

László Neumann\*

## Hungarian Unions: Responses to Political Challenges\*\*

Hungarian trade unions face both the direct consequences of economic downturn and the political challenges that are implied by the deterioration in employees' and unions' bargaining positions with regard to employers. This article presents the political responses of both militant and moderate trade unions in detail. Compromises in Labour Code legislation and the creation of a new top-level negotiation forum are signs of a moderate union success.

**Key words:** Hungary, social dialogue, trade union legislation, union renewal, civic movements (JEL: J51, J52, J83, K31)

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\* László Neumann, Sociologist, PhD, Managing Director, Centre for European Employment Studies Ltd., 1023 Budapest, Borbolya u. 3, Hungary. E-mail: neumann@mtapti.hu.

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Four years after the unfolding of the financial crisis there are no signs of the Hungarian economy recovering, ‘stagflation’ and the danger of a coming recession being the buzzwords of economic forecasts. Yet, not only must trade unions face the direct consequences of economic downturn, but political deliberalisation implies even more serious challenges: the bargaining positions of employees and unions in negotiations with employers are deteriorating to the point that they sometimes are perceived as endangering the very existence of trade unions. The political turning point, the landslide victory of the right-wing party FIDESZ-KDNP in 2010, was partly a consequence of the global economic crisis, partly of domestic politics. Of course, this paper does not intend to describe the road to the economic-political crisis and the measures taken by the government; it merely sketches an inventory of the less known actions that directly affect the world of labour. What complicates the writing of this paper is the constantly changing political situation, inevitably rendering what we say outdated by the time it goes to print. The paper aims to give a snapshot of the situation of trade unions in summer 2010, and only draws tentative conclusions about the future role of traditional trade unions.

Although abundant literature has been devoted to studying the weakness of trade unions in ‘transitional economies’ in the last two decades, given the limited time that has passed, the latest Hungarian developments have hardly been analysed. However, similar twists and turns are not unprecedented in post-communist countries and authoritarian tendencies among new EU members are far from exceptional, with the most notable example being Poland’s Law and Justice Party (in power from 2005 to 2007.) However, the trade union context was quite different then. Not incidentally, scholars preferred to focus their attention on how liberal elites, including the leaders of the Solidarity movement, had “prevented labour grievances from finding redress along class lines”, and to what extent they contributed to political deliberalisation in doing so. (Ost, 2005; Vanhuyse, 2007).

The structure of this article follows the timeline of events, beginning with a concise description of post-socialist industrial relations and the effect of the crisis. Then it gives an account of the right-wing government’s measures that affect the ‘world of work’, especially the new Labour Code. This is followed by a detailed presentation of both militant and moderate trade unions’ responses, which took place mostly at the political level. As the new Labour Code came into effect on 1 July 2012, its impact on the workplace, on unions’ bargaining positions and collective agreements was not yet clear at the time this paper was written (August 2012), which is why it can ultimately draw only tentative conclusions on the future of trade unions. The paper argues that the government created a system of ‘selective negotiations’, with unequal positions in terms of decision-making powers and access to financing. Separate bargaining is going on with representatives of employee groups of strong bargaining power, too, and the overall picture is to a certain extent reminiscent of the late stages of the socialist system.

### **Post-socialist industrial relations before the crisis**

In addition to a democratic political system and institutions of market economy, types of industrial relations common in other European countries were established in the

fifteen years after the regime change in 1989/1990. Independent trade unions with voluntary membership as well as employers' organisations were set up. Altogether, six trade unions and nine employers' organisations were created, most of them 'reformed' organisations with some organisational roots in the socialist system, save the two 'new' union confederations born during the political transition. With the participation of these social partners and the government, a permanent tripartite forum – under different names and with varying roles over time – has been in place since 1988 to discuss the economic and social policy issues affecting employees, and to consult on legislative bills concerning labour matters. The tripartite forum was the platform for national-level bargaining rounds for a minimum wage, and it issued annual recommendations for annual wage increases. The forum itself played an important role in the consolidation of new interest groups: partly by settling the legitimacy and property rights disputes of trade unions and partly by ensuring legitimacy through membership, since only the forum's members were accepted as social partners. Membership in the national forum was the prerequisite for delegates to be sent to other tripartite bodies at international level and to various domestic bodies that supervised or consulted with national and regional institutions. Since the early nineties there has been a separate consultative body for the whole public sector in parallel with other sectoral and sub-sectoral public-sector bodies.

At the company level a dual system of employee representation was set up: in addition to trade unions that signed company-level collective agreements, works councils participated in company-level decision making and representatives of employees were members of company boards. Some of the institutions based on models from developed countries operated less successfully. Sectoral collective agreements, for instance, and their extension were used only to a minimal extent with negligible effect on working conditions; similarly, the possibility of state-organised mediation and arbitration was used much less than expected.

