

The level playing field of Hungarian social partners  
before and during the COVID-19 pandemic:  
Case studies from the automotive industry\*

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### Abstract

For numerous reasons, social dialogue in Hungary generally does not fulfil its role on the national, sectoral, or workplace level. Social dialogue as a democratic process is dysfunctional, since its institutions and mechanisms are not implemented democratically, and no real dialogue or actual debate take place. Instead, these mechanisms work in a top-down manner – the illiberal state and its central governing bodies expect certain solutions and answers, leaving no scope for transparent democratic dialogue with the relevant social partners. Against this background, in 2019 major strike activity was witnessed in the automotive sector. However, in 2020, after the COVID-19 pandemic, the Hungarian government deployed its full power by adopting the ‘Authorization Act,’ which allowed the government to introduce significant restrictions, practically without any time limits, any debate in parliament, or guarantee of swift and effective constitutional review. Our research paper investigates these recent developments in social dialogue using a case study, with the aim of understanding the forces underlying the collective action organized in the automotive sector. Our research demonstrates that, due to the lack of institutional guarantees, social dialogue is very fragile in Hungary, and the landslide victory in 2019 was a mere reflection of labour shortages. Our mixed methodology – which combines legal and sociological approaches – is suitable for examining this complex issue; interviews conducted with representatives of labour and employers provide deep insight into motives and action in a circumvented level playing field.

**Keywords:** social dialogue; COVID-19; collective action; automotive industry; Hungary

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## 1. Introduction

Involvement in decision making that affects one's life is an essential part of human dignity (Sinzheimer & Shumway, 1920). This principle should be followed in all areas of civil society, encompassing the political and economic spheres and including workplaces. Trade unions have traditionally represented the voice of workers through collective bargaining (Bogg & Novitz, 2012). Historically, industrial democracy became an effective force within the workers' movement primarily due to ideas about representative democracy (Müller-Jentsch, 1995). The principle of industrial democracy implies the replacement of unilateral regulations by joint decisions about matters concerning workplaces or employment conditions (Kahn-Freund, 1961). Thus, it is a form of socio-economic philosophy which proposes that citizenship rights in employment should allow workers to partially or completely participate in the running of an industrial or commercial organization.

Industrial relations have been subject to major transformation due to structural changes under capitalism (Boltanski & Chiapello, 2006). Because of changes in the institutional framework of the welfare state and forms of employment, individual career paths have become less predictable. These trends have made the labour market more dynamic, and have created more diverse forms of work and new jobs, requiring different skills, while they have the potential to contribute to increasing inequality and challenge time-honoured institutions. The vision of a just society has been seriously compromised and affected the material, institutional, and psychological building blocks of collective action (Lahire, 2011). However, few empirical studies have analysed collective responses to unjust treatment at workplaces in the Central-East-European (CEE) region. Our project can thus contribute to the literature on CEE labour unionization due to its analysis of the motives and the role of trade unions behind collective mobilization.

While adapting the varieties of capitalism (VoC) approach to the CEE context, Nölke and Vliegenthart (Nölke & Vliegenthart, 2009; Vliegenthart, 2010) identify a type specific to CEE that they name the dependent market economy (DME), characterized by structural dependence on foreign direct investment (FDI) that is drawn to an abundant supply of comparatively cheap and skilled labour, and by the possibility of strong hierarchical control from headquarters to local subsidiaries. As the authors state, FDI and foreign-owned bank investment are the primary sources of investment in these countries. Labour relations are typically non-conflictual, and skilled labour is mainly attracted not by extremely attractive financial conditions but through high-standard working conditions. DMEs are decentralized, while multinational companies (MNC) are typically uninterested in (or even strongly object to) getting involved in national- or sectoral-level collective bargaining (Adăscăliței & Guga, 2018). This is important to keep in mind when trying to understand the various difficulties and obstacles involved in labour organizing and collective action at various levels in Hungary. While analysing the various agencies involved in these processes (or lack thereof) on the governmental, trade union (TU), and employer side, the larger context of the political-economic context cannot be stressed enough.

## 2. Methods

We adopted a mixed-methods approach during our research, conducting qualitative interviews among union representatives and complementing it with quantitative data on TUs and media reports about union activities in the country.

The fieldwork for this article was conducted in two main stages, the first one during July–October 2019, and the second one beginning just before the outbreak of the Covid-19 epidemic, and concluding during the pandemic in the form of online or telephonic interviews. The rest of the interviews were undertaken in person in Budapest and some other major cities in Hungary. Representatives of major nationwide TUs, as well as local unionists, were interviewed. We used a semi-structured interview format, thus the main questions for the discussion were identical for all interviewees, but the latter were provided with the opportunity to answer these questions at length and adapt them to the specific situation of the organization they were representing. We interviewed representatives of two nationwide organizations, two confederation leaders, two representatives of an office in charge of a transnational TU form of collaboration, one representative of a local independent union and two local-level representatives of a large national TU (altogether nine interviews).

### 3. The employment situation in Hungary

The automotive industry generates almost 21 per cent of total exports in Hungary, making it one of the most important sectors of the national economy. There are more than 600 associated companies present in the country, employing a total of 100,000 people. Four large automotive manufacturers have production facilities in Hungary: Suzuki, Audi, Opel, and Daimler. Manufacturers' large-scale investments have attracted numerous other investments from suppliers, and small- and medium-sized local automotive companies have also become stable and strategic partners of car manufacturers. Cooperation between the representatives of the automotive sector and educational and academic institutions is strong and focuses on R&D. Numerous multinationals have set up R&D centres in Hungary, including Audi, Bosch, Knorr-Bremse, and Thyssen-Krupp.

The employment situation in Hungary can be characterized by the parallel existence of unemployment and labour shortages. While the unemployment rate was one of the lowest in the EU before the Covid outbreak, the employment rate has since been rising.<sup>1</sup> At first glance, the data seem to be contradictory; however, they may be explained by regulations concerning unemployment benefits: those who lost their jobs due the pandemic were unable to look for new positions and therefore were not qualified as jobseekers, thus were listed in statistics as 'inactive.'<sup>2</sup> (Figure 1).

Employment in Hungary continued to grow in 2019; various government measures contributed significantly to the increase in the number of people employed, such as large public work programmes and a reduction in taxes and work-related social contributions: accordingly, the employment rate of the population aged 15–74 was 70.1 per cent in 2020. By the end of 2019, employers in the primary labour market had advertised vacancies numbering 270,600 – 11.2 per cent more than in the previous year. The skilled positions most sought after by jobseekers in the private sector in 2019 were – among others – shop assistant, general office administrator, security guard, bodyguard, waiter, and cook.<sup>3</sup> Some of the occupations which

1 Hungarian Central Statistical Office (<https://www.ksh.hu/docs/hun/xftp/gyor/mun/mun2006.html>).

2 According to the definition of Act IV of 1991 Art 54 para (9), a jobseeker is an unemployed person who is cooperating with the national authorities and actively seeking a job.

3 At the time, 42.5 per cent of all jobseekers had completed the maximum eight years of primary education, 22.7 per cent had graduated from a vocational or skilled workers' training school, another 25.9 per cent had passed the secondary school leaving examination, and 6.4 per cent held a college or university degree.

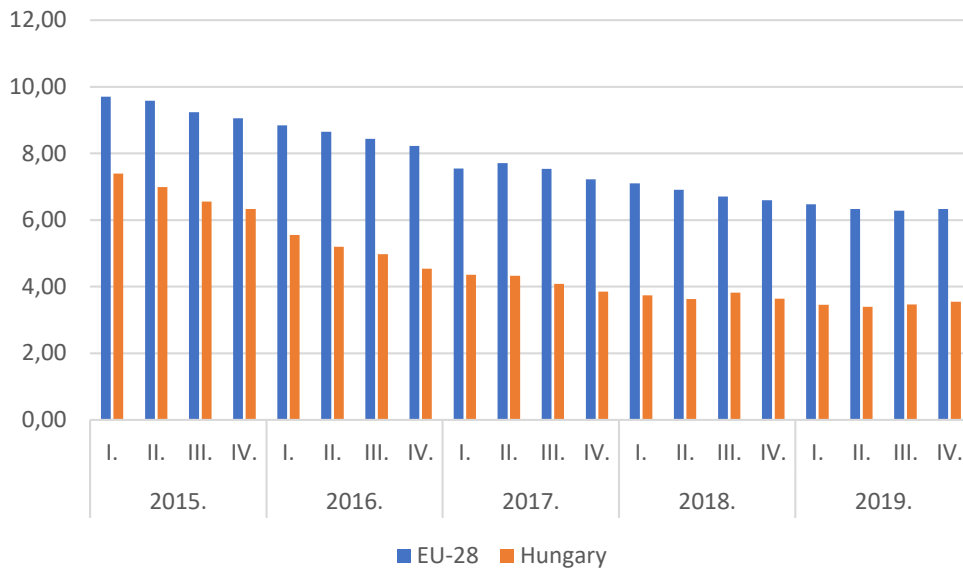


Figure 1: Unemployment rate [%] in Hungary and EU28; source: Hungarian Central Statistical Office, OECD.

were identified with labour shortages in Hungary were truck drivers, industrial mechanics, and construction-related labour (European Commission, 2019).

