

FOREWORD BY THE EDITORS

The original goal of our labour market yearbooks is to review annually the main developments in the Hungarian labour market and to give an in-depth analysis on selected key issues. The subsequent chapters of this volume present “stylised facts” and recent research results, together with selected information and statistical data. Our further intention is to guide readers in finding other relevant publications and reliable statistical sources. Experiences accumulated through the publication of the previous volumes (six in Hungarian and four in English) and their reception in Hungary and abroad validated our original idea and gave us the encouragement and stimulation to enhance both the contents and the quality of the new volumes.

1. Labour Market Trends in Hungary, 2005

Similar to previous volumes the opening chapter gives an overview of recent labour market developments and employment policies. The author analyses the latest developments in labour force activity and wages in the Hungarian labour market and gives a brief overview of the main trends over the previous year and the factors shaping these trends. It concludes by considering the top priority that national labour policy might follow. The chapter discusses the main aggregate variables of the Hungarian labour market, breaking down, through different dimensions: gender, regions, age and education. The brief analysis touches on the sectoral breakdown of employment and unemployment (industry, agriculture and services), the changes in unemployment duration and the working intentions of non-participants. In conclusion the author try to capture the trends of gross and net wages in different dimensions .

2. In Focus – Industrial Relations in Hungary

A yearbook series exploring labour market evolution in terms of demand and supply should not overlook forces and institutions which are not directly mar-

ket-like. The legal environment, employment policy or industrial relations are decisive for the working of the labour market. The relationships between employees, employers and the state, the bipartite and tripartite negotiations and agreements of trade unions, employers' organisations and the government largely influence wages, employment and conditions of work – differently, by countries and times, as historical and present-day evidence illustrates.

The *In Focus* section of this year's *Hungarian Labour Market volume* can hardly give a comprehensive, monographic answer to these questions. Its humble goal is to give an overview of industrial relations' developments in Hungary over the past decade. This particular span of time was chosen because on the one hand several reviews of the period up to the mid-1990s have been published (*Ladó-Tóth* 1996; *Borbély* 1999; *Koltay* 2000) and on the other hand the middle of the 1990s can be regarded as a turning point both in the economic processes and in the system of industrial relations.

The economic growth that began after the “transformational recession” and the subsequent macroeconomic stabilisation clearly opened up new prospects for the consultation and negotiations of social partners. By that time, plural trade unions and employer organisations – the successors of the old-regime organisations and new ones – were more or less over their bitter in-fighting over issues of legitimacy, and the new system of relations, at just about the same time, had also solidified. The failure to reach a *social pact* (Social and Economic Agreement of 1995) made the constraints of macro-level interest reconciliation obvious. The role of collective labour law institutions in companies had also crystallised at the micro level too.

Similarly to previous volumes of the yearbook, *In Focus* primarily relies on recent items of research. Its purpose is not to fill research gaps but to both arrange systematically and link analyses chosen by the editors in order to give the most comprehensive possible overview of industrial relations as they have developed in the swirls of the transition to a market economy. We do hope that from different angles and with a variety of tools the chapters in the volume lead to converging conclusions, occasionally pointing out the specific opinion of the respective authors if different. It is our intention to provide the reader with a picture more clear-cut and more detailed than before of the relations between employees, employers and the government.

Essentially, *In Focus* chapters uphold the established views and evaluations (based among others on earlier writings by the authors of this volume's *In Focus*) on decentralised wage determination; the limited scope and regulatory power of collective agreements; the survival of informal bargaining at the workplace; the dominance of unilateral employers' decisions and of direct market factors; the decline in organised labour; the fragmented nature of employee and employer organisations; the increasing individualisation in industrial relations. The same holds true with regard to the weaknesses of the

intermediate, i.e. the sectoral level of industrial relations, discussed extensively in the volume, among others in the context of EU membership.

