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## Developing sectoral social dialogue in Hungary

A 'good practice' report compiled for the Hungarian/Danish PHARE/Twinning project

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January 2004

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## Introduction

The fundamental objective of the PHARE/Twinning project on strengthening sector level social dialogue in Hungary has been to create an institutional structure at the sector (industrial branch, or sub-branch) level. Hereby the project should to enable the social partners to maintain effective consultation and engage in collective bargaining. Consultation has meant both bipartite talks between the social partners and talks with the government on industrial policies and other issues with sectoral relevance. In order to meet these objectives a key-element in the project has been setting up Sectoral Dialogue Committees (SDCs) where the social partner jointly so request. Accordingly, the SDCs are supposed to be the seedbed of sectoral social dialogue development. Moreover, it has been the aim to prepare the Hungarian social partners to play an effective role in the EU level sectoral social dialogue.

The project can be seen as a response to the demands of the EU Commission and the European social partners to the accessing countries. These parties have encouraged, and later urged, Hungary to enhance the efforts to meet the demands of supporting the development of sectoral social dialogue.

### Aim of the report

In spite of the positive outcomes of the PHARE/Twinning project there are still important industrial sectors where we find virtually no sector level social dialogue. The aim of this good practice report is to inspire and support the development of sectoral social dialogue in Hungary, especially in the sectors where the dialogue is still by and large non-existing and/or SDCs have not yet been established.

The report presents and discusses examples of good practice on social dialogue development. These examples of good practice have been identified in studying the development of social dialogue activities in six Hungarian industrial sectors. The six selected sectors for the study are Catering and Tourism, Electricity, Agriculture, Light industry, Road transport, and Basic metals. We have interviewed social partner representatives from six different sectors, spokespersons of the Sectoral Council and representatives from the Ministry of Employment and Labour in order to identify the examples of good practice and the context in which they have developed. In addition examples of good practice experiences from present day EU member states will be included.

It should be emphasised that we are only to a limited extent going to describe or analyse the specific situation and the problems of social dialogue development in Hungary. We will touch upon problems and challenges, but the focus is on good practice experiences that might serve as pathways for a further development of sectoral social dialogue in Hungary.<sup>1</sup>

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<sup>1</sup> For analysis of sector level social dialogue in Hungary see Neumann/Tóth 2002, Szabó 2002, Szeremi 2002, Ladó 2001.

## Executive summary

This study presents examples of good practice on social dialogue development at sectoral level in Hungary. Sector level social dialogue by and large has been the missing level of dialogue in Hungary - the dialogue has primarily been developed at the central (national) level and at company (local) level. Although there are substantial barriers and challenges to overcome in order to establish a widespread and well-functioning sector level dialogue, some sectors have succeeded in developing social dialogue activities. In this study we are focussing on such good practice examples from a number of selected sectors.

A number of specific *motives* for employers and trade unions to engage in the process of social dialogue can be identified:

Social partner  
*motives* for  
participating in  
the social  
dialogue

- *Autonomy of the industry:* For the employers a key-motive for entering the social dialogue can be to enhance the autonomy of the industry through agreements with trade unions.
- *Secure a stable environment for the industry:* For the employers the bipartite dialogue can serve as a means to avoid industrial conflicts. Securing a stable environment will also be in the interest of the unions, as this is decisive in safeguarding and creating jobs.
- *Regulation of competition:* Sector-wide agreements create a basis of equal conditions for all employers in the sector with regard to the competition for workers. Further, the social partners can via lobbying seek to secure a fair regulation of competition.
- *Improvement of wages and working conditions:* A basic aim for the trade unions in the bipartite dialogue is to secure and improve rights, wages and working conditions of the employees. Extending sector collective agreements to all employees within the sector is a pathway for the trade unions to cover a maximum number of employees.
- *Handling economic crisis:* When specific industries are facing economical crises the social dialogue can facilitate the search for fair solutions. For the employers the dialogue might ease the way forward for a continuation of at least parts of the industry. For the employees the dialogue might lead to the establishment of programmes of re-training or re-skilling.
- *Preparing for EU membership:* In the phase of entering the EU the social partners can co-operate on identifying the specific consequences for their sector of EU membership. This might include exchange of information, evaluations by experts, etc.