The number of vacant positions in the industrial sector is one of the highest; in this sector, the proportion of vacancies is also very large, which reveals problems with the educational system. Vocational schooling in industry is now based on a dual structure; students spend their apprenticeships obtaining particular skills that are not easily convertible to other areas. This overly narrow specification hinders labour market opportunities as employers other than those where training was completed cannot benefit from employees' knowledge. Due to the dual system, the general knowledge of students is also rather weak, and many graduates struggle with understanding basic instructions. The problems with this dual educational system were summarized by a trade union leader as follows: 'students do not leave vocational school with a profession; they are not car mechanics or locksmiths, but only skilled workers who are unable to work independently [...] this creates huge problems for employers, as people with only basic training cannot operate very expensive machines [in car manufacturing plants] and they cannot do any other jobs within the factory either' (D6.4-4). 'Low-skilled employees, therefore, hamper internal flexibility at businesses. One of the characteristics of MDEs is that MNCs are only willing to spend limited amounts on the further qualification of employees, thus highly skilled professionals are more appreciated by employers than before, and we can witness real competition to retain human resources. This competition has a certain upward effect on wages and working conditions' (D6.4-4). As a trade union leader stated before the COVID-19 outbreak, 'workers do not even need trade unions [to fight for their rights] – employers are willing to pay more voluntarily. If employees are unsatisfied with wages or employment conditions, they simply resign and move on. And with low wages and bad working conditions, an employer cannot fill the vacancies' (D6.4-6). Another trade union leader mentioned that 'smart employers increase wages to maintain a high quality workforce that is loyal to the company. But it costs a fortune, of course, and it has to be agreed by headquarters' (D6.4-5) (Figure 2, 3).

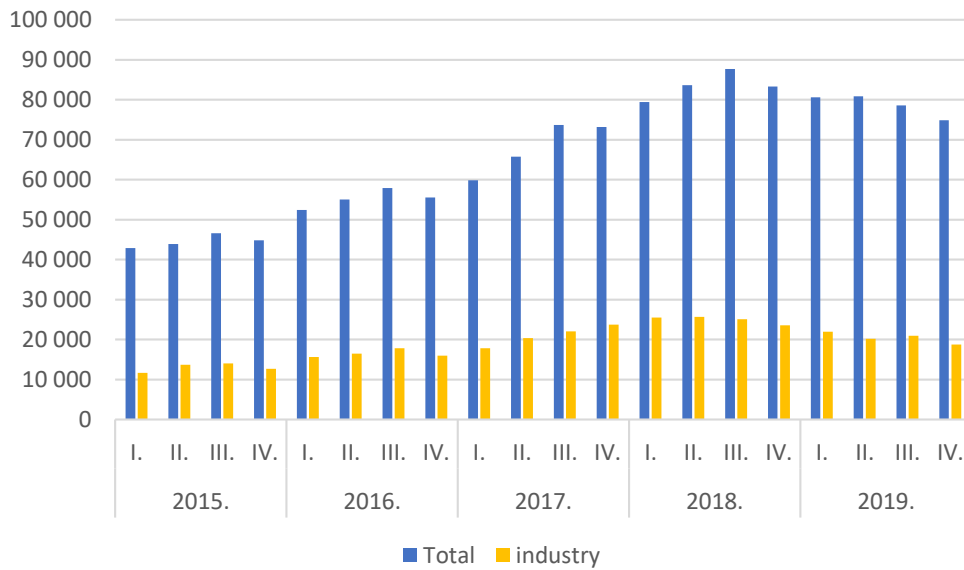


Figure 2: Number of vacant posts in the automotive industry compared to the total; authors' compilation based on data from the Hungarian Central Statistical Office.

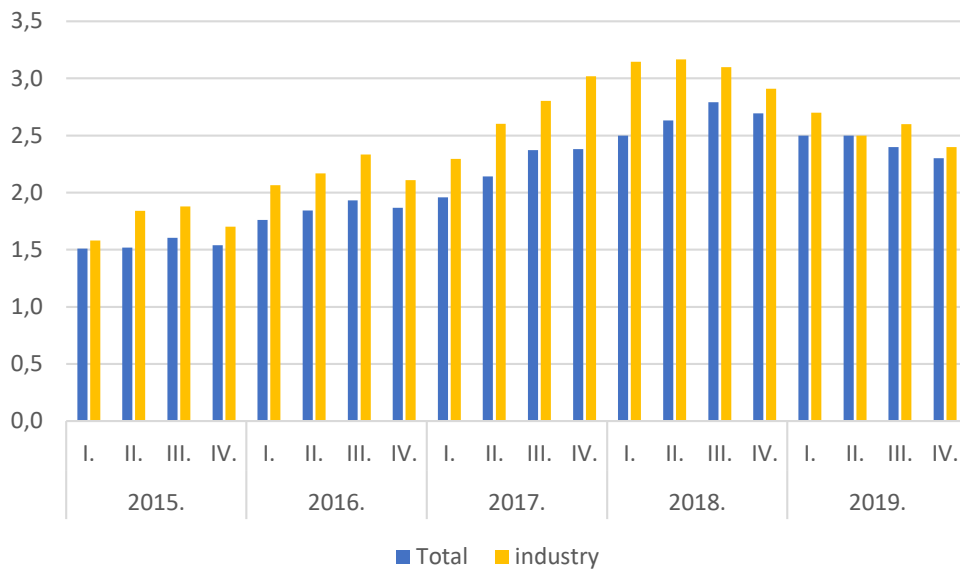


Figure 3: Proportion of vacancies in the automotive industry compared to the total [%]; authors' compilation based on data from the Hungarian Central Statistical Office.

#### 4. Social dialogue in Hungary

The government has made great efforts to reduce the influence of social partners. Labour law reform was accompanied by the abolition of the tripartite National Interest Reconciliation Forum and drastically interventions in industrial relations. Afterwards, social dialogue as a democratic process became dysfunctional, since new institutions and mechanisms were not implemented

democratically, and no real dialogue has taken place. Instead, these mechanisms work in a top-down manner; the illiberal state and its central governing bodies expect certain solutions and answers, leaving no scope for transparent democratic dialogue with the relevant social partners.

#### 4.1 Tripartite social dialogue

After the abolition of the tripartite National Interest Reconciliation Forum in 2010, a two-tier social dialogue model emerged in Hungary. On the one hand, there is an official body which involves representatives from many different areas of society, but which operates without any government agents. On the other hand, there is an informal council that was established by the government by a civil law contract, of which only selected organizations are part (Árendás & Hungler, 2019). The common denominator of these forums is that neither of them fulfils the requirements for national-level tripartite social dialogue that are set forth by ILO Convention No 144.<sup>4</sup> As an interviewee noted, ‘the negotiations are like window displays: we meet and talk, then nothing happens. The aim is to demonstrate to the EU that we have tripartite social dialogue in Hungary’ (confederation leader; D6.4-2)

The government has effectively eliminated social partners from the employment policy-making process, which has an important spill over effect on lower levels of social dialogue as well. Instead of genuine social dialogue, the related ministries and other government agents directly negotiate with certain large (multinational) business partners. An interviewee stated that ‘every single amendment of the Labour Code involves a direct demand from employers’ representatives; the government takes the instructions and has parliament [where they have a two-thirds majority] vote for them’ (trade union leader; D.6.5\_2020-04) A good example of this is an amendment of the Labour Code adopted in December 2018 (quickly nicknamed the ‘slave law’).<sup>5</sup> The law was adopted without prior consultation with social partners through the tripartite structure and overrode the massive opposition of trade unions and a wide coalition of civil organizations and opposition parties. Demonstrations and road blockades were organized around the country. The law increased the amount of annual overtime permissible to 400 hours (from 250) and also increased the working time banking reference period to 36 months (from 12).<sup>6</sup> These amendments may in practice lead to the excessive vulnerability of employees and further shift the balance in favour of employers. Commentators and trade union representatives argued that the latter was a part of the government’s agreement with one of the big automotive companies that had triggered a 1 billion EUR investment (even though the project has now been delayed due to the COVID-19 outbreak). Trade unions opposed the adopted changes, presenting expert arguments and appealing to political decision-makers and the public. Following adoption in parliament by government parties, in less than 48 hours over 11,000

4 The Convention on Tripartite Consultation (International Labour Standards), 1976 (No. 144). Tripartite dialogue means that representatives of employers and employees as well as the government should participate in negotiations on an equal footing. The Convention provides that Contracting Parties undertake the duty to operate procedures which ensure effective consultation concerning matters related to the activities of the International Labour Organisation between representatives of the government, employers and workers, while employers and workers are represented on an equal footing in any bodies through which consultations are undertaken. Hungary ratified Convention C-144 in 1994 (Árendás and Hungler 2019).

5 Act No CXVI of 2018. The Minister of Innovation and Technology denied the allegations.

6 Working time flexibility is primarily ensured through implementing and allocating cumulative working time (or ‘working time banking’) insofar as the actual working time schedule can be adjusted to the labour force requirements of companies. If working time banking is applied, the maximum working hours (without overtime) within the banking period shall be calculated based on the standard daily working time (eight hours) and standard work patterns (five working days a week).

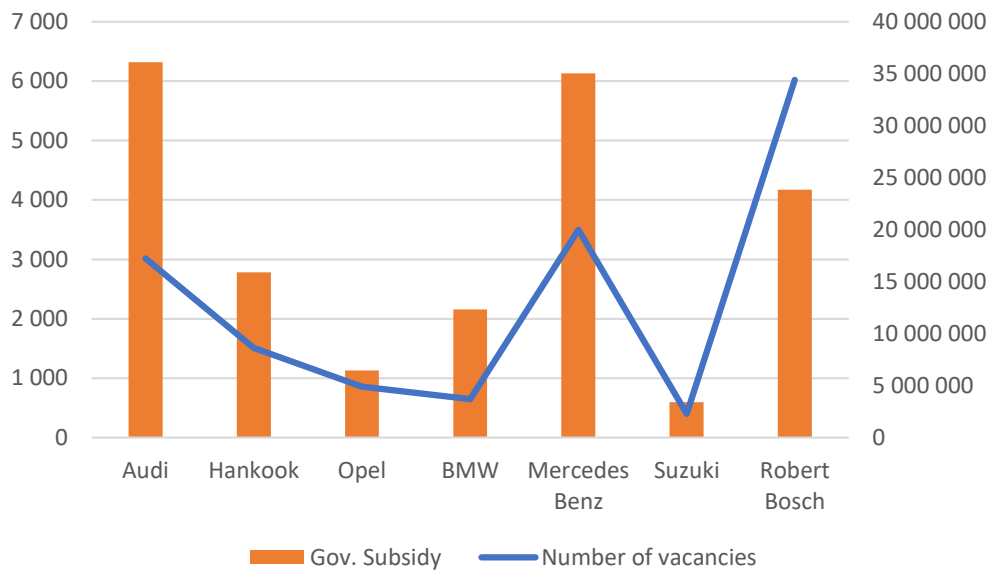


Figure 4: Government subsidy (in 1000 HUF) and number of vacancies created by car manufacturers between 2004 and 2020 (source: Hungarian Government, authors’ compilation).<sup>8</sup>

	2020		2019		2018		2017		2016		2015		2014		Total Gov. subsidy (1000 HUF)	Total N. of vacancy
	Govsubsidy (1000 HUF)	Number of vacancy	Govsubsidy (1000 HUF)	Number of vacancy	Govsubsidy (1000 HUF)	Number of vacancy	Govsubsidy (1000 HUF)	Number of vacancy	Govsubsidy (1000 HUF)	Number of vacancy	Govsubsidy (1000 HUF)	Number of vacancy	Govsubsidy (1000 HUF)	Number of vacancy		
Germany	27 673 726	1631	32 974 531	1667	34 657 187	3334	13 572 736	1971	31 217 495	2785	1 413 042	323	3 027 879	1028	144 536 596	12 739
Hungary	0	0	1 482 576	100	5 173 926	797	0	0	1 316 497	155	6 026 635	380	0	0	13 999 634	1432
Other EEC	0	0	2 877 288	205	436 848	115	2 752 493	367	0	0	2 980 211	850	0	0	9 046 840	1537
Japan	0	0	3 721 244	391	2 771 899	300	746 509	120	1 918 280	160	794 240	129	1 995 200	300	11 947 372	1400
South-Korea	121 76 610	697	769 275	135	8 174 775	410	0	0	0	0	0	0	0	0	21 120 660	1242
USA	0	0	1 242 411	220	0	0	4 616 099	800	0	0	0	0	761 250	109	6 619 760	1129
Other non-EEC	1 361 177	110	0	0	3 377 997	532	769 275	100	0	0	0	0	406 033	100	5 914 482	842
Total	41 211 513	2438	430 67 325	2718	54 592 632	5488	22 457 112	3358	34 452 272	3100	11 214 128	1682	6 190 362	1537	213 185 344	20 321

Table 1: Government subsidy (in 1000 HUF) and number of vacancies created by the country of origin of companies in the automotive sector between 2016 and 2020 (Source: Hungarian Government, authors’ compilation).<sup>9</sup>

signatures were added to online petitions calling on the president to send the law back. None of these activities had any effect on the government or the adopted law.<sup>7</sup>

Another TU representative summed up their limited space for manoeuvre by referring to 2012, as marked by the introduction of the new Labour Code in Hungary and its negative effects on employees: ‘In 2012, the new LC was passed, and, as a consequence, and also due to the constant amendments, employees and TUs ended up in a much worse situation. Their rights have been taken away or been infringed, and thus TUs and labour representatives have got into a very difficult situation at workplaces.’

The Hungarian government has declared certain multinational companies to be its strategic partners (see Figure 4); for example, at an opening ceremony of an Audi plant, Prime Minister Orbán highlighted that ‘Hungary is today inconceivable without the presence of Audi’

7 [https://www.kormany.hu/download/c/39/d1000/EKD\\_tamogatas\\_2014-2020\\_HIPA.pdf](https://www.kormany.hu/download/c/39/d1000/EKD_tamogatas_2014-2020_HIPA.pdf)

while Audi's CEO replied that the company felt 'at home' in Hungary.<sup>8</sup> This is not an isolated case among German businesses; international corporations have been important enablers of Orbán's illiberal turn. The government has subsidized German automotive companies much more heavily than other players in the sector, while in return these companies have created more than twice as many jobs in the past six years as their competitors (see Table 1), which goes some way towards explaining their 'vested' interest in maintaining the current legal and economic order. 'As a consequence, legal battles against MNCs have become extremely difficult to fight' (D6.5-3), summed up one of the trade unionists based at the national headquarters. The latter implicitly questioned the legal impartiality of courts, recounting how a legal decision had been made against their union in connection with a strike-related situation in one of the Hungarian automobile manufacturing plants.

The courts in Hungary today are not suitable for giving clear declarations about the minimum-level service provision during a strike. The best example is the strike situation in M three years ago, when the court basically ruled against our union, declaring that we had not taken the necessary steps. Okay, but the problem starts with the fact that if I declare a strike forty-eight hours in advance, then management has time to change the entire shift, making our strike impossible.<sup>9</sup> Due to the unpredictable preconditions, it is very difficult to organize a strike in Hungary nowadays.... (D6.5-5)

Under the state of emergency associated with the COVID-19 pandemic, taking such action has become simply impossible, as will be discussed below. (Figure 4, Table 1).

#### *4.2 Sectoral- and enterprise-level social dialogue*

The weakness of sectoral-level collective bargaining is partly attributable to historical reasons. After the regime change in 1990, large state-owned enterprises were privatized, and in the newly established market economy there was a significant share of small and medium-sized enterprises (Borbély & Neumann, 2019). Despite the establishment of Sectoral Social Dialogue Committees in 2009, social partners have shown little interest in bargaining and only a few agreements have been concluded. The employers' organizations represented in these sectoral committees employ only a small proportion of employees so the effort to create sector-wide uniform working conditions would not pay off. The economic crisis of 2008 also took its toll on sectoral bargaining, as long-term planning concerning finances and human resources became increasingly difficult for employers (Gyulavári & Kártyás, 2015). Moreover, in MDEs transnational companies do not accept a high union density or comprehensive sectoral collective agreements (Nölke & Vliegenthart, 2009). Correspondingly, sectoral social dialogue has lacked vitality and failed to become an important means of negotiation, even though the European Union has made considerable efforts to strengthen it (Gyulavári, 2018). Traditionally, the main level of bargaining takes place at the enterprise level (Borbély & Neumann, 2015), and single employers conclude over 90 per cent of collective agreements,<sup>10</sup> although the number of collective agreements that have been concluded has significantly decreased over the past decade (Figure 5).

