confrontational attitudes - based on abstract market economy ideals - by which the newly formed unions hoped to attract members and supporters. If cooperation is a must on company (and on national) level, cooperative actors and behaviours seem to be preferred.

### **Perspectives - before and after privatisation**

Privatisation is a complex process: the concept itself is not defined properly. In a wider sense, it indicates the development of the private sector; it has two major components; firstly it means the establishment of new private firms, secondly it involves the giving of state assets to private hands. New private companies are mostly small private undertakings - the number of which has been rapidly growing - but they include big "greenfield" investments by multinationals too (such as Ford, Suzuki, etc.) The establishment of new undertakings usually relies on capital investment - but state assets also function as capital (as in the case of the JV's of MALÉV and DUNAFERR). Privatization, in a narrower sense, indicates the selling of state owned enterprises (assets) to private investors. This type of privatization, however, is often associated with capital investment too. (The example is MALÉV). From



the point of industrial relations the way of privatization seems to have an importance:

1. The newly established private firms have genuine private owner(s) and a management dependent on it (them); the privatization of state owned enterprises, on the contrary, often leads to quasi-private ownership (partial or full state ownership) with a politically dependent management.
2. The newly established private firms are free to choose - within the limits set by labour legislation - of how to build up their industrial relations; privatized state-owned companies, on the contrary, have a legacy also in industrial relations (e.g. the trade unions, collective agreements etc).

The companies, investigated in our case studies, represent a particular group of firms from the aspect of privatization; they are past big state companies in which the state's ownership has been (partly or fully) maintained. They can be found, however, in differing phases of privatization and internal restructuring. Comasec/Respirator (although MEDICOR still is a proprietor in it) seems to be a genuine private company, under the control of the foreign owner and the Hungarian management depending on him. (That is why our investigation was limited to it and neglected MEDICOR.) MALÉV's (partial) privatization was carried out in the period of our research: the state maintained its majority ownership and the Italian investor (ALITALIA) is a state company itself too. At DUNAFERR privatization (except for its JVs) is a possible option for the future: it is an open question - taking into consideration the international recession in the steel industry and the company's debts - whether it can be sold at all. The differing stages (and ways) of privatization had a role most probably in the differing industrial relations developments at the three companies:

1. At Comasec/Respirator a "silent collapse" of collective industrial relations<sup>49</sup> has taken place: formally the collective model has continued to exist, but informally it

---

<sup>49</sup> Collective industrial relations mean that employment relationship is based on a collective contract (concluded by the employer and trade union); in individualized industrial relations employment relationship - in lack of collective agreement and usually of trade union - is based on individual work contracts.

has been substituted by managerial paternalism; the future of the trade union seems to be doubtful.

2. At MALÉV industrial relations developments - after privatization - have arrived into an exciting phase: the trade unions and the collective model seem to be consolidated; at the same time interests of employees are clearly articulated and effectively represented - as indicated by the work stoppages of 1993; at present the trade unions are in the position to take the initiative while the management seems to be undetermined; conflicts are frequent.
3. DUNAFERR's privatization and future is burdened by uncertainties; collective industrial relations continue to live on; the relations of management and unions can be described as "pragmatic cooperation" or "mutual tolerance"; this model and contacts most probably will survive until radical changes occur in the position of the company: at present there are no such signs.

In research, relying on case studies, the generalisation of findings always is a major dilemma. In 1992 the Japan Institute of Labour - in cooperation with our Labour Research Institute - carried out a survey (based on a questionnaire) about company level industrial relations in 446 big Hungarian enterprises. According to its (preliminary) results the major difficulties the enterprises were faced with were: shrinking markets (94 %), the collapse of Comecon trade (32 %), the lack of capital (70 %). Their answers to these problems included changes in business policies (78 %), reduction of labour force (75 %), reorganisation (72 %), speeding-up privatization (67%). Transformation (into economic association) was completed or was underway at 70 % at the them. Most firms (85 %) had trade unions, MSZOSZ member organisations were present at 70 % of the companies. Where workers representation was pluralized, the unions made efforts to maintain - an often institutionalized - dialogue. The management, in such cases, had contacts with all of the unions; there were no signs of discriminatory policies. At several firms such contacts were institutionalized (local bodies for the "reconciliation of interests" were set up.) The managers, according to their own reports, consulted workers' representatives in most critical issues of transformation (such as mass lay-offs, privatization). Wages and social benefits remained in the focus of labour disputes and a growing concern was found as to job security too. Labour disputes

rarely led to industrial action: strikes occurred only at 13 % of the firms.<sup>50</sup>

A major question for the future is: whether the subsequent phases of transformation and privatization necessarily result in the process we have registered at the three companies? Whether the collective models of industrial relations of DUNAFERR, MALÉV and other state owned or quasi-private companies - after privatization is completed - will necessarily be substituted by quasi-collective or individualized models? In other words: is the "silent collapse" of collective industrial relations - what was found at Comasec/Respirator - an inevitable perspective of the future? In general: are apocalyptic visions forecasting the collapse of collective industrial relations justified?