*In the short term the following initiatives are recommended in order to secure a strong basis for the development of sectoral social dialogue:*

Good practice initiatives recommendable in the short term

- *To formulate demands and expectations with regard to the SDC:* An important first step in the SDCs is to harmonise demands and expectations among the social partner organisations with regard to the future work of the SDCs.
- *Transparent internal rules and procedures for SDC activities:* In order to secure favourable conditions for co-operation and negotiations between the social partners, there should be a common understanding on internal rules and procedures of how to *prepare*, to *conduct* and to *follow up* on meetings.
- *Focus on 'soft issues' in the first phase:* In the first phase of the dialogue it can be useful to address 'softer issues', meaning issues where the chances of reaching consensus are more likely to occur. Typical 'soft' issues are education and training, health and safety, basic guidelines for co-operation, etc.
- *Capacity building:* The social partner organisations must enhance their own resources - e.g. by raising funds, preferably through membership fees and launching targeted strategies for recruitment of new members. Further, it is important to share information and integrate organisational resources among social partner organisations.
- *To ensure the continuity of contacts - formal as well as informal:* Often several meetings and on-going informal contacts are needed in order to reach consensus.
- *To ensure the legal framework and the operating conditions for the sectoral dialogue:* Uncertainties concerning the legal framework and the operating conditions for the SDCs hinder the development of the sector dialogue. There is a need to pass the relevant legislation and lay down the operating conditions of the SDCs.
- *Efficient secretariats to support the dialogue:* As the social partner organisations at sector level often only have very limited organisational resources, it seems to be a precondition for the further development of sectoral social dialogue that the SDCs receive professional and efficient support the secretariats.

*In the medium and long term the following initiatives are recommended in order to secure a stable basis for the further development of sectoral social dialogue:*

Good practice initiatives recommendable in the medium and long term

- *Mandated social partner organisations:* Social partner organisations participating in the social dialogue should be mandated by their members to conclude agreements.
- *Overcoming organisational fragmentation - ensuring representativeness:* A key problem in establishing a stable social dialogue at sector level is to overcome the organ-

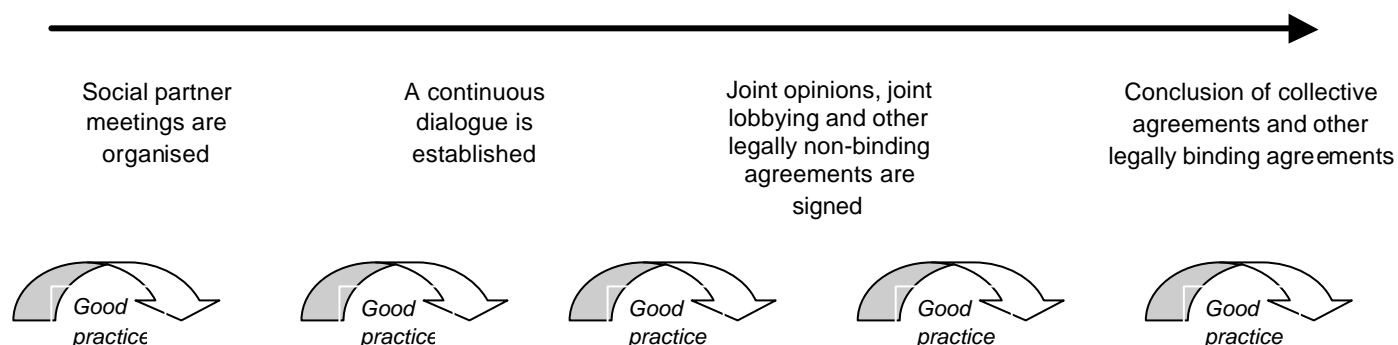
isational fragmentation among social partner organisations. There is a need to initiate processes of co-operation, alliance building and possibly mergers of organisations.

- *Awareness of the responsibilities following the reached positions and agreements:*  
When a joint opinion has been given or a collective agreement has been reached by the SDC it is important that the members of the SDC not only accept the result, but initiate follow-up measures as well. In turn the reached positions and agreements should be accepted and followed by the social partners' organisations.

## 1 What is good practice?

In the report we are looking for and analysing 'good practice' concerning the development of social dialogue at sector level in Hungary. We understand 'good practice' as any kind of initiative that will bring the process of social dialogue forward. Consequently, it is not only as initiatives taken by social partner organisations in the sectors where social dialogue is most advanced that we will characterise as 'good practice'. The idea of bringing this process 'forward' is based on the assumption that relations between the social partners (employers/employers' organisations and trade unions) can develop into a pattern of co-operation where the social partners enhance their influence on various aspects of policy-making, especially within the field of labour market regulation. Further, it is the assumption that this will enhance the autonomy and self-determination of the social partners within their own domain - e.g. within their industry. Moreover, this will typically include that the social partners at the same time take on responsibilities for the implementation and administration of policy-initiatives within their domains.