The development of institutions of industrial relations was supported both by international organisations and the state. Not only did the Hungarian economy rapidly become integrated in the globalising world economy, but the country started to observe ILO and EU agreements and recommendations even before EU accession, and upon becoming an EU member in 2004, Hungary fully adopted the *acquis communautaire*. The government needed both the input from tripartite institutions and the legitimacy it could gain from them, and thus financially supported the activities of social partners and promoted collective agreements as well as a reduction in the decentralisation of bargaining through various measures (for instance, by setting up sectoral dialogue committees, initially funded by the EU). One negative consequence of this policy was that a significant part of the funding of social partner organisations came from the state, which concealed the inadequacy of their membership organisation.

Nonetheless, at that time the first signs of the crisis had already emerged, primarily among trade unions. Conflicts between the six federations that had been created at the time of the regime change, pluralism at the company level, the independence of lower-level trade union organisations from the central ones and their autonomy showed how deeply fragmented the movement was. The weakness of trade unions manifested itself primarily in shrinking membership and a lack of organising drives:

trade union density dropped from 19.7 per cent in 2001 to 16.7 per cent in 2004 and to a mere 12 per cent in 2009. Union density is relatively high in the public sector (including publicly owned companies) but extremely low in the genuinely private sector. While employers' organisations did not shrink that drastically they remained functionally weak as their members usually did not authorise them to sign sectoral collective agreements. Despite the weakness of trade unions and employers' organisations, the stability of these institutions created the illusion that social partners were important and that their role was undisputable.

A large part of the institutions 'imported' from developed countries did not function adequately, however, as they lacked the active support of members<sup>1</sup>. In the case of employers' organisations and trade unions, emerging individualist values and distrust in collective action after 40 years of state socialism on the part of both management and employees did not exactly help reorganisation. Generally speaking, because of the weakness of civil society and the lack of a tradition of consensus-based policy making, imported institutions could not develop the kind of usefulness they possess in the countries where they developed organically.

### **The effect of the crisis**

In Hungary, problems started two years before the global financial crisis. By 2006 the budget deficit and debt had grown to a level that forced Ferenc Gyurcsány's government to implement austerity measures after the elections in line with the convergence programme that regulates accession to the EMU. In autumn 2008, first the financial crisis hit Hungary, accompanied by a rapid devaluation of the national currency owing to the high debt level and low foreign currency reserve. With an IMF and ECB loan, the currency crisis was overcome relatively fast. During that crisis it also became clear that the huge amount of borrowing by Hungarians in Swiss francs would generate a grave economic and social problem. Then came the economic crisis caused by the European economic recession as manufacturing, the most important sector of the Hungarian economy, relied mostly on European contracts. By 2009, the GDP had dropped by 6.7 per cent and unemployment had grown to 11 per cent.

The decline of industrial relations and of trade union influence started as early as 2006, despite traditionally friendly relations between the governing socialist party and the major trade union confederations. During the crisis the national tripartite forum gradually lost its significance; its roles were taken over by other institutions and the high profile *ad hoc* meetings convened by the prime minister – and the new players – never had any intention of reaching agreement between the social partners. While the tripartite forum still discussed government measures implemented specifically to manage the crisis (introduction of short-time work, extended reference period in working time accounts, central subsidies for wage loss caused by short-time work, to prevent layoffs and for training), economic policy consultation took place in a newly established parity committee, between the government and business representatives. The

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<sup>1</sup> The central issue in social science research on the post-socialist transition is the question why institutions adopted from the developed market economy did not work as expected. (Bruszt-Stark, 2002; Sissenich, 2007; Bruszt-McDermott 2009).

idea of a 'social pact' without the trade unions was first raised right after the 2006 elections, when the business community published a petition with 12 clauses requiring an agreement with the government about their reform suggestions. Businesses established the 'Reform Alliance' in 2008 and developed a concrete economic programme based essentially on these reform suggestions. In the 'technocratic' government of Gordon Bajnai, who came into power after the resignation of Ferenc Gyurcsány, several of the authors of the reform plans were given ministerial portfolios and the transitional 'crisis managing' government largely implemented the Reform Alliance's recommendations (including the introduction of a flat personal income tax rate, the lowering of employers' social security contributions, the increase of contributions by employees, the cancelling of the 13<sup>th</sup> month pension and wage in the public sector, etc.). Trade unions proved to be unable to respond to the strengthening of the economic lobby outside the tripartite forum.

The establishment of the Economic and Social Council (GSZT by its Hungarian abbreviation) in 2004 can be interpreted as an attempt to reduce the importance of the tripartite forum. GSZT included civil organisations, representatives of scientific and economic organisations, but not the government. Throughout its existence, GSZT played a rather unimportant role and was little more than a PR forum for the prime minister and the Hungarian Academy of Sciences. The role of the tripartite forum, too, was questioned by the Constitutional Court, however. The President of the Republic submitted the 2006 law on the National Interest Reconciliation Council for constitutional review as he considered it to be against the principles of parliamentary democracy to give social partners, whose legitimacy is uncertain, the right of co-determination on legislative issues such as setting the minimum wage. Following the decision of the Constitutional Court, the amended bill submitted by the socialist government specified only the right of consultation on this kind of issues; however, in practice the government guaranteed that setting the minimum wage would be a matter of bipartite agreement between the trade unions and employees. (It had no qualms about doing this as employers would surely be tougher opponents for the trade unions than the socialist government itself.)