I think that in certain groups of firms there is a chance that trade unions disappear (or fail to organize membership) and individual industrial relations prevail.<sup>51</sup> Such a danger is involved, according to some experts, in the appearance and increasing influence of multi-nationals and of home investors having an interest in short term profit maximization, supported by strong political forces.<sup>52</sup> Even if we are aware of such a trend, we should not

---

<sup>50</sup> The Japan Institute of Labour: *Munkaügyi viszonyok Magyarországon. Kibontakozásuk a poszt-szocialista társadalomban. (Industrial Relations in Hungary. Their Development in the Post-Socialist Society.)* Tokyo, July 1993.

<sup>51</sup> Industrial relations of various groups of firms considerably differ; a major feature of small private undertakings including joint ventures, according to the information at our disposal, is the absence of trade unions (and collective bargaining). A 1991 survey of 165 joint ventures found that only 8 % had unions. Kaucsek, Gy. - Poór J. - Ternovszky, F.: *Kis és közepes méretű magyarországi vegyesvállalatok menedzselésének, munkaügyi tevékenységének jellemzői. (Management and Human Resource Practices of Small and Medium-Sized Joint Ventures in Hungary.)* *Ipargazdaság*, Budapest, No 2-3. 1992. The local plants of multinationals pursue very much differing practices as dictated by the philosophy of their management, by their legacy etc. Some of them e.g. have no trade unions (Ford, Levi's, McDonald's) while labour organisations are present at others (TUNGSRAM-General Electric, Hungarian Suzuki, GM-Hungaria, etc.) For details, see: Neumann, L.: et al.: *Labour Management Relations and Human Resource Practices in Foreign and Multinational Enterprises. The Hungarian Experience.* OECD Meeting of Experts, Budapest, 14-15 June, 1993.

<sup>52</sup> Csákó enlists the following major obstacles to positive developments: 1) Institutions have been established on the basis of theoretical and political considerations having little to do with actual industrial relations practices. 2) The new strong economic actors enjoying political support are opposed to the democratization of industrial relations. 3) People are suspicious as to their

forget: 1) In the course of privatization investors' industrial relations philosophies may much differ: they are not necessarily hostile to collective industrial relations; 2) The Hungarian management has an important role, both before and after privatization, in shaping the management/trade union relationship; its important groups seem to assume a cooperative attitude 3) The consolidation of labour relations actors (primarily unions), institutions and labour legislation (until 1993) set limits to voluntary actions on the part of the employers. In 1991/92 new investors (employers), in a situation of transition, had an almost unlimited freedom to act on their own: in our days it is far from being so.

\*\*\*

Our empirical knowledge of current firm-level industrial relations is too limited to provide a well-founded general description. Instead I limit myself to the formulation of a couple of vague remarks: a) no uniform company level model seems to exist: industrial relations can be characterized by a wide variety, their patterns are differing in various groups of firms but also within such groups, b) the differences are related with the gradual extrication of the firms and their industrial relations from the stranglehold of politics and ideology c) developments of company level industrial relations can be characterized by the double concepts of continuity and change; d) industrial relations - due to the relative consolidation of actors, institutions and legal rules - have assumed a certain stability; e) privatization (and related internal restructuring) seem to be a major force in shaping the relationship of employers and employees; this process, however, has not had its full impact felt as yet. Summing up: we are faced with such a moving and changing - although relatively stable - system for the future of which neither extremely optimistic nor pessimistic forecasts seem to be properly justified.

1993, December

---

institutionalized representation and fears of powerful bureaucracies have deep roots in their thinking. Csákó, M.: A magyarországi munkaügyi viszonyok átalakulásának egyes akadályairól. (Obstacles to the Transformation of Labour Relations in Hungary.) Szociológiai Szemle, Budapest, No 4. 1992. On the basis of our own research project and other studies I cannot share Csákó's general pessimism as for the future of industrial relations.

## Appendix

## THE POSITIONS OF TRADE UNION CONFEDERATIONS IN HUNGARY

Confederation	Membership		Social Security Board Elections				Works Council-Public Servant Council Elections (May 1993)	
	(April 1991) thousand	(Spring 1993) thousand	(May 1993)		(May 1993)		Works Councils Public Servant Councils	
			Health Insurance Board	Pension Insurance Board			votes %**	votes %**
			votes %	seats	votes %	seats		
MSZOSZ	2.683*	1200	45.2	15	50.1	18	71.7	9.4
SZEF	557	550	8.4	2	10.6	3	-	49.1
ASZOK	374	410	5.3	1	4.8	1	18.6	0.5
The League	130	250	13.1	4	10.1	3	5.7	4.9
MOSZ (Workers Councils)	160	160	12.8	4	10.9	3	2.2	0.2
ÉSzt	63	110	6.8	2	6.2	2	1.0	7.2
Solidarity	75	-	-	-	-	-	-	-
KESZOSZ	-	-	8.4	2	7.3	2	-	-

## Notes:

\* After the renewal of check-off authorizations (1991 Autumn) MSZOSZ reported 1,9 million members.

\*\* The rest of the votes were received by candidates of non-affiliated unions and independent candidates. In Public Servant Councils elections independent candidates had a considerable share (26.6 %) in votes.

Bibliotheek K. U. Brabant



17 000 01234085 8