**Figure 1: A continuum of social dialogue development**



The continuum in the figure above roughly describes the potential development in social partner relations: The simple fact that employer and trade union representatives meet can be seen as a first step in developing a dialogue. Several meetings eventually supplemented by informal contacts between social partners representatives can lead to the establishment of a continuous dialogue which will include a process of trust-building and mutual recognition of the basic interests of the participating organisations. Agreements on various forms of legally non-binding texts constitute a further intensification of the dialogue. These texts might have the form of joint opinions, declarations of intent, policy recommendations, etc. In principle the process of social dialogue is fully developed when the social partners conclude and implement collective agreements and other legally binding agreements. This situation is also characterised by the ability of the social partners to fully implement and administrate the agreements.

## 2 Uneven points of departure for the sectoral social dialogue in Hungary

The middle-level, or the sectoral level of social dialogue in Hungary has by both researchers and social partner representatives been characterised as the 'missing level' (Neumann/Tóth 2002a, Lado 2001). The reasons are several, but the fragmentation of the Hungarian institutions and economy in the transition period after the change of regime is generally emphasised as the background for a nearly absent sectoral social dialogue (Ladó 2001, Draus 2001, Neumann/Tóth 2002a). Nevertheless, in some industrial sectors employers and trade unions have had an on-going dialogue since the transition period.

The fragmentation of social partner organisations has resulted in uneven levels of participation and representativeness in the sectoral social dialogue. Today joint discussions and different forms of co-operation have been paving the way for the conclusion of collective agreements within some sectors. Meanwhile, other social partner organisations lack the infrastructure to a degree that is hindering for their ability to perform in a process of dialogue. Consequently, this has led to a situation where the social dialogue has existed and has been developed for many years in some sectors, while there have been no contacts at sector level between trade unions and employers' organisations in other industrial sectors. All in all this forms an uneven point of departure for social dialogue in the different industrial sectors. However, in 2002 only 6 per cent of the employees were covered by voluntary sectoral collective agreements (Neumann/Tóth 2002b).

One key factor in explaining why the social dialogue has been rather stable in some sectors is the fact that trade unions in several cases have managed to transform their organisation in the aftermath of the political transition in 1989. Accordingly, they have managed to re-establish themselves as trade unions and, eventually, pushed for opening a dialogue with the employers' interest organisations that in most cases have been set up in the period shortly after the transition (ILO 2000).

One of the sectors where a tradition of dialogue has been maintained and developed is in the electricity sector. In this sector an interest reconciliation forum was set up created by the social partners in 1994. They agreed that there was a need for a formal body of reconciliation. This paved the way for the conclusion of a collective agreement in 1995. Further, collective agreements were signed in basic metals in 1996, and in the sector of tourism and catering in 1997. However, only the agreements in the sectors of tourism and catering and electricity have been renewed since then. Today collective agreements that have been extended to cover all employees in the sector are found within the industries of electric energy, hotel and catering and bakery.

A recent example of the conclusion of a sectoral collective agreement is found in the agricultural sector. Under the previous regime, the traditional role of employers and trade unions in agriculture were practically only to be found at the state farms. The majority of

the employees in the sector worked for the cooperatives, where trade union activities were absent. This was due to the dual nature of the cooperatives. The members were at the same time owners/employers and employees of the cooperatives. Employee rights and obligations were regulated in labour rules accepted at general meetings and practically functioning as collective agreements. The National Council of Cooperatives, NCC, represented the cooperatives business interests (i.e. as employer) and cooperative members and employees simultaneously. This double nature was reflected in the relations for the decade to follow the change of regimes, building on a tradition of mutual understanding. In February 2003 the social partners concluded an agreement of cooperation, and in August 2003 they signed a collective agreement covering a broad range of topics.

The example of agriculture illustrates how experiences of social partner co-operation in some cases dates rather far back in time, and it at least partly explains the differences in the point of departure for social dialogue in different sectors.

### 2.1 The establishment of Sectoral Dialogue Committees

In July 2003 the Sectoral Council signed a framework agreement on the principles of operation of the Sectoral Dialogue Committees (SDCs). Although legal and financial issues with regard to the functioning of the SDCs remained unsolved throughout 2003 SDCs were as already mentioned established in more than 20 sectors and sub-sectors by the end of the year.