<sup>8</sup> Benner and Reimicke (2017), <https://www.foreignaffairs.com/articles/europe/2017-07-27/investing-illiberalism>.

<sup>9</sup> According to the Labour Code, collective agreements can define working time schedules shorter than the statutory 96 hours.

<sup>10</sup> National Labour Office database on collective agreements, [http://mkir.gov.hu/lista2\\_1\\_3\\_1.php](http://mkir.gov.hu/lista2_1_3_1.php)



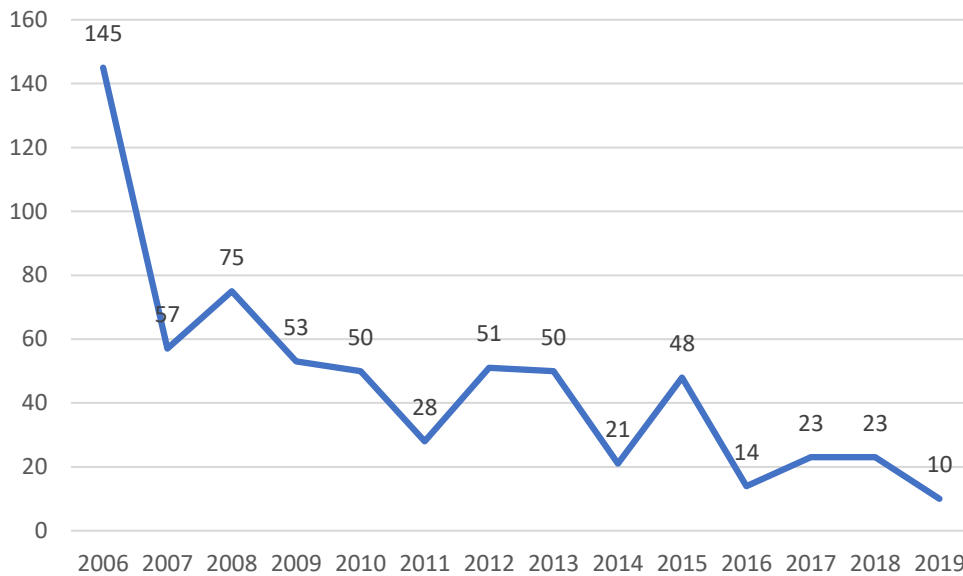


Figure 5: Number of collective agreements concluded between 2006 and 2019. Source: National Labour Office database on collective agreements; authors' compilation.

The crisis had a measurable effect on the number of newly concluded collective agreements; the sharp drop in 2010 may be attributed to uncertainties related to the re-codification of the Labour Code. However, the new Labour Code, which came into effect in 2012, changed the rules of representation and circumvented trade union rights (Horváth, Hungler, Petrovics, & Rácz, 2019). The number of agreements newly concluded on an enterprise level dropped to 10 in 2019, which is an unprecedented decrease.<sup>11</sup> One explanation for this is the extremely fragmented nature of TUs, especially in the automotive sector. Even though trade union density and collective agreement coverage in the automotive sector is overall higher than average (Müller, Vandaele, & Waddington, 2019), there are many small trade unions operating in the sector, making interest representation difficult.<sup>12</sup> For example, at Audi five trade unions are present, most of which have minimal membership, whereas the independent trade union (Audi Hungary Independent Trade Union, AHFSZ) organizes 70 percent of employees.<sup>13</sup> As an interviewee described it, 'fragmentation dates back to the 1990s when independent trade unions mushroomed as a part of the democratic transition. Later on, some of these trade unions became politicized [...] since we all know how much financial support the government gives to its political allies, and we can see that for a certain amount of money you can buy [their] loyalty' (D6.4-1). In the automotive sector, other factors contribute to the disunity. Multinational car manufacturing companies have large supply chains in which employers belong to industrial sectors other than the automotive one, such as metals, textiles or glass-works, and sector-specific unions organize employees, instead of the latter being organized by an inter-sectoral union. As an interviewee stated: 'if we combined all the people up into one organization, we would have a really large membership, like 50-60 thousand people. Such

11 Data extracted from the Ministry's registry of collective agreements; information only available in Hungarian (<http://www.mkir.gov.hu/>).

12 In the absence of official data it is rather difficult to estimate the actual level of trade union density: data are combined from trade union reports about membership data and ETUI reports.

13 Data collated from AHFSZ's and Audi's websites.

a large trade union would be able to shape sectoral policy and would be able to conclude collective agreements that create significant change' (trade unionist; D6.5-5).

The lack of sectoral and inter-sectoral dialogue between employers and workers' organizations is explained by a TU representative as being a consequence of one-sided governmental steps that 'please' employers and do not prevent the exploitation of workers – considered a precondition of the country's competitiveness. In other words, MNCs are not forced to negotiate with each other (e.g. about maximum working hours) to retain workforce; instead, the government is approached to bend legislation in favour of the needs of large employers in local labour markets.

You ask me why sectoral dialogue doesn't work in Hungary... Due to large automobile manufacturers such as A or B. There is no appropriate legal environment which would force them to sit together and negotiate on the meso level [i.e. sectoral social dialogue]. For instance, the upper ceiling for extra working hours could have been negotiated. What did they do instead? They [the employer] walked into the sectoral ministry, they complained about their issues, and the law was modified. They submit their orders to the government and the Faculty of Law in X, and Y's legal office start working on their request and a new law is made. That's why there is no sectoral dialogue with the TUs. They are not forced to talk to us. This is how it was before 1990, even though the situation was not as evident and strong [clearly defined] as it is now...' (trade unionist, D.6.5-2)

This tendency remains after the COVID-19 pandemic, as after the emergency situation was called off, special regulations were enacted to deal with the aftermath of the outbreak. Act LVIII of 2020 upheld the possibility for employers to unilaterally introduce a 24-month working-time banking scheme, which was one of the special provisions of the emergency labour laws.<sup>14</sup>

When speaking of the major barriers and opportunities to sectoral representation, as illustrated through a case study of the automobile industry, several factors need to be accounted for. The latter is a sector with significant weight and importance in the national – and global – economy (generating 10 per cent of yearly GDP in Hungary),<sup>15</sup> which has also been affected by the increasing labour deficit in the region. In the pre-pandemic context, the bargaining position of collective representation, including independent factory unions, works councils, and large nationwide unions spread across the metallurgy sector, was perceived to be relatively strong in terms of workers' representation. However, the fragmented landscape in the automobile (and metallurgy) sector did not help the cause, as pointed out by the different union representatives.

This fragmentation is often lamented as being the factor that prevents different pro-actors from joining forces. One of the large union's representatives, while acknowledging the need for sectoral cooperation and thus representation, admitted the lack of willingness at the top level of leadership: 'There is an increasing need for sectoral collective agreements, especially in the automobile industry. This can't take place without the XY union [names an independent union], or without ZY union [the biggest union in the sector] either; the two unions should

14 Government Decree 104/2020 (VI.10.) on working time. Formerly, following Articles 16 and 18 of Directive 2003/88/EC on working time the reference period for working time banking longer than four months was to be decided by collective agreement (Section 94 of the Hungarian Labour Code). The newer government decree overwrote this rule.

15 Hungarian Central Statistical Office, [https://www.ksh.hu/docs/hun/xstadat/xstadat\\_evkozi/e\\_oia004b.html?f-bclid=IwAR2j4Nj7AuH907i7kIs4pFfFVAD17Ltz8dChDOth3KS5C4BWhGYDqiFW5Sw](https://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_oia004b.html?f-bclid=IwAR2j4Nj7AuH907i7kIs4pFfFVAD17Ltz8dChDOth3KS5C4BWhGYDqiFW5Sw).

cooperate... But unfortunately, our leadership doesn't see the need for it yet...' (an employee of an office in charge of transnational cooperation; D 6.5-1.1). As one of the union representatives pointed out, collective agreements are a regular topic of discussion. As argued on the TU side, they would be in the interest of both employers and employees, leading to more stable and reliable industrial relations. 'We have been saying for a long time that we need a multi-employer collective agreement on the enterprise level.<sup>16</sup> This would serve the interests both of employees and employers' (D6.5-2).

Why multi-employer agreements are not concluded in this sector is related to multiple factors: malfunctioning industrial relations on the national level, a lack of transparency on the governmental side when it comes to individual 'deals' with some of the major employers (German car manufacturers), legislation that favours employers and permits TUs minimal scope to manoeuvre. Even when the economic situation – associated with significant labour shortages emerging in different sectors of the industry – points to the good bargaining position of workers' representation, these one-off chances are not capitalized upon on a sectoral level, but only through individual deals on a plant level. A similar pattern has recently been noted with Romanian industrial relations (Vallasek & Petrovics, 2019)

Moreover, beyond the sectoral level, certain aspects of regional or transnational characteristics emerge during emblematic moments in these relations, such as during wage negotiations at the major Hungarian plants involved in automobile production. During these wage negotiations of the last two or three years, a clear CEE context has emerged, involving comparisons of Hungarian workers' wages to those paid in the plants of neighbouring countries being the basis of wage demands.

Salaries are the highest in NN factory in a Hungarian context, but it turns out that in the XY concern they are the lowest...We work sincerely, with good quality, and still get the lowest wages. This is all what it's all about. The tension came from this, too; the factory did not want it [industrial action] to become a trend. Because last year it happened in Slovakia, or was it the Czech Republic? The Hungarians have accepted that they will never have German wages, but will not swallow the fact that the Hungarian worker is not worth a Slovak or a Czech one... (D6.5-6)

Data suggest that salaries in the CEE region indeed differ; the variation in the gross average monthly salary in the automotive industry ranges from EUR 472 in Ukraine, EUR 801 in Serbia, EUR 1,145 in Hungary, EUR 1,326 in Croatia, EUR 1,470 in Slovakia, EUR 1,561 in the Czech Republic, to EUR 1,545 in Slovenia.<sup>17</sup>

To add to the complexity of the picture, the automobile industry began facing labour shortages during the pre-COVID context and is undergoing a major transformation due to technology changes (related to the shift from traditional petrol-driven cars to electric ones) and due to the increase in robotization and the variation in demand for labour qualifications. The pandemic situation with lockdowns temporarily halted production lines, changed the distribution of labour, and limited the mobility of workers. Moreover, due to the govern-

16 Multi-level collective agreements are concluded with a trade union and an employer's interest representation organization and cover all employees of the contracting employer(s); however, these are different from sectoral-level collective agreements, which are concluded by sectoral collective bargaining committees and cover the whole industry sector, not only the contracting parties' employees.

17 <https://www.paylab.com/newsroom/growing-pressure-on-automotive-industry-wage-growth-in-central-and-southern-europe/50291>, Hungarian Central Statistical Office, <http://www.salaryexplorer.com/salary-survey.php?loc=54&loctype=1&job=10&jobtype=1>.

ment's special powers to tackle the COVID-19 crisis, the government was able to unilaterally adopt measures that directly affected labour law. Employers received the right to modify work schedules that had already been announced;<sup>18</sup> employers could unilaterally order employees to work from home or to work remotely; employers had the right to take necessary and justified measures to check the health of employees. During the state of emergency, parties were allowed to freely change labour conditions and wages by modifying labour contracts. This provision allowed for deviations from the Labour Code, including from binding legislative provisions which conferred more extensive rights and greater protection for employees, such as those related to rest periods or damages.<sup>19</sup> It is argued, however, that this interim regulation favoured the unilateral desire of employers to modify the content of labour contracts, as the individual bargaining power of employees is rather weak. As long as the decree was in force, the provisions of collective agreements that permitted derogation from the rules set out in Section 6 could not be applied.<sup>20</sup> Employers were also able to expand the reference period for working time banking unilaterally.<sup>21</sup> This was another major hit to trade union rights that followed the above-mentioned 'slave act', as formerly this type of derogation was subject to collective agreement. Amendments made either unilaterally or by mutual agreement were in force until the conclusion of a period of thirty days following the end of the state of emergency. However, after the state of emergency was lifted, the law reinforced the extended reference period for working time banking and stipulated that collective agreements that regulated this issue were not applicable. Since the government provided significant financial support for the automotive industry in 2020 right after the end of the official state of emergency in order to create new jobs, these employers will probably not be keen to bargain collectively – and in the meanwhile, they will expect industrial peace to be ensured by the government.

## 5. Collective action

The right to organize a strike is guaranteed by the Basic Law of Hungary and Act No VII of 1989 on Strikes. Strikes may be organized to protect the economic and social interests of employees. Although it is a right of employees, strikes are usually organized by trade unions, while holding solidarity strikes is the exclusive competence of trade unions. The Act on Strikes was amended in 2010 to the detriment of trade unions and employees. Amendments concerning minimum service level<sup>22</sup> created a two-tier regulatory system. In some sectors, the minimum service level is defined by statutory norms.<sup>23</sup> In other fields, parties have to agree on the minimum service level. If their negotiations fail, the labour court defines the level following the last offer of the employer. The court process is very sluggish in practice, even though the

18 Labour Code section 97 para (5).

19 Normally only collective agreements may lead to derogation from rules about employment relationships that are to the detriment of employees. See Art 277. of the Labour Code.

20 Government Decree No 47/2020 (III. 18.) section 6.; for the full text in English see: [https://njt.hu/translated/doc/J2020R0047K\\_20200319\\_FIN.pdf](https://njt.hu/translated/doc/J2020R0047K_20200319_FIN.pdf); opposition politicians filed a claim at the constitutional court to abolish the decree, arguing that the unlimited scope given to employers and employees to deviate from the binding rules of the Labour Code was unconstitutional and infringed several EU regulations and directives, such as GDPR (case no. II/00887/2020); however, it is unlikely that the constitutional court will decide on the merits, as the piece of legislation questioned is no longer in force.

21 Government Decree 104/2020 (VI. 10.).

22 Businesses that carry out essential public services are required to provide a minimum level of service during strikes. No statutory norm defines the individual scope of this regulation; it is decided on a case-by-case basis by courts.

23 At the moment, two areas are covered by the law – public transport and postal services.

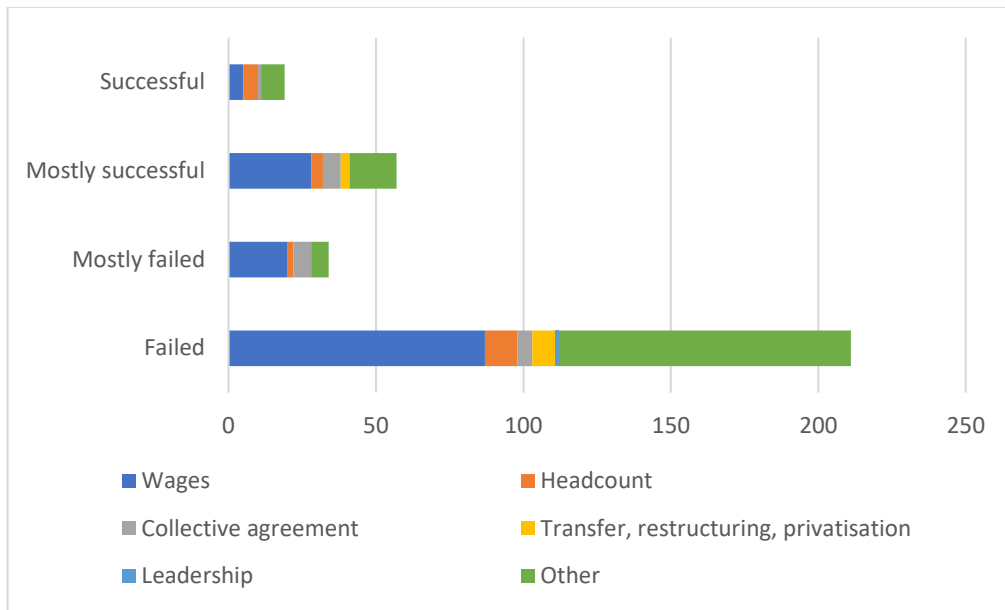


Figure 6: Effectiveness of collective action by type of demand; source: Berki, 2019.

law proscribes a short, five-day procedural deadline.<sup>24</sup> In many cases, a final decision takes months, or even half a year, which makes striking meaningless, as demands become obsolete. As an interviewee explained:

We informed the employer about our demands together with the proposed days of the strike in September 2019. The employer disagreed with our proposal, thus, the court procedure started. The formal deadline for decision making would have been 31 October 2019. When no decision was made, we filed a complaint at the end of November, but the court rejected it. The first instance decision was eventually delivered on 24 January 2020, by which the court decided that our proposal for minimum service level provision was not appropriate, as potential changes in the weather were not taken into account, and the required service level could increase in the case of bad weather. Both parties asked for a revision, and finally the second instance decision was delivered in May 2020, prohibiting the strike altogether due to the COVID-19 situation, as strikes cannot be organized if public safety and health is threatened. (D6-5-6)

No doubt, the strike would have been organized lawfully if the court decision had been rendered in time.

While the minimum service level has not been decided, a strike cannot be lawfully organized. Therefore, the newly introduced system has had a coercive psychological effect on trade unions because the burden of engaging in potentially unlawful action on organizers is overly heavy. The amendments have had a detrimental effect on the number of strikes: between 2010 and 2019 a total of 341 instances of collective action were organized, only 64 of which were strikes or warning strikes.

Due to the uncertainty about the lawfulness of collective action and the administrative burden related to the court process, civil organizations prefer to organize activities other

<sup>24</sup> Act CXVIII of 2017. Section 1. para (1).

than striking – mostly marches, which are governed by the act on freedom of assembly.<sup>25</sup> These alternatives are significantly less effective than strikes. While employees' demands are rarely fulfilled completely, strikes and warning strikes are the most effective means of protest: around 60 per cent of them have led to at least partial success (Berki, 2019). (Figure 6).

Against this legal and institutional background, it was rather surprising that strike activity significantly increased in 2019. In that year, 16 strikes were organized, significantly more than the number of actions that took place in previous years. The proportion of collective action organized by trade unions has been growing: in 2019 it was 75 per cent. In 48 cases, more than one trade union took part; however, only one action was organized by a trade union confederation (Berki, 2019) (Figure 7; 8).

Data suggest that most collective action is aimed at increasing wages. Even though the national average wage grew by 81 per cent between 2010 and 2019,<sup>26</sup> it is not evenly distributed among workers. The statutory minimum wage has increased year by year; however, it does not have an upward effect on the whole wage structure. Experts suggest that about half of the active population earn less than average, and about 1.1 million workers are on minimum wage, which is approximately 24 per cent of all employed people<sup>27</sup> (Berki, 2019, pp. 7-8). This unevenness creates huge tension between workers, especially in situations when due to labour shortages employers need to hire new staff for significantly higher wages than those of employees who have a longer period of service. Labour shortages have become a severe problem for employers in the past few years as it is estimated that about 400,000 qualified workers have left Hungary to work abroad. To handle this challenge, third-country nationals have been increasingly hired – mostly from Ukraine, Serbia, and Mongolia. However, due to cultural differences and hidden costs such as travel and housing allowances, this solution does not in many cases solve the problem but creates new ones. As a trade union leader claimed: 'employees [from third countries] who work for our suppliers make a lot of waste [...] even if they are a lot cheaper than locals, it [this approach] is a dead-end [...] and there are many cultural problems with them too' (interview with a local TU representative; D 6.5-3).

Against this background, the automotive sector was hit by a wave of strike action in 2019. In January, the internal trade union at the Audi plant in Győr (AHFSZ) called for a strike that paralyzed not only the Hungarian but the German production site as well. After the 156-hour strike, which was the longest one since the 1990s, AHFSZ partially achieved their demand for an increase in wages. When production in several European locations was also threatened, the carmaker agreed to an 18 per cent increase in wages.<sup>28</sup>

In March 2019, workers at Korean tire maker Hankook's plant in Dunaújváros, central Hungary, started a strike over remuneration that was supported by more than 80 per cent of workers. Hankook's management flatly rejected the trade union's demands and strongly harassed and intimidated strikers, then offered 50 per cent wage increases for those who broke the strike. A lack of good faith bargaining led to a two-hour warning strike on 6 March that caused the company to increase pay by 13.6 per cent; however that increase was awarded without direct discussion with the union. A full strike began on 12 March, involving demands for a higher and more evenly distributed increase to pay and benefits, and lasted for 10 days. Strikers received wide solidarity support from unions in Hungary and abroad. The overall

25 Act no. LV of 2018 on freedom of assembly.

26 Central Statistical Office of Hungary: [https://www.ksh.hu/docs/hun/xstadat/xstadat\\_hosszu/h\\_qli001.html](https://www.ksh.hu/docs/hun/xstadat/xstadat_hosszu/h_qli001.html).

27 Central Statistical Office, Hungary: <https://www.ksh.hu/docs/hun/xftp/gyor/fog/fog1906.html>

28 <https://www.reuters.com/article/us-audi-hungary-strike/audis-hungarian-workers-end-one-week-strike-trade-union-idUSKCN1PO2D0>

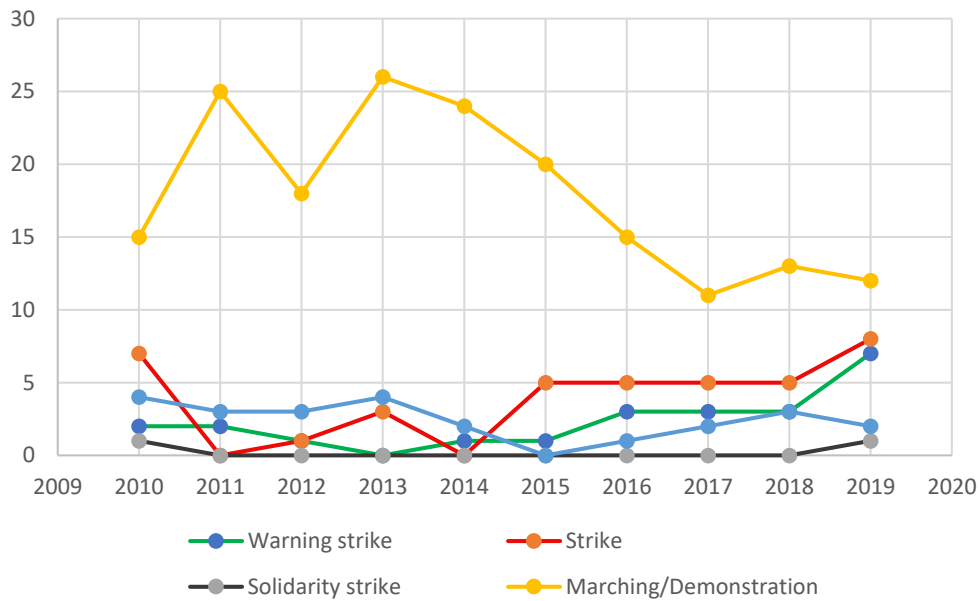


Figure 7: Number of collective actions by type of action; source: Berki, 2019.

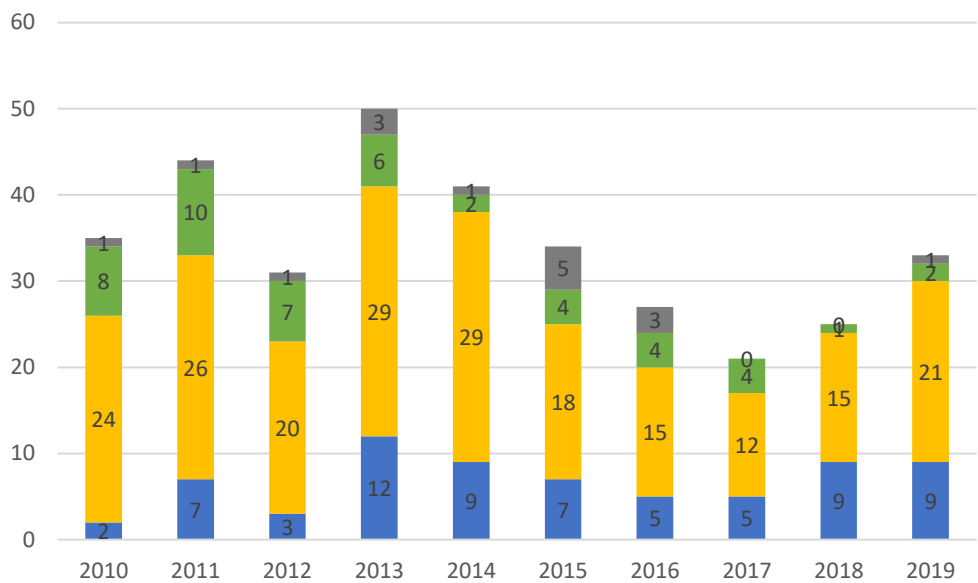


Figure 8: Number of collective actions by organizers; source: Berki, 2019.

gains successfully negotiated for workers combine different improvements that add up to an average of an 18.5 per cent increase.<sup>29</sup> In Kecskemét, workers at the Daimler plant won an increase in wages of over 20 per cent. At Mercedes, a two-year wage agreement was concluded following long negotiations between trade unions (the Union of Metal Workers and the Free

29 The settlement included a 6 per cent increase in the shift allowance for all, improvements in the annual personal bonus, a raise in the seniority loyalty bonus, and a fairer distribution of wage increases. <http://www.industrial-union.org/vdsz-historic-hungarian-hankook-strike-settled-with-major-gains>.

Trade Union of Engineers and Technicians) with the employer increasing the basic salary by 35 per cent over two years.<sup>30</sup>

Interestingly, even though tension was very high, employers refused to negotiate with trade unions or employee representatives in most cases, clearly demonstrating the spill-over effect of the national-level social dialogue. At the Hankook plant, instead of bargaining employers provided unilaterally created wage schemes for employees that were at first rejected by the trade union. Audi's local management also delayed negotiations until the Hungarian strike started affecting production in Germany, which resulted in one of the longest work stoppages of the past 30 years.

Employees and trade unions were not only very determined to win higher wages, but in certain cases the latter created a solidarity fund to pay social aid to those who were on strike and therefore would not receive wages for those days when work was stopped. Partially due to this, trade union membership significantly increased during the strikes; for example, the number of members of the independent trade union at Audi increased to 9,300 from 8,700.<sup>31</sup> The sudden increase in organizational membership gave high hope to certain trade unions and a wave of mobilization started in the metallurgical sector right after the successful Audi and Hankook strikes. On the one hand, the successful strikes sent an alarm signal to other TNCs. Some of the big players willingly engaged in bargaining with trade unions to avoid strikes; successful wage negotiations were reported at Robert Bosch and Mercedes-Benz factories. On the other hand, some players in the sector did not change their strategy and successfully continued to reject negotiations, despite the strike threat; no collective bargaining took place at Starters E-Components Generators Automotive Hungary or Thyssen-Krupp, even though workers are organized by the same union which achieved a good deal at Hankook.<sup>32</sup> The toughest situation arose at the Suzuki plant, where the trade union leader was dismissed with immediate effect, and the management announced a new wage scheme that bypassed the trade union.<sup>33</sup>

It is agreed that demands for representation are more or less present, although some TU representatives admitted that the specific scenario of a labour shortage before the pandemic was a natural law of business that worked for employees (Hepple, 2005). If labour conditions are not sufficiently good, and salaries are too low, workers can just walk away. Even if new labour is hired in their place, the qualifications of the latter will typically be inferior, leading to negative impacts on production and quality, thus replacing staff does not make economic sense for employers. This was roughly the logic in the case of the two major strikes in the automobile industry in 2019 and the foundation of workers' bargaining power, and ultimately, the satisfaction of their demands.

## 6. An alternative to collective bargaining: Third-country nationals as temporary agency workers

It is often reported that employers try to prevent the raising of salaries and get away with poor working conditions by employing subcontracted labour or third-country nationals. Subcon-

30 News release: <https://fr.reuters.com/article/idUKKBN13J1CO>

31 News release: <https://partizan.merce.hu/2020/05/01/suzuki-szakszervezet-eltiprasa-tortenet-kirugtak-partizan-dokumentumfilm/>.

32 News release: [https://www.napi.hu/magyar\\_vallalatok/no\\_a\\_feszultseg\\_a\\_magyar\\_bosch-nal\\_is\\_berharc\\_a\\_jarmuipari\\_cegeknel.677774.html](https://www.napi.hu/magyar_vallalatok/no_a_feszultseg_a_magyar_bosch-nal_is_berharc_a_jarmuipari_cegeknel.677774.html).

33 News release: <https://merce.hu/2020/02/26/egyoldaluberrendezest-hajtana-vegre-suzuki-a-szakszervezet-magasabb-fizetesert-targyalna/>.



tractors are typically made to bid against each other, which leads to cutbacks in salaries, as in terms of costs other components of bids are difficult to reduce.

Since Hungarian wages are still much higher than those in Ukraine or Serbia, employers – although they face many challenges – are not forced to increase domestic salaries as they can hire ‘cheaper’ foreign workers. This creates an additional impediment to trade unions when they fight for higher wages and better working conditions. Moreover, the above-mentioned ‘slave act’ provides that employees can ‘voluntarily’ take on extra overtime. Due to this amendment, the annual amount of overtime that is permissible has been increased from 250 hours to 400 hours.<sup>34</sup> Voluntary overtime is definitely more beneficial for those employees who are temporarily working away from their families, thus free time is less valuable for them than an overtime allowance.

Despite the political rhetoric of the Hungarian government, which is headstrong about preventing immigration, gentle concessions behind the scenes have been made in the area of imported foreign labour. Since 2016, the employment of third-country nationals has been considerably less bureaucratic than before: the finance minister can decide on the number of people who may be hired without a working visa. The number of third-country nationals who can be employed in Hungary is around 55–59 thousand people per calendar year.<sup>35</sup> However, it is estimated that the actual number of third-country workers is much higher, at around 75 thousand people.<sup>36</sup> These labourers or ‘agency workers,’<sup>37</sup> typically from neighbouring non-EU countries such as Ukraine and Serbia, but more recently even from the Far East, including countries such as the Philippines, Bangladesh, India, and Mongolia, have been brought in to ease the labour demand in some sectors via agencies that recruit and ‘sell’ labour to specific employers. In the automobile industry, the latter agencies are typically used by sub-contractors on a temporary basis. During the COVID-19 outbreak, when production lines had to be stopped and the need for labour force subsided, they were the first to be dismissed and ‘shipped back’ to their respective countries.<sup>38</sup>

It seems from our interview data that the TUs are not very interested in organizing this foreign segment of the workforce for various reasons. First, agency workers stay only temporarily in the host country, and their loyalty toward unions (or employers) is therefore questionable; second, as they are not permanently involved in the host country’s labour market, they do not constitute competition for domestic workers; third, they are difficult to organize for many reasons, such as cultural differences like the language barrier (Meszmann & Fedjuk, 2020). As one of the TU representatives put it: ‘There are serious cultural problems with the Serbian, Ukrainian, and Mongolian workforce’, by which the former means the additional costs and ‘hidden risks’ involved in employing people from abroad. ‘If they [employers] don’t pay the market price

34 Labour Code (Act I of 2012), Section 2 Art. 109.

35 Announcement by the minister of finance, Official Gazette, 2019/7 (II. 14.).

36 A news release about the conference of the Hungarian Economists Society: [https://index.hu/gazdasag/2020/03/05/munkaeropiac\\_kulfoldi\\_munkavallalok\\_munkaerohiany/](https://index.hu/gazdasag/2020/03/05/munkaeropiac_kulfoldi_munkavallalok_munkaerohiany/). The speakers also argued that the National Bureau of Employment refuses to provide statistics about migrant workers.

37 Temporary agency employment is when a worker is employed by a temporary work agency and is then hired out to undertake work at (and under the supervision of) the user company. There is considered to be no employment relationship between the temporary agency worker and the user company, although there may be legal obligations of the user company to the temporary agency worker, especially concerning health and safety. The relevant labour contracts are of limited or unspecified duration, with no guarantee of continuation. The hiring firm pays fees to the agency, and the agency pays the employees’ wages (even if the hiring company has not yet paid the agency). Flexibility for both worker and employer is a key feature of agency work.

38 News release: <https://www.promenad.hu/2020/03/12/koronavirus-utazgathatnak-e-a-vasarhelyi-vendegmunkasok-es-szurik-e-oket/>.

for the workforce, additional costs quickly emerge such as accommodation costs, or additional costs linked to ‘special workers’ [a category defined in Hungarian labour law to define employees aged over 65, people with physical challenges, women returning after maternity leave etc.]’ (D6.4-5). As the same TU representative summed it up, the main problem with ‘agency workers’ is their ‘low level of loyalty’ to the company and greater turnover (D6.4-5). One can, of course, reverse the conclusion and ask how loyal an employee should be expected to be after two or three months of agency work associated with a minimum level of job-related safety and a constant threat of being laid off at any time. Fluctuation is a consequence of such work, not a cause – it is characteristic of the vulnerable situation of ‘agency workers.’<sup>39</sup>

Hence, it is more or less clear from these interview excerpts that large unions do not want to deal with agency workers as their situation is unstable and perhaps not worth fighting for, and also because there are still relatively few of them and they are used as a buffer in volatile production situations when the labour demand of a sector/ particular plant keeps changing rapidly. Even though the EU directive on temporary agency work<sup>40</sup> stipulates that Member States may provide that, under conditions that they define, temporary agency workers count when calculating the threshold above which bodies representing workers provided for by Community and national law and collective agreements are to be formed in the user undertaking in the same way as if they were workers employed directly for the same period of time by the user undertaking,<sup>41</sup> the Hungarian law renders that only employees directly employed are counted.<sup>42</sup> Therefore, trade unions ultimately protect regular, domestic workers and are not interested in putting extra effort into organizing agency workers (Benassi & Vlandas, 2016; Benassi, Dorigatti & Pannini, 2019).<sup>43</sup>

## 7. Transnational industrial relations

Since the 1970s, various mechanisms, processes, and institutions have appeared within the framework of the European Union to promote transnational social dialogue (Ales et al., 2006). However, many problems related to international collective bargaining remain as unresolved now as they were at the start. As Otto Kahn-Freund pointed out, industrial relations are power relations, and while most of the issues related to national industrial relations have been sorted out, they recur on the European and international level. Rojot argues that in the relationship between trade unions and employers’ associations these issues are similar, regardless of their geographical location (Rojot, 2013).

The first and most important issue is related to the transmission of power, which also affects bargaining power. National and local unions are not yet ready to empower their international federations, while international federations are unable to demonstrate sufficient bar-

39 According to the Hungarian Labour Code, agency workers can be dismissed if the user company terminates the commercial contract; their salaries do not need to be equal to those of permanent employees until the 184th day of their assignment; and their entitlement to severance payment is subject to the length of service at the last assignment (sections 2019-220 of the Labour Code).

40 Directive 2008/104/EC of the European Parliament and of the Council of 19 November 2008 on temporary agency work OJ L 327, 5.12.2008, p. 9–14.

41 Directive 2008/104/EC of the European Parliament and of the Council of 19 November 2008 on temporary agency work; Article 7.2.

42 Labour Code section 276 para (2) point a).

43 Although it is a general trend in Europe, it is noteworthy that in Germany collective agreements have been concluded about agency work in the metalworking sector, where labor is strong and united (see Jaehrling, Wagner & Weinkopf, 2016).

gaining power. Had they been able to build up enough bargaining power, there would have been memorable international collective actions, such as strikes or boycotts – Rojot states. On the employers' side, it is argued that management has no power to control its entire network of subcontractors and cannot influence decision making related to the workplace further down the supply chain. These power-related issues are strongly connected to the question of legitimacy. If bargaining were eventually to take place, it would be difficult to clarify who should bargain and for which constituency. Both trade unions and employers' associations are divided by national, political, and industrial interests; therefore, it is always doubtful whether an organization can sincerely represent another one during negotiations. This ideological division can be seen in the case of Hungary.

A further problem raised by transnational collective bargaining is the enforceability of transnational company agreements. Enforcement may be broken down into three interconnected issues. The first is that transnational company agreements are generally not legally binding. Based on national law, they could be treated as valid agreements; however, there are quite different traditions of industrial relations across Europe concerning the legal characteristics of agreements, especially collective agreements (Schiek, 2005).<sup>44</sup> Second, to this day there is no international forum at which transnational company agreements may be contested. Furthermore, third, there is no legal international remedy.

Although to date there have been relatively few examples of complaints concerning international framework agreements, in January 2019 IndustriALL<sup>45</sup> suspended its global declaration on social rights and industrial relations at automotive company Volkswagen for the reason that the enterprise refused to allow workers at one of its plants in the United States to join a union.<sup>46</sup> This example demonstrates that any complaints that are raised are often related to breaches in the provisions of agreements on freedom of association and the right to collective bargaining. Since these agreements serve to promote key features of the respective national models of social partnership and cooperative industrial relations, they are more relevant to companies that have headquarters located in social market economies where collective interest representation is the basis for the regulation of work and the labour market. It is therefore not surprising that the spread of framework agreements has so far remained quite limited among transnational enterprises. Accordingly, the voluntary nature and the lack of remedy seriously question the actual impact of international framework agreements.

Cross-border collective bargaining emerged with the European Monetary Union (EMU) to avoid a race to the bottom in wages due to international competitiveness. The creation of the EMU and the requirements and constraints regarding the coordination of collective bargaining can be seen as the main driver for developing wage coordination at the EU level (European Parliament, 2011).

Absent of any European legislation, TCB has continued to develop in a legal vacuum. The spontaneous forces that have emerged, however, have been more beneficial for management than labour (Senatori, 2013). This may be explained by the power asymmetry between labour and management, as most of these transnational negotiations happened in the shadow of the economic crisis when job losses were at stake (European Parliament, 2013). Workers were played off against each other, and forced to agree to accept lower wages and detrimental

44 For example, in the UK a collective agreement is assumed to be voluntary and not legally binding unless it is set out in writing and contains a statement that the parties intend it to be of legal effect.

45 IndustriALL Global Union represents 50 million workers in 140 countries in the mining, energy, and manufacturing sectors.

46 <http://www.industriall-union.org/industriall-suspends-global-agreement-with-volkswagen>

working conditions. Employee representatives, such as trade unions and European Works Councils, were forced to reframe their traditional sets of goals and redefine collective interests, shaped around a pluralistic notion of solidarity (Sciarra, 2010). Globalization has not empowered workers and trade unions as much as MNCs have benefited from it. As trade unions are usually constrained by their national laws, instead of seeking international partnerships they have no other choice but to follow a nationalist-protectionist strategy (Kagnicioglu, 2013).

A different type of logic was represented by a Hungarian TU representative who argued that the interests of the German and Hungarian workers coincide, inasmuch as the earlier achievements of German trade unionism now need to be defended on the semi-peripheries of Europe where German capital tries to find cheap(er) labour under worse working conditions. If these 'double standards' are allowed by local TUs, it will have – or already has had – a negative impact on achievements regarding workers' rights in the 'mainlands' (TU representative; D 6.5-1).

Hungarian interests are identical to German ones, as the latter ones need to be defended right here. When we fight against the precarity of the Hungarian worker when we defend wages, then our interests are the same. It is weird to say, but ultimately, we are reducing the marketability of our country, or at least we are making it into more difficult terrain. A lot of things are being tried out here by the Germans and taken back as examples of best practice to Germany. You don't want to work 35 hours a week? Okay, but I will make them work in Hungary for even 48 hours a week. I will take production there. The blackmailing potential of the company will increase this way. They will transfer some of the shifts here, and sooner or later will close down production [in Germany]. IG Metal has its basis among blue-collar, not among white-collar workers. They try to guard the basic values that were fought for 10 or 20 or 30 years ago. (employee working for the office for international cooperation at a major TU; D 6.5\_2020\_01)

Another TU representative was slightly more cautious about adopting the German model, pointing out the different socio-economic traditions of the two regions (Germany and Hungary) – and the cultural differences too. 'There is no footprint in front of us in the snow, and we don't know how this is going to work out – if the German practice can be transferred here, and if cultural differences can be fought against. But it seems it can work...' (D6.5-6).

Since the automobile industry has become a leading sector in several countries of the region, including in Slovakia, the Czech Republic, Poland, and Romania, it seems almost evident that a certain degree of knowledge sharing and mutual learning is taking place among the TUs in these countries, resulting in regional transnationalism. The biggest Hungarian TU in the automobile industry is part of several transnational, European-level, world-wide movements, as well as regional collaboration in the metallurgical sector. They also maintain bilateral relations with their Swedish and Danish counterparts; the latter seem to involve a lively working relationship on a day-to-day basis. The so-called *Vienna Memorandum* refers to TU cooperation between Slovak, Czech, Austrian, and German TUs, involving regular meetings and joint strategic planning. The near future, with rising economic instability and rapidly increasing unemployment rates, will definitely call for not only stronger sectoral and national industrial relations, but also for clear regional TU strategies, envisaged both from below (local unions) and from above (from pre-existing and emerging transnational structures). While in the period succeeding the economic crisis of 2008 plant-level negotiations proved to be the most effective, and often the only way of engaging in real social dialogue, the current situation needs more sectoral solidarity and solidarity beyond state borders. Fragmentation on multiple levels works against labour interests and will deepen the crisis.

## 8. Conclusions

As the Hungarian government has systematically bypassed social partners in decision-making processes, it was not surprising that emergency decrees were enacted without any form of consultation. The first state of emergency was formally lifted in mid-June 2020; however, revocation of the special powers was illusionary, leaving the authorities with enhanced powers.<sup>47</sup> First, a ‘coronavirus protection act’ adopted by parliament on 30 March enabled the cabinet to rule by decree until it decided to end the state of emergency. Second, regulations that weakened the bargaining positions of social partners remained in force; by lifting the binding power of collective agreements regarding certain issues, the government reinforced the message that social partners are unimportant and could be belittled when employment conditions are being settled. This approach further increases the power imbalance between employees and employers in the automotive industry, where wages and employment conditions have been subject to market forces rather than social dialogue. The crisis has already had an impact on the employment rate: more than 110 thousand people lost their jobs during the pandemic, and the unemployment rate had increased from 3.8 per cent to 6 per cent by June 2020. If employees are left without collective protection in times of recession, their precarity will drastically increase, deepening the social and economic crisis in the country.

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<sup>47</sup> Even though the government eventually revoked the Enabling Act (Act LVII of 2020 and Government Decree No. 282/2020 (VI. 17.)), this unprecedented concentration of power has further weakened social dialogue and allowed the government to adopt labour market measures that bypass social partners.

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