The *In Focus* chapters are arranged in four parts. The first, dealing with the Hungarian social partners starts with analyses of employers' associations and trade unions: how they are organised, what their interest advocacy policies are and their financial and human resources. The chapter on employers' organisations gives an overview on memberships, internal structure and typical interest representation strategies as well as financial resources for operations. Further, it covers the duality of representing business and employers' interests, authorisation of employers' organisations to negotiate with partners, the role of services they provide and finally their relationship with the economic chambers. The chapter on trade unions discusses in detail the most important features of the Hungarian union movement, such as membership size, the internal structure and conflicts of confederations and sectoral federations, financial resources, typical representation strategies of unions and how they retain and organise membership.

Following the introduction of the actors, the three chapters of the second part focus on the intermediate level of industrial relations. The first chapter puts under scrutiny regional industrial relations, namely County Labour Councils. The Councils are important in two ways: on the one hand they directly influence the working of the labour market through their role in distributing resources allocated to employment policy funding; on the other hand they act as a vehicle for the participation of the social partners in decisions on the distribution of various EU funding and on the strategies of vocational training. The second chapter describes the sectoral social dialogue committees, the setting up of which has undoubtedly been the most important institution building development over the past two or three years. These brand new sectoral fora, have hardly, as yet, started to function but trade unions already regard them as a potential arena for negotiating sectoral collective agreements. At the same time, both sides intend to use these fora for consultation and lobby activities to influence the economic regulation of the sector and potentially, if only indirectly, sectoral employment as well. The next chapter addresses industrial relations in public services (civil servants and public employees). It outlines institutional developments at the sectoral and national level in this area as well as the achievements of collective negotiations. The primary focus of this chapter is the analyses of wage increases (with a special emphasis on the 2002 wage hike for public employees), and strikes and demonstrations in public services.

The next part is devoted to collective bargaining, traditionally the most important issue of industrial relations. The first chapter examines the penetration and the various levels of collective agreements in Hungary as well as the changing contents of the agreements – as far as is possible using the available

statistics. Following this a case study is presented of bargaining activities in a special sector: public road transportation. The peculiarities of this sector include not only frequent strikes, service providers in a monopoly position, but also maintaining state ownership, with all its controversies. Focusing on the trade unions' role at company or workplace level, the third chapter on collective bargaining examines to what extent collective agreements, individual deals and – if employees in a bargaining position are lacking – unilateral employer's decisions on individual wages, determine wages. The paper explains within a historical perspective how and why company level bargaining strategy of Hungarian trade unions coincides with the modern human resources policy of employers regarding wage flexibility.

The two chapters in the last part of *In Focus* deal with the latest developments of workplace interest representation. Based on the findings of a survey, the author of the first chapter presents the penetration, composition and operation of the works councils introduced in 1992, then points out the importance of European works councils at multi-national companies in Hungary. EWCs are a new phenomenon in Hungary as it became mandatory only when Hungary joined the EU to invite the representatives of Hungarian employees to the bodies working at the European company headquarters or to set up EWCs at the few multinational companies headquartered in Hungary. The chapter on the "individualisation" of industrial relations draws the readers' attention to the problems of workplaces without a trade union or those with a "soft" one. Partly from a theoretical point of view and partly based on experience, the author investigates in what way the informal wage and performance bargaining between workers and management has changed since the state socialist period, and how this change relates to modern human resources management of companies in their everyday shop-floor practices.

3. Changes in the Legal and Institutional Environment of the Labour Market

This chapter addresses the changes in the legal and institutional environment of the labour market in two parts. The first part presents the measures that were taken in 2004 – after the publication of the previous volume of the Labour Market Review – and which entered into force in 2005. The second part describes the new legislation and amendments that took place in 2005.

4. Statistical Data

The closing chapter presents a statistical data set, and gives comprehensive information on the main economic developments, such as demographic trends, labour force participation, employment, unemployment and inactivity, wages, education, labour demand and supply, regional differences, migration, com-

muting, and labour relations, together with some international comparisons and methodological remarks. Data on wage and earning differentials are also presented, along with labour market developments at the level of seven regions and twenty counties. Considering the “in focus” chapter of this volume a special sub-chapter has been included in this chapter which offers some tables describing the main characteristics of industrial relations in Hungary.