The formal establishment of the SDCs is as an important step in developing the sectoral social dialogue. However, often it will take time and special efforts on behalf of all participating social partner organisations to produce actual results that will bring the dialogue forward. Nevertheless, throughout 2003 SDCs became the focus of dialogue activities in a number of sectors. Still, some sectors have not managed to establish a stable framework for the dialogue (to organise meetings, setting agendas, etc.), while others have concluded agreements e.g. focusing on flexibility of working time. There seems to be a certain joint interest between the unions and the employers' organisations to support working-time flexibility in an effort to increase the competitiveness of the companies.

An important issue in a structure of a committee of this kind is the ability to extend collective agreement to the whole sector. Originally the Sectoral Council calculated with three operational models of the SDCs. A forum of consultation; a body of voluntary collective bargaining followed by extensions by the government of the agreements if so wished by the partners; and finally a genuine bipartite body where substantial collective agreements are concluded with mandatory power for the sector. With a few moderations the two first will fall in line of current legal provisions, while the third model would represent a new concept in Hungary, not unlike a model of regulation experienced in most present day EU countries (Neumann/Tóth 2002b).



### 3 Motives for participating in sectoral social dialogue in Hungary

Although the sector level has been characterised as the ‘missing level’ of social partner dialogue within the Hungarian economy, social partner co-operation has played a significant role in some sectors emphasising the potential gains of the dialogue. As described in figure 1 the development of social dialogue can be seen as a continuum leading towards a situation where the social partners are able to initiate effective lobbying (on behalf of employers and employees) and to conclude collective agreements on wages and working conditions. Lobbying and collective agreements can be seen as the maybe most important means for employers and trade unions to gain autonomy and self-determination as key-actors within the individual industrial sectors. Below we are going to highlight the most important motives or benefits for engaging in social dialogue, as they have been expressed by representatives of employers and trade unions at sector level in Hungary.

#### 3.1 Aims of social dialogue activities

Based on the interviews a number of specific motives for employers and trade unions to engage in the process of social dialogue can be summarised:

- *Autonomy of the industry*

For the employers a key-motive for entering the social dialogue can be to enhance the autonomy and self-determination of the industry. The overall argument is that the more often employers in co-operation with trade unions are able to present common positions and collective agreements the better are the chances to strengthen autonomy and self-determination of the industry.

- *Secure a stable environment for the industry*

For the employers the bipartite dialogue with trade union representatives can serve as a key-activity in securing a stable environment for the industry. First and foremost the dialogue can serve as a mean to avoid industrial conflicts, i.e. strikes or any other form of activities that will destabilise the industry. Securing a stable environment will also be the interest of trade unions as this is decisive in safeguarding and creating jobs.

- *Regulation of competition*

Collective agreements can if they become sector-wide agreements create a basis of equal conditions for all employers in the sector with regard to the competition for workers. Further, concerning all other policy areas the social partners can via lobbying seek to secure a fair and respected regulation of competition.

- *Improvement of wages and working conditions*

A basic aim for the for the trade unions in the bipartite dialogue with the employers will be to secure and improve the rights, wages and working conditions of the employees. Sector level collective agreements that are being extended to cover all employees within

the sector are pathways for the trade unions to cover the substantial number of employees in small firms where they often only have few members.

- *Handling economic crisis*

When specific industries are facing downsizing due to economical and/or structural changes the social dialogue can become the forum where employers and trade union representatives can seek fair solutions to difficult problems. For the employers the dialogue might ease the way forward for a continuation of parts of the industry. For the employees the dialogue might lead to the establishment of programmes of re-training or re-skilling.

- *Preparing for EU membership*

Entering the European Union will in many ways change the environment for the various parts of the Hungarian industry. EU directives and other forms of regulation are effecting the various business areas. Social and labour market regulation in general is also effected. In this phase of entering the EU the social partners can co-operate on identifying the specific consequences for their sector of EU membership. This might include exchange of information, evaluations by experts, etc.

Hungarian business representatives state that there is an important job to be done in order to make individual employers in various part of the Hungarian economy aware of the actual consequences of Hungarian EU membership. Furthermore, the wish to become a 'trustworthy partner' in an open European market is often emphasised.

### 3.2 Means for developing social dialogue

As shown in the continuum of social dialogue development (figure 1) the establishment of a continuous dialogue, meaning regular meetings, might pave the way for the formulation of shared understandings, maybe leading to joint lobbying, and, finally, the conclusion of collective agreements. Key-elements of how these means of social dialogue functions will be described below.

#### *Shared understandings*

It is a basic interest of employers to ensure that the specific interests of their industry is heard and reflected in national level policies. Basically, employers seek to secure the

**... a learning process and a change of mentality!**

Hungarian social partner representatives have characterised the process of formulating *common positions*, and realising how this can be used as an instrument for lobbying, is a 'learning process' which often also will include a 'change the mentality' of the involved parties.

profitability of their business.

However, trade unions will often share the interests of the employers with regard to basic interests of the industry – on their behalf in securing workplaces including fair

wages and working conditions. The actual issues where employers and trade unions within specific industries share interests are manifold. They concern a broad range of policy areas; taxes, fiscal policies, environmental issues, education and training, health care, social issues, pensions, etc.

*Joint lobbying*

Social dialogue can serve as a forum where employers and trade unions exchange information and viewpoints concerning this broad range of policy-issues. If the dominant employers/employers' organisations and trade unions, via social dialogue can reach shared understandings of how different policy initiatives affect the industry, they have the possibility to produce common positions, joint letters to ministers, etc. The advantage of joint initiatives is the ability to speak with 'one voice' and consequently enhance the possibility to influence policy-making. This lobbying activity can be directed towards the government in office, ministries, various forms of public bodies, local and regional authorities, etc.

An important element in this process can also be to attract the attention of the media in order to secure that the larger public is informed about the positions and view-points of the social partners.

There is evidence from both Hungary and present day EU member states that sectoral social dialogue can become a platform for effective lobbying towards public bodies. In this sense the establishment of the dialogue can ensure an on-going contact between the social partners and the relevant ministries. A key-element in a successful relationship between the social partners and the ministries will be two-fold: Firstly, it should include that the public authorities continually take social partner positions into consideration in the process of policy-making and, secondly, the social partners should be prepared to take on responsibilities such as to respect and support policy implementation and administration.

*Collective agreements*

Collective agreements concluded at sectoral level can serve as the important tool for solving various forms of disputes at workplace level basically ensuring a stable environment for the individual companies. Sector level collective agreements is today the dominant level for negotiating wages and working conditions in present day EU members states. Basically the sector level is believed to balance the needs for both industry wide regulation and company level flexibility with regard to wages and working conditions. However, it should be emphasised that sector agreements often have the form of framework agreements for instance defining minimum standards. In other words there will be room for local level negotiations on how to adapt sector agreements to the demands of employers and employees at company level.

Concerning the sector agreements in force in Hungary today there exist a number of motives for the actors conclude these agreements. It is often heard from both employers and trade union representatives that there is a need to ensure by and large a uniform regulation for all employees in the sector. This will also include the attempt to overcome the problems of non-registered workers or 'black economy'. Another motive, especially on behalf of the employers, will be to overcome the potential threat of industrial conflict. Collective agreements, which the trade unions can ensure will be respected by all member groups of employees, can serve to avoid strikes etc.

With regard to the development of the Sectoral Dialogue Committees (SDCs), it should be mentioned, that so far there has been some disagreements among the social partner organisations on the operational scope of the committees. One tendency is that the unions primarily want to see the SDCs to be bodies of collective bargaining where substantial agreements are concluded. The employers on their behalf tend to be more interested in the SDC as a means to lobbying.

## 4 Achievements and challenges

### for the sectoral social dialogue in Hungary

Important achievements - or good practices - in establishing or developing sector level social dialogue can in various ways be identified within different industrial sectors in Hungary. However, at the same time certain problems and challenges hinder the further development of the social dialogue. Both the achievements and challenges will be described in the following.

The achievements and challenges can be seen as connected to four features of fundamental importance to the social dialogue: the social partners' powers and organisational capacity; mutual recognition and stability of the social partners; willingness of the actors to engage themselves in social dialogue; and finally, the state's establishment of a legal framework and support institutions for the dialogue.

#### 4.1 The social partners' powers and organisational capacity

Social partners organisations of some strength in terms of membership and organisational capacity is of key importance to a well-functioning sectoral social dialogue. This is important for several reasons – four of the most important ones should be mentioned here: Firstly, in order to be seen as a trust-worthy bargaining partner, the organisations need a certain membership base and legitimacy in the eyes of those groups on whose behalf they bargain. Secondly, strong organisations can force reluctant counterparts to the bargaining table. Thirdly, organisational capacity in terms of well-functioning secretariats is necessary to provide services to members and to communicate with them. Secretariats are an important source for information and analyses for the organisations' representatives. Fourthly, organisations of some strength can ensure that collective agreements are respected and implemented by individual employers and employees.

The limited organisational capacity is illustrated by the limited number of professional staff found in the secretariats of most of the social partner organisations. An ILO survey shows that a majority of the Hungarian employers' organisations (58 per cent) have 1–5 employees. Only five per cent of the employers' organisations have more than 15 employees. Ten per cent of the organisations have no professional staff at all. (ILO 2000:11). These figures emphasise that the employers' organisations to some extent must rely on voluntary work from individual employers. One example illustrating this situation is the

employers' association IMOSZ from the catering and tourism sector. IMOSZ represents 80 percent of the hotel capacity in Hungary and have three full-time employees in their secretariat. In general the trade unions have access to larger organisational resources than the employers' organisations. One explanation for this situation is that most employers' organisations have been formed only ten years ago, while several trade unions dates back before the transition.

Despite of the relatively weak structures of the social partner organisations in the industrial sectors important *achievements or good practices* can be highlighted:

*Good Practice:*

Conclusion of sector level collective agreements

It must be characterised as important achievements that sectoral collective agreements are in force today in some industrial sectors. A key-element in this development has been the relative power of trade unions like the Federation of Electricity Industry Unions (VDSZSZ) and the Trade Union of the Hotel, Catering and Tourism (VISZ), the Federation of Metal Workers (VASOS), and their ability to negotiate with their counterparts and subsequently conclude agreements. The strength of VDSZSZ and VISZ is grounded in a combinations of factors, such as long traditions for having some kind of dialogue with the employers, a relatively high organisational density, organisational leaders holding key-positions within e.g. the trade union confederations and year-long participation in the EU-level sectoral social dialogue. The very same factors also characterise the partners in agriculture, the trade union MEDOSZ and MOSZ on the employers' side. Nevertheless, like most of Hungarian social partner organisations, VDSZSZ and VISZ have - compared to organisations in present EU member states - limited organisational capacity in terms of staff. For instance today VDSZSZ have in their national office five full-time employees.

*Good Practice:*

Social partners pool their organisational resources

Apart from concluding collective agreements the sectoral social dialogue has - for instance in the light industry and in the sectors of catering and tourism and agriculture - produced joint letters of opinion, i.e. joint statements with regard to various policy issues. In this case the social partners are not only strengthened by speaking with one voice, it also allow the social partners to pool their organisational resources, in the sense that information is shared and representatives of the secretariats co-operate. However, although the social partners often share interests in such lobbying initiatives, it can happen that the employers have special interests in lobbying for specific policy-initiatives while the trade unions tend to focus on the possibilities for reaching agreements concerning wages and working conditions. Yet a further challenge with regard to lobbying is the relative organisational weakness of the employers' organisations. Due to lack of professional staff the employers are in some situations dependent on information and knowledge present within the trade unions – c.f. above. In one of the sectors studied in this context the trade union representatives complained that the employers' associations were pushing the trade unions to lobby for the employers as they were not able to take the necessary initiative on their own. Nevertheless, the ability to formulate joint positions, to establish joint lobbying activity and to pool the organisational capacity, as part of lobbying activities, can be seen as an empowering process which eventually can strengthen the involved social partner organisations.

*Good Practice:*

To enhance the qualifications of social partner representatives

In engaging social dialogue the success of the dialogue will often be dependent of the qualifications of the representatives of the social partner organisations participating in the process. There is a general need for bargaining skills, for professional staff in the fields of law, economics, and for people with expert knowledge on the relevant policy areas within the specific industrial sectors. The availability of such skills will often be decisive for the success of the social dialogue no matter whether the aim is to reach collective agreements or to initiate joint lobbying activities. Within social partner organisations with limited professional staff the role of key-representatives become all the more important. The role - and commitment - of key persons were also evident in most of the sectors analysed, e.g. the electricity industry, the light industry the basic metal industry and in the sector of road transport. The key persons are not only important as in the processes of negotiations, but also as initiators and ‘service providers’ within the organisations. Often they are characterised by being committed to produce results; they create continuity within their organisations; and they are able to establish and maintain informal contacts to key persons in other organisations, ministries, etc. The activity of such key-persons can be characterised as ‘good practice’. The negative side of the role of the key persons in smaller organisations is that it makes the organisations dependent on few individuals and therefore also vulnerable.

*Good Practice:*

Social partners formulate and implement strategies to recruit new members

Naturally, a key-aspect of strengthening social partner organisations will be to recruit new members. Unfortunately, most of the social partner organisations at sectoral level have been faced with membership decline in recent years (Pulai 2002). Nevertheless, there are also recent examples of organisations that have been successful in attracting new members. For instance states a representative from the trade union federation in metallurgy, VASOS, that the organisation over the last twelve months has lost around 3000 members, however, in the same period they have succeeded in recruiting 6000 new members. In VASOS this is first and foremost seen as the result of an intensive focus on recruitment activities.

#### 4.2 To overcome the fragmentation of social partner organisations

One of the major challenges for the further development of sector level social dialogue is the fragmented structure of the social partner organisations today. The problems concern the large number of small and competing organisations, including overlapping structures of interests representation, cases of dual membership, and the complexity of hierarchical relations<sup>2</sup>. The fragmentation – and the attempts to counteract it – is connected to the work of the SDCs, to the relationship between the sector organisations and the confederations.

Looking to the Western part of Europe, and the structural development of social partner organisations over the last couple of decades, it should be noted that processes of mergers have taken place in many countries. Especially, in recent years we have seen trade union

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<sup>2</sup> For details see Neumann/Tóth 2002:27-32.

mergers in e.g. the UK, Germany, Denmark not at least among trade union federations (the sector level). Likewise mergers of employers' organisations at sector level have taken place - Denmark forms a prominent example with the formation of Danish Industry in 1992.

The ability of the Hungarian social partners to merge respectively trade unions and employers' organisations, or to establish stable patterns of co-operation on both sides, must be seen as crucial for strengthening social partners organisations. This will include the

**SDCs as a way of gaining power**

In the metallurgy sector six trade unions and two employers' organisations signed the agreement to set up the SDC. Former organisational rivalry was in this case buried at least for a while. According to a trade union representative, the question is, what will happen to the organisations that refuse to participate in the SDC. He stated: "They will only have limited influence, and agreements reached within the SDC may be imposed to include the members of other organisations. Thus SDC represents a very central mechanism in the actual preparations for establishing social dialogue".

creation of more professionalised secretariats and eventually an enhanced power-base of social partner organisations – c.f. above. Yet some improvement can be identified:

There is evidence - for instance from the light industry and from the metallurgy sectors - that the establishment of SDCs have led to new or improved contacts, on the one hand, between both different employ-

ers' organisations and different trade unions as well as, on the other hand, between employers and trade unions. This might be contacts that eventually paves the way for more stable patterns of co-operation. Consequently, it seems like the dialogue that have established in the SDCs at least in some sectors has softened the inter-union and inter-employer rivalry as it has been seen in several of the sectors, also some of those that have established collective agreements prior to the set up of the SDCs.

*Good Practice:*

To strengthen formal as well as informal contacts between social partner organisations

Even though the dialogues established in the SDCs could be considered as being formal, the set-up of the SDCs has according to several interviewees also facilitated the development of informal contacts among and across the social partners. These informal contacts might facilitate the creation of a shared understanding of the nature of the dialogue, information sharing and recognition of the viewpoints of the counterpart. In the long run the informal contacts can be important in the process of trust-building between the social partners.

**4.3 Attitude and willingness of the social partners and the state**

Important for a well functioning social dialogue is also issues connected to the attitude and willingness of the actors; representatives of the state and the social partners.

For all three main actors in the dialogue, three features with regard to attitude and willingness can be emphasised. Firstly, a mutual recognition of conflicting interests. That is to recognise the specific interests of other actors in the dialogue as legitimate, although the involved parties not necessarily can agree on issues in question. Secondly, a shared understanding of key social and economic problems to be addressed in the dialogue is important in order to facilitate discussions and negotiations. Consequently, a shared un-

derstanding of basic problems does *not* necessarily lead to agreements on potential solutions. Thirdly, all involved actors should be able to see how they can benefit from taking part in the dialogue. In other words outcomes of the dialogue should create win-win situations, meaning that no one will simply suffer losses from participating.

It is often heard that it is the *employers who are reluctant to participate* in the social dialogue. It is argued that the employers' motives for taking part in the dialogue are less ob-

**The nature of social dialogue**

A social partner representative emphasises that "...you go nowhere if the representatives present just repeat well-known positions and viewpoints of their organisations! A rather open dialogue is needed in the first phase of the work of the SDCs". He continues that this can create a certain level of trust between the participants and accordingly pave the way for closer co-operation. However, it takes time. Often it will take more than a couple of meetings to reach a shared understanding of how to develop the work of the SDC.

vious than the trade unions. As shown above this argument can be questioned. However, the employers' organisations are facing some special problems: There are employers' organisations that do not have a mandate from their member companies to conclude any form of agreement with the trade unions. Many of these organisations must be characterised as chamber of commerce or other forms of organisations representing broader political interest of

the employers. Further, there are examples where companies refuse to authorise their organisation to negotiate, and withdrawals among members companies have been seen in cases where employers' organisations have entered collective agreements.

It especially seems to be a challenge to convince small and medium sized companies (SMEs) that they can benefit from participating the social dialogue. SME-employers argue that their markets are economically unstable and consequently they do not want to commit themselves to sector level agreements. Or they state that they cannot afford to pay the membership fees to the employers' associations, or as a principle want to set wages and working conditions unilaterally.

Regarding a shared understanding of key social and economic problems, one example of good practice is found in the light industry. Despite the present crisis of the industry and the failure to conclude agreements concerning the development of wages the social partners in the light industry SDC have, within the framework of the SDC, agreed to give priority to seek to ensure the survival of the industry. A more or less similar development has taken place in the basic metal industry. In this case the trade unions favour the idea of introducing more flexible regulations within the industry. The aim being to strengthen the competitiveness of the industry and to secure jobs in the future. However, the trade union representative states that existing legislation constraint the possibilities of concluding sector level collective agreements of a more flexible character.

*Good Practice:*

Joint efforts to ensure the survival of the industry

An aspect which relates to the attitude and willingness of the social partner organisations concerns the development of policy-strategies as an integral part of organisational activities. In the sectors studied social partner representatives have stated that often have the policies of their organisation been merely reactive - they have by and large fulfilled a



'watch-dog' role. Now they are aiming at formulating forward pointing strategies which also can serve as guideline for what they want to obtain within the framework of social dialogue.

Regarding *the willingness of the government*, despite of acknowledging its leading role in connection to the SDCs, the PHARE Twinning project and other initiatives (see below), some social partner representatives state that the government only show limited interest in the problems and wishes of the social partners. Moreover, some sector representatives of the social partners complain that in their experience state representatives are first and foremost interested in maintaining the contacts to the confederations, while sector organisations to some extent are neglected.

4.4 The states' establishment of a legal base and institutional support  
The establishment of a legal base and institutional support for the sector level social dialogue are two important roles of the state with regard to the establishment and development of the dialogue. With regard to the legal base for the dialogue two aspects should be highlighted:

Firstly, the sector level has been characterised as an 'empty regulatory level' (Neumann/Tóth 2002a:27) meaning that the labour code today does not provide a stable basis for sector level collective agreements. Accordingly, this creates a barrier for the conclusion of sector level agreements. Uncertainties on the status of sector level collective agreements potentially undermine the incentives for first and foremost employers, but also trade unions to conclude sector level collective agreements. A key-question to be clarified is how sector agreements is to be linked to respectively the tripartite national level social dialogue (National Interest Reconciliation Council) and to the local level social dialogue (company based agreements).

*Good Practice:*

The state establishes the legal status and ensures operating conditions of the SDCs

Secondly, virtually all social partner representatives interviewed have stated that a legal base enshrining the activities of the SDCs is needed. However, although that the PHARE/Twinning project is coming to a conclusion and SDCs have been set up in several of sectors no legislation concerning the SDCs has been passed yet. The social partner representatives emphasise that this missing legal base creates uncertainties concerning the future structures and competencies of the SDCs. Linked to the question of the future legal framework for the SDCs is the question of how the activities of the SDCs should be funded. In the time of writing (January 2004) a solution for an interim period has been found. By the end of March 2004 a permanent solution is supposed to be found<sup>3</sup>. The Ministry of Employment and Labour has also acknowledged that it is a task yet to be solved to settle the legal status of the SDCs<sup>4</sup>.

<sup>3</sup> Ministry of Employment and Labour – Social Deputy Under-secretariat. Proposal to the Sectoral Council and the Sectoral Dialogue Committee Regarding the Institutional Infrