

3.2.1 Collective bargaining in businesses owned by central and local governments

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In 2011 there were 13,991 businesses in Hungary employing over 20 people each.* These are businesses in which it was realistic to establish collective agreements. Trade unions can conclude collective agreements, and unions are more likely to exist in public sector companies than elsewhere.**

The Information System of Labour Relations (MKIR), which rests on the mandatory requirement to report collective bargaining agreements, has a registry of 964 valid collective agreements at employers in the business sector (of which labour relations are regulated by the Labour Code.) (Table B3.2.1) This amounts to 6.9 per cent of the businesses employing more than 20 people.*** look at all collective agreements in existence shows us that 355 of them (26.4 per cent) are in the public sector (owned by central or local government).

In September 2013 there were a total of 65 multi-employer collective agreements, and the scope of two of them included public sector employers. Of the 18 sector-level collective agreements (concluded by employers' associations), the scope of three included public sector employers and one was an extended agreement (valid for all employers in the given sub-sector) which covered public ones as well.

* Source: *KSH*.

** According to research conducted within the TÁMOP 2.5.2 programme there are trade unions operating at about 15 per cent of employer premises, and within that, at 58 per cent of facilities owned by the government. Similarly, the public sector businesses stand out regarding the union density level, with average unionization at 22 per cent and public sector unionization at 43 per cent (see: *Neumann and Simonovits*, 2010, p. 53–55).

*** Please note that the real number of collective agreements is likely to be less than this, on the one hand because as of 1 January 2013 the agreements concluded with unions at lower unionization levels than 10 per cent were declared invalid, while on the other, the parties involved do not always comply with the obligation to register that their agreements had been terminated.

Table B3.2.1: Number of valid single-employer collective agreements in the business sector and breakdown by the owner of the business^a

Majority owner	Number of collective agreements	Breakdown (%)
Central government	135	14,0
Local governments	120	12,4
Private	709	73,5
Total	964	100,0

^a As of 8 September 2013.

Source: *Labour Relations Information System* (Munkaügyi Kapcsolatok Információs Rendszere).

This tells us that collective agreements are far more common in the public enterprises (central or local government owned ones) than in the business sector as a whole. However, the Labour Code (Act I., of 2012) that came into effect on 1 July 2012 limited opportunities to conclude collective bargaining agreements with public sector employers. The new law contains two sections with restrictions (Paragraphs 205 and 206), stating that collective bargaining agreements cannot deviate from the law with regard to

- the duration of notice period,
- the regulations governing the conditions for granting severance pay and the amount of said pay,
- the regulation of time that does not qualify as working hours, and in this regard daily working time amounting to less than a full working day (eight hours) cannot generally be accepted as a full working day,
- the regulations governing the works council, or
- the regulations governing trade unions.

These restrictions lead to a weakening in the positions of the traditionally strong workplace unions in the state/local government owned businesses. Additionally, the unions stand to lose a portion of their incomes and may not come up with any other form of support, and thus their financial opportunities (for instance for training courses or to con-

sult with experts) are reduced. This leads to the deterioration in the quality of collective bargaining.

The above bans remove issues that are typically regulated in collective agreements. Thus, they expressly damage the positions of the employees, who, for instance, lose the extra notice time, the higher severance pay and the shorter working hours set under the former collective agreement (*Nacsa and Neumann, 2013*). One consequence of the deterioration in worker positions could be a further decline in trade union density.

Prohibitions on the organization of working time can also create significant problems for employers, too, primarily because in many places a break in the midst of working hours was a part of the working day, as well as because they are no longer allowed to operate with special reduced-hour working days. Several major state-owned firms were forced to redesign their working time schedules to more or less comply with the law.

In the longer term, the prohibitions, stating that collective bargaining agreements cannot deviate from the law on labour relations, works councils, and trade unions, can damage the quality of labour relations. With this move the public sector employers as well as their unions and works councils are deprived of the possibility to jointly conclude innovative solutions. According to some interpretations of the law the collective bargaining agreement may not even regulate an issue on these matters not covered by the law because that too would be a deviation from the law.

When the collective bargaining agreements cover only one employer it is easy to formally adhere to

these prohibitions since any agreement conflicting with the law is automatically void and therefore, does not have to be applied. However, when the collective bargaining agreements are sectoral and when the employer organisation involves a combination of central government, local government, and private sector businesses the parties involved have no idea regarding when they are in compliance with the law, since the same provision that is unlawful for the government employer can be lawful for the private sector employer. Another question concerns whether the collective bargaining agreement under which the ruling was agreed can discriminate against some of the employees under its auspices, depending on the form of ownership of their employers. On the whole, these prohibitions on public sector labour relations lead to the deterioration of the quality of labour relations, a decline in the number of collective bargaining agreements, a reduction in their regulatory power and, in the final analysis, they could result in a competitive disadvantage that could hurt employers.

References

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