During the crisis, the relationship of the confederations with the political parties also shifted. While the National Association of Hungarian Trade Unions (MSZOSZ) and the Trade Unions' Cooperation Forum (SZEFE), the public-sector trade union, did not break their traditional ties with the Socialist Party, it became increasingly obvious that they only had minimal influence on the actions of the Socialist Party-led government. At the same time, the Democratic League of Independent Trade Unions (LIGA) became a tactical ally of the opposition. Starting in autumn 2006 the prime minister was heavily attacked by the opposition and street riots broke out. The government planned to implement reform measures over the next two years, but could not implement any of them as the opposition led by FIDESZ rejected all reform plans. The reforms were stopped through a referendum worded in a rather demagogical way. The referendum had been suggested by LIGA, which protested against austerity measures by organising a series of demonstrations. Their actions were enthusiastically supported by FIDESZ. LIGA also threatened the government with a continu-

ous strike alert for not paying railway workers a bonus it had allegedly promised in conjunction with the privatisation of a part of the Hungarian railways.

Despite the decreasing importance of national debate, company trade unions played an important role in fighting crisis-induced layoffs. According to case study research, in order to preserve the jobs of the core workforce, trade unions were willing to make concessions in bargaining in terms of wages and flexibility, and often managed to negotiate with the employer a partial compensation for the loss of earnings as a result of short-time work (Neumann-Boda, 2011). Labour economic research has found significantly lower than average redundancies in companies with collective agreements (Köllő, 2012).

### **The ‘Conservative Revolution’**

The austerity regime that has been in place since 2006 and the burden of the economic crisis as well as the ongoing ‘erosion’ of the political capital of the socialist-liberal government resulted in a landslide victory of the FIDESZ-KDNP coalition led by Viktor Orbán in the elections in spring 2010.<sup>2</sup> The leftist opposition parties in Parliament remain divided and seem to be unable to come up with a common list of candidates as an alternative to the government’s coalition parties and the extreme right.

The government is not afraid of employing extraordinary tools to solve economic problems (taxing sectors with a multinational dominance, retroactive legislation, etc.) and dress them up in a nationalist rhetoric: the ‘revolution in the voting booths’, for instance, has authorised them to put an end to the chaotic last twenty years of transition, to lead the country onto a new path and to bring justice, security and foreseeability for the ‘Hungarian people’ in a ‘System of National Cooperation’. To achieve its goals, the government has centralised powers. With its two thirds majority in Parliament, the government has systematically removed the checks and balances put in place in the years after the regime change, including the Constitutional Court, the Budgetary Council, the National Bank, media, the data protection ombudsman, an independent judiciary and the institutions of local governments. By replacing the constitution with a new Basic Law and passing relevant laws that require a two-thirds majority vote (such as an elections law) as well as appointing their candidates to public offices for periods extending parliamentary terms, FIDESZ-KDNP is working to make its power permanent.<sup>3</sup>

Just as the parliamentary opposition did not have a hand in making these changes, neither did the social partners. The former standing tripartite forum was replaced by a quarterly convened consulting council of representatives that includes – apart from the social partners – economic chambers, civil organisations and churches. This move turned the setting of a minimum wage, which used to fall within the exclusive competence of the former tripartite forum, into a government matter. To a lesser extent than

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<sup>2</sup> About the road to the election results and for an overview of the economic policy and politics in the two decades after the regime change see: Tóth-Neumann-Hosszú (2012)

<sup>3</sup> However important these institutions may be for a democratic regime, we will not discuss these measures in detail as they were amply covered in the media and reviewed by various EU institutions.

trade unions, employer organisations have lost importance. At the same time the economic chamber has gained power through the newly introduced compulsory membership; its considerable influence on the government is reflected in the changes in vocational training, which serve the short-term interests of employers.

The leverage of trade unions has been curtailed by amendments to the strike law. Basically, only the provision of essential services was re-regulated in such a way that, unless a strike is unlawful, a court decision is required if parties cannot come to an agreement. Courts, however, cannot decide such matters and court procedures are lengthy, which makes strikes practically impossible. In parallel, the level of essential services was set to be relatively high through the adoption of sectoral laws, for instance for the formerly strike-prone public transport. According to another law, the government may declare an emergency situation in health care and may order health care staff to work at any designated place.<sup>4</sup> Another piece of anti-union legislation was the abolition of the 1990 law on associations that had regulated the formation of trade unions, their operation and supervision. The new laws on civic organisations, including NGOs and trade unions, require unions to revise by-laws and publish financial reports and other documents.

The industrial relations measures of the Orbán administration are part of a larger vision of society centred around the two slogans ‘work based society’ and ‘national middle class’. The first, obviously, is claimed to be the solution to the very low Hungarian employment rate and the budget problems caused by huge welfare expenditures. The ‘middle class’ the government refers to are active, income-earning families raising children, the support of which could also help solve demographic problems. These political goals are to be achieved through new income tax and welfare-to-work measures. One of the target groups of the measures are those receiving early retirement pension: people retired from the armed forces or law enforcement, for example, must either re-enter service or their pension will be taxed.

The new Labour Code passed in December 2011 fundamentally rearranges the world of labour. Its underlying idea is to bring labour law closer to civil law, which amounts to giving up the traditional principle of labour law, namely that its main purpose is to offset the relative disadvantage of employees in the market. In the government’s rhetoric, more flexible employment options will improve economic competitiveness and help employment growth. To increase flexibility, the new law offers employers a wider use of individual agreements as well as lowering the statutory minimum levels of protection for employees (for instance regarding the regulation of working and rest hours, the amount of wage supplements or the court-sanctioning of unlawful layoffs.) Several changes affect trade unions adversely: fewer workplace representatives enjoy protection, and they are given less time off. The option of receiving payment instead of unused time off – a major financial resource for company trade unions with a large membership – has been removed, too. Obviously, the govern-

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<sup>4</sup> This legal provision is apparently the reaction to young doctors’ threat to resign in case the government fails to meet their wage demand. The government probably considered the lessons of recent similar actions in the Czech and Slovak Republics.

ment's aim is to cut the traditional rights of unions to a minimum level, which would allow little more than their mere existence in workplaces (Tóth, 2012).

Besides new regulations in the business sphere, laws applying to public servants and members of the armed forces were changed, too. For government agencies, primarily the laying off of older civil servants has been made easier by drastically reducing the notice period to two months and by no longer requiring the employer to give any reason for layoffs. (The latter provision was later annulled by the Constitutional Court, but the new version of the law makes it possible to claim a 'loss of trust', which is not too specific a reason.) In the police – besides the already mentioned revocation of early retirement – the number of protected trade union officers and their time off was cut back even more than in the private sector. Like trade unions, chambers are to introduce obligatory employee membership. Furthermore, the wage freeze in the public sector has been maintained and in some agencies and institutions redundancy measures were taken. This happened for instance in the public service media where institutions were merged and redundancies were carried out for political reasons. As a result of budget cuts and the centralisation of control, layoffs are expected in public health care and educational institutions.

### **The traditional trade unions' response**

Naturally, trade union federations in the tripartite forum were desperate to maintain the original negotiations schedule and managed to arrange two meetings with the government in autumn 2010 and agree on a minimum wage. They were, however, not able to discuss any other changes affecting employees, including the fundamental issue of strike law. In spring 2011 the government disbanded the entire tripartite forum. Union confederations issued communiqués to protest against the cancelling of negotiations as well as against certain legal changes, corresponded with and petitioned politicians and turned to the Constitutional Court, all to essentially no avail.

Negotiations on the new Labour Code were restarted by the government with social partners as late as in mid-2011, after the draft Labour Code was made public. The six national trade union confederations, however, did not manage to submit a joint position paper to the government; they remained divided along historical cleavages. One proposal was presented by LIGA and the Workers' Council, the two confederations established during the transition period, which reportedly have closer ties to the right-wing governing parties. The chairman of LIGA had begun cooperating with the then oppositional FIDESZ when it had organised strikes and demonstrations against the socialist government. The smaller Workers' Council has been a right-wing Christian trade union federation since the mid-1990s. Another joint opinion came from the other four confederations (MSZOSZ, Autonomous Unions, SZEF and ÉSZT), which are the successors of the former communist union organisations. The government, however, did not invite all of the employer and union confederations subsequently, but only two selected organisations from each side – LIGA and the National Federation of Workers' Councils (MOSZ) from among the union confederations – to start a series of discussions. Although both unions and the employers wanted to resume tripartite talks, the government continued to negotiate with the selected partners. The breakthrough did not come until the six trade union confederations jointly requested

ILO to provide an expert review of the new draft Labour Code and the practice of related social dialogue, and the EU Commissioner for Employment, Social Affairs and Inclusion expressed his serious concerns (Tóth, 2012, Komijlović, 2011a). In the final stage of negotiations the chairman of MSZOSZ was involved, too, and the government was ready to strike a compromise concerning some points of the bill, especially regarding union security issues.

Finally the three union confederations, the employers and the government signed the agreement on the new Labour Code on 2 December 2011. According to the agreement, overtime supplements are retained (the original draft allowed employers to compensate for it with time off at their discretion), the check-off system is maintained and more trade union representatives are granted protection and more time off compared to the extreme cuts in the draft. While both the number of protected representatives and the amount of time off was still significantly lower than in the previous Labour Code, the signing trade union leaders considered them to be sufficient to keep workers' unions functioning and ensure their survival.<sup>5</sup> The remaining clauses of the agreement essentially confirm that the legal debate is closed and 'parties have been holding discussions constantly in the run-up to the agreement about legal issues related to the bill ... with special regard to observing the provisions of ILO conventions'. In other words, the government blackmailed the trade unions into confirming that negotiations were held in compliance with international norms. The agreement was heavily attacked by the uninvited confederations as well as by the leaders and members of radical unions. Especially the chairman of LIGA was considered a traitor who 'sold himself for a few pennies': it was on the night before signing the agreement that the government announced it would agree to LIGA's long demanded payment of bonuses for railway workers, and LIGA immediately ended their road blockade.

LIGA's protests – a strike call and a partial road blockade – were but a small part of the demonstrations organised by traditional union confederations in protest against government actions, however. One of the largest street demonstrations in 2011 was the European demonstration in Budapest organised by ETUC on 9 April in which all of the confederations participated. Furthermore, confederations supported and participated in the demonstration of radical trade unions in front of the Parliament building on 2 October. Similarly, huge masses attended the event organised by the public-sector trade unions on 3 December which was supported by radical movements. Owing to their mutual support, actions by traditional confederations and radical organisations were not sharply distinct.

### **The episode of radical/political unionism**

Before and in parallel to radical union actions, several civil organisations staged demonstrations with participants recruited on the Internet. Most of the earlier rallies had been protesting against the new media law and the reorganisation of public media as

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<sup>5</sup> Following this agreement, negotiations on the Labour Code continued with the same parties. In June 2012, Parliament passed another law aimed at regulating transitory issues, which also included an amendment of the Labour Code, partly as a result of these consultations.

well as the closing down of an oppositional radio station. Later, the biggest demonstration was staged against the new Basic Law (which replaced the former Constitution).<sup>6</sup>

Two presidents from among the numerous law-enforcement and firefighter unions became leaders of the new radical movement (Péter Kónya of the Trade Union Association of Military and Police Employees (FRDÉSZ) and Kornél Árok of the Independent Trade Union of Professional Firefighters (HTFSZ)). Following a series of smaller setbacks for law-enforcement employees and firefighters, the real challenge came around March 2011 when the option of early retirement was removed as part of the economic reform package. According to the original plans, armed forces and law enforcement personnel who had retired at a young age would have lost their pension and would have been ordered to re-enter service. Those affected felt that the government had breached the social contract that made this career attractive: they had been doing a dangerous and physically demanding job for low wages in exchange for retiring in their forties and starting a second career. The draft was leaked and the trade union started negotiating with the government, supported by loud street demonstrations. It also set up a strike committee to make it clear that without the right to strike it would go on a wildcat strike – regardless of the fact that the participating trade unions could not have done this as their main supporters were the pensioners hit by the new regulation. Eventually, negotiations produced a compromise: early retirement pensions were transformed into social benefits with a 16 per cent tax. Naturally, the trade union was dissatisfied as the constitutional protection of their former pension was removed and it was now up to the government to cut or even altogether remove the benefits.

Armed personnel's and firefighters' trade unions had no choice but to take to the streets (demonstrations, road blockades) as they were deprived of the possibility of going on strike. It is well known, however, that in Hungary only a very small part of trade unions, primarily in public service and public transport, was able to efficiently carry out strikes anyway. Street demonstrations are a traditional form of protest in the private sector and public service, as trade union leaders are well aware that employees would not support a strike. However, this time the character of the demonstration differed significantly from traditional mass demonstrations. On 6 May, 15 thousand firemen marched through the streets of Budapest, throwing firecrackers and opening hydrants, then occupied the stairs in front of the Parliament building. Their action was also a response to a blunder by Viktor Orbán: demonstrators had demanded to be allowed to talk to the prime minister, who had answered that he would send his 'state secretary of clown affairs' instead. Then demonstrators wrote an open letter to the

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<sup>6</sup> The largest demonstrations were the mass demonstrations on 15 March 2011 which demanded a free press, and the one on 23 October 2011 called 'I don't like the regime' with a more general message of dissatisfaction with the political system and its jeopardising democracy. (Both were timed to coincide with national holidays: 15 March is the date of the 1848 revolution, the main demand of which had been a free press; 23 October is the anniversary of the 1956 revolution.) The largest oppositional demonstration was the one held on 2 January 2012 organised jointly by civil organisations, radical trade union leaders and political parties. The demonstration took place in front of the Opera House where the political elite were celebrating the coming into effect of the new Basic Law.

‘state secretary of clown affairs’, and the leaders of FRDSZ and of the firefighters’ trade union as private persons launched a demonstration called ‘Revolution of the Clowns’. This joke was at once a response to the FIDESZ rhetoric of the ‘revolution in the voting booths’ and gave the union leaders and several other participants an opportunity to march through the city dressed like clowns. Despite the funny tone, the message was serious: participants symbolically withdrew the votes they had cast for FIDESZ a year before. As an openly anti-government demonstration with political demands, the ‘Revolution of the Clowns’ was a breakthrough. The demonstration itself took place calmly as requested by the organisers, but the crowd started to chant: ‘Orbán, go away!’ It was the ‘Revolution of the Clowns’ that laid the foundations for the unity and a common platform of radical trade union leaders (see below) and their cooperation with civil organisations. The climax of the series of actions by the armed forces and firefighters was the several-day-long ‘D-Day’ series of demonstrations in early October, including a mass demonstration in front of the Parliament building, supported by all of the trade union confederations.

This was the moment when radical union leaders (the two leaders mentioned above and the president of the chemical workers’ union) and representatives of some of the civil organisations announced the launching of the Hungarian Solidarity movement, which was to be organisationally independent from the trade unions. This movement went beyond the traditional demands of employees, and its manifesto openly attacked the regime. Founders and members of the movement are private persons. First its supporters were former members of the armed forces, but with many young people joining it, its base has gradually expanded. Soon, a country-wide movement developed with 8 or 9 thousand members in over 200 towns and cities. It collects no membership fee and receives no financial assistance from trade unions. The only financial source is donations, and its events are organised by volunteers. The movement has supported several trade-union and civil events, participated in organisation work and marched with the unions / civil organisations. (Members of the movement participated for instance in a demonstration organised by the public-sector trade unions as well as in a protest event organised by a small opposition party – Politics Can Be Different (Lehet Más a Politika (LMP)) –, as well as in mass demonstrations organised jointly with other civil organisations.)

Despite the name, which is a reference to the Polish Solidarność, and a similar badge, the leaders of the movement deny to have sown the seeds of a political party. Their declared intention is to be the catalyst of a wide cooperation, bringing together the opponents of the regime. The operational framework was to be the Opposition Roundtable set up with the participation of trade unions, civil organisations and democratic parties as well as the business sphere. The name is borrowed from the organisation that negotiated with the communist party in 1989 to prepare the regime change. However, the organisers did not take into consideration the fact that nowadays, the situation is very different, given that the current governing party will hardly be willing to negotiate a transfer of power. The Opposition Roundtable eventually became the biggest failure of the movement as neither the opposition parties nor civil organisations were keen to join. By mid-2012 the civic movements’ mass demonstrations also seemed to lose their initial impetus. The Hungarian Solidarity movement is

at best a potential member of an anti-government ‘rainbow’ alliance in the run-up to the 2014 general election.

Regarding the retirement issue, broad cooperation has been achieved among trade unions, with the participation of all armed forces’ and law enforcement unions. At the same time, the government tried to divide the unions: the trade union of defence personnel (Honvédszakszervezet), together with the Minister of Defence, declared that they did not agree with the radical actions that had taken place in summer. By various means the two leaders of the ‘Revolution of the Clowns’ were forced to leave service and relinquish leadership of the trade union. While a significant number of the members of Solidarity are trade union members, the trade unions themselves do not support the movement any longer.

The reasons for the weakening of Solidarity and the radical civic movements are manifold; here we will highlight just two of them. As for the unions, it is not correct to refer to them as radical trade unions; it would have been more proper to refer to radical trade union leaders. Since the ‘Revolution of the Clowns’ took a turn towards politics, the most radical leaders have led the actions and the Solidarity movement, together with representatives of civil organisations, as private persons. The trade unions behind them more or less tolerate their leaders’ ‘private activities’ but do not give the union’s official support. It is not by chance that employers easily got rid of – in one way or another – several radical trade union leaders as their unions could not or did not want to protect them.

The other explanation for the loss of popular support is the contradiction between the political objectives of the movement and their ambivalent relationship to party politics. Radical union leaders openly set the goal of toppling the government: in their opinion, demonstrations became political not only because people’s options were so limited but also because politics interfered with citizens’ lives to a degree that required a political answer. Thus the leaders pronounced as their genuine political goal to force the government to resign and to restore democracy. At the same time, in their political actions they distanced themselves from both the current governing parties and the representatives of the former socialist government. Solidarity declared that persons who had had a political role during the past twenty years could not become a prominent figure of the movement. It is also a sign of too great an emphasis on the civil nature of actions that unions and civil leaders tend to ask activists, artists, and well known intellectuals to be speakers at mass demonstrations.<sup>7</sup> Yet, by now voters

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<sup>7</sup> To understand the situation it is important to know that most of the union confederations define themselves as independent of political parties, and refrain from direct political action. The reason for this is that in this politically deeply divided country, even within one trade union, members will be divided between right and left, including even extremists. Understandably, leaders avoid open political discussions within an organisation. On the other hand, the confederations that used to openly ally themselves with the socialist party (primarily MSZOSZ and SZEF), profited less and less from this political connection and at the same time shared the increasing unpopularity of the socialist party; as a matter of fact, the right-wing government tends to portray them as a branch of the socialist party.

expect more of Solidarity and the civic movements than simply blaming the government. Unfortunately, so far the radical movements have not been able to find a way of translating street rallies born of disillusionment into sound action with a promise of yielding the appropriate results in the next parliamentary elections.

As for Solidarity, however, given the lack of coherent political ideology, no 'political unionism' can be detected there either. Nonetheless, the most important development in the two decades since the end of state socialism is the strengthening of social self-organisation. It is no surprise that civil organisations and trade unions that are suffering from the lack of a mass base quickly found each other as potential allies. It should be noted, however, that social movement unionism – a form of trade union renewal taking place in several countries – is practically unknown in Hungary.

### **A fragile consolidation: Resuming top-level negotiations**

The concept of a new tripartite body emerged during the ad-hoc negotiations with selected participants on the Labour Code. The members of the newly formed Standing Consultative Forum for the Private Sector and the Government (*Versenyszféra és a Kormány Állandó Konzultációs Fórumának (VKF)*) are representatives of the three trade unions and the three employer confederations, exactly those who had been consulted earlier, and the government. Initially, the MSZOSZ leaders were hesitant to sign the agreement, but the member organisation made it clear that they needed to resume negotiations with the government. Essentially, the president of the confederation was afraid of losing face a second time, like he had after the compromise on the Labour Code: union leaders left out of the agreement were blaming the signatories, while at the same time benefitting from the agreement. On the other hand, on the part of the industry federations it was a fairly understandable move to support the establishment, as many industry unions have grown accustomed to using the leverage of government contacts for lobbying and for the resolution of labour disputes, not only in the public but also in the private sector.

The founders eventually signed the agreement on the establishment and the by-law of the VKF on 22 February 2012. The corporate (plenary) meeting, the highest consultative body, can be convened as required, but at least twice a year. In addition to the social partners, members include the Prime minister, the state secretaries responsible for employment and taxation and the head of the Monitoring Committee. The latter is a standing committee that prepares corporate meetings. The objective of the forum is to consult on issues of paramount importance concerning the national economy and the country as a whole, which are listed in seven detailed points in the agreement. However, so far VKF's practice has anything but fulfilled the promises of the founding document. Most of the sessions are filled with presentations of state secretaries; the agenda hardly reflects the trade unions' needs. Compared to the predecessor tripartite institution, the main shortcoming of the VKF is not only the limited number of social partners (the Autonomous Trade Union Confederation, which represents employees from the private sector, does not participate and on the employers' side, agricultural businesses are completely left out) and the confidential meetings, but also the lack of legal underpinning (i.e. the guarantees to be incorporated into legislation and policy making). It is also a telling fact that in parallel to the VKF, the

Prime minister continues to hold separate meetings with the heads of two union confederations (LIGA and Workers' Council). Direct ties to the politicians seem to make them „more equal than others” – in Orwell's words. At any rate, these presidents succeeded in having state subsidies for social partners' confederations resumed. Every member of the VKF annually receives HUF 100 million in support, slightly less than it used to be. Moreover, the participants of the public sector forum (OKÉT) also receive subsidies. Calculation of subsidies, however, is less transparent than laid down in the 2007 law passed by Parliament under the previous government. Nowadays, informal ties to politicians are apparently more valuable.

In the public sector, similar processes of selective consolidation take place. However, among the police force, union density is dramatically declining because of the new law and the decision made by the Interior Minister, which abolished the check-off system of paying membership dues. According to newspaper articles the Independent Police Union (Független Rendőrszakszervezet) has lost more than half of its members and has been stripped of most of its representatives' time off, physical infrastructure and financial resources. It is very likely that the other police unions have also suffered from the new conditions to a similar extent or even more. Yet, police unions have reported some success: on 13 August 2012 they signed a cooperation agreement with the national police headquarters (Országos Rendőrfőkapitányság (ORFK)), which ensures the continuity of operation of the subsectoral consultation forum (Rendőrségi Érdekegyeztető Tanács (RÉT)), with bimonthly regular meetings and extraordinary ones if necessary. The agreement also restored the unions' access to telecommunication infrastructure, although the unions will pay for it. Contrary to similar legal circumstances, the armed forces' unions under the Ministry of Defence practically preserved their position. Their union representatives were able to maintain their time off and infrastructure. They even succeeded in finding a remedy for their voters' problem: pensioners below retirement age easily avoided taxation on their pensions – which has been the general rule since 2011 – and those enlisted in the newly established reserve army were exempt of the 16% levy. Not surprisingly, these army unions are fairly cooperative with regard to the Ministry, and did not form an alliance with the rebel FRDSZ, and of course the leaders of the latter do not enjoy the above-mentioned privileges.

The top-level social-dialogue forum of the whole public sector (OKÉT) was the only social-dialogue institution that remained formally intact in 2011/12, although its functioning has been restricted somewhat. It had practically no say in the series of major laws that reshaped public administration and public services, and it was not able to negotiate wage scales, which have been frozen in the public sector since 2006. Interestingly, the only successful wage negotiations in the public sector were the result of some young physicians' action, negotiated outside the framework of OKÉT and the health sector's standing body and bypassing the traditional trade unions in the health sector. The Hungarian Resident Physicians Alliance (Magyar Rezidens Szövetség) took advantage of the rising emigration among medical staff. Following the pattern of action of their Czech and Slovakian colleagues, around 2,500 resident physicians handed in their resignation, signalling a clear intention to leave the country for much higher paid positions in old EU member states (Szabó, 2013). The government's response

was two-part. First, it prepared the abovementioned new regulation on ‘health care emergency’ situations to authorise the government to take extraordinary measures, which was passed by Parliament under urgency. Second, the state secretary started negotiations with the resident physicians’ representatives on an extraordinary pay increase for medical staff, effective retroactively from the beginning of the year. They signed an agreement in March 2012, which allocates HUF 30 billion (EUR 110 million) to wage increases for 86,000 doctors and paramedical staff; doctors, however, will get a more generous raise than nurses. In line with the aim of improving the wage conditions of the young, the higher the employee’s base salary, the lower the wage increment.<sup>8</sup> This agreement and the following law practically established a new wage scale for the health care sector and separated it from the general public-service employee wage scale that used to be valid for the sector. As promised by the government, self-employed GPs will be allowed to raise their fees. However, nurses with the same qualification working for primary care providers and in residential elderly care are apparently being left out, partly owing to the sectoral nature of the law. The sectoral union of social care, representing 3,000 members, petitioned the government, but the chances of success of such a small union are insignificant.

Time will tell to what extent and how workplace organisations will be able to cope with the challenge of the new legal and institutional conditions. Only sporadic anecdotal evidence shows some innovative efforts. For instance, some workplace unions, as a response to the new Labour Code’s provision that increases employees’ penalties for damage caused by careless work, provide members with an insurance policy against claims for indemnification, which hopefully will make these unions more attractive. Another effective union revitalisation strategy is the organising drive, which is the new initiative followed by the MSZOSZ. Referring to the forthcoming wave of modifications of individual work contracts brought about by the new Labour Code provision favouring the “agreement of the parties”, the confederation coined a new slogan: “Do not sign it!” The public campaign’s message was that prior to signing a modified contract offered by their employer, workers should consult with the trade unions. At the same time, the trade union offered help through a newly established call centre and its well-developed nationwide legal help-point network. This summer-time action proved to be a useful image-building campaign, but only a couple of new workplace organisations emerged. For autumn the union planned campaigns involving its industry federations and relying on regional and workplace activists. Providing professional training for union organisers is also on the agenda. However, this campaign could face many difficulties. Firstly, the confederation’s regional and sectoral staff has been streamlined in recent years because of financial constraints. Secondly, there is no systematic knowledge of organising in this country, which is why the success of teaching efforts is rather doubtful. And finally, support from local organisations is another source of uncertainty; so far most of them have neglected organising and preferred to develop a ‘service union’ model.

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<sup>8</sup> The increment is HUF 65,800 for a HUF 350,000 monthly salary, then decreasing in higher salary bands and only 10,000 for a HUF 450,000 base wage (Komiljovics, 2012).

## Conclusion

There have not been many signs of union renewal in Hungary (Neumann, 2007). Organising initiatives are generally very limited; recently no organising activities have been reported either at the company or at the sectoral level. It is improbable that radicalisation will lead to membership growth. Given the highly fragmented Hungarian trade union structure, an evident way of renewal would be a merger of unions, primarily at the confederation level. Partly separatist radical union movements, partly government tactics to divide trade unions and especially selective social dialogue with three selected confederations have further deepened the cleavage between confederations. Especially LIGA, playing the favourite negotiating partner of the government, and the Workers Council are alienated from the rest of the confederations. Then again, moderate trade unions have serious reservations about Solidarity as a radical alternative. It seems a long-standing common agreement that six confederations are too many, but uniting is an ever more distant alternative.

Since the right-wing government has dismantled the institutions of national social dialogue, the focus of trade union actions became to restore top-level consultations. Enormous union efforts were devoted to influencing legislation, especially the Labour Code, and together with employers' associations they aimed to restore the standing tripartite forum. Compromises in legislation and the creation of a new forum, albeit with very limited powers, are signs of a moderate union success. However, in the meantime the government has created a system of selective negotiations, with those outside the forum left out of negotiations and with the insiders assuming unequal positions in terms of access to decision making and financing. As to the latter, the current government has resumed its predecessors' policy of providing state support to social partners, with less transparency in the distribution of resources.<sup>9</sup> Selective negotiations are being held outside the realm of top-level forums, too; the pay rise for health care employees is a notable example of a compromise with an employee group of strong bargaining power. Faced with such political manipulation, one is easily reminded of examples from the twentieth century history of Hungary: "divide and rule" or the "Salami strategy" was the favourite tool of communist leaders between 1945 and 1948. 'Separate deals' with strong groups of society was the key feature of the late socialist system under János Kádár, where the fundamental trade-off was between material advantages and political acquiescence. One can also find striking similarities with the 'unsettled times' of the early 1990s, in which liberal governments proactively reshaped the welfare state in order to split up the high-risk categories into groups with different work-welfare status and lower collective action capacities (Vanhuysse, 2006). What has fundamentally changed since then is the presence of independent interest organisations, the very independence of which is now at stake because of escalating state intervention. Obviously, these similarities, differences and their possible explanations deserve further research.

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<sup>9</sup> Incidentally, subsidising social partner organisations was invented by the first Orbán government (1998-2002). The subsequent socialist-liberal governments raised the amount of the subsidies and finally regulated it by law at the top-level tripartite forum (2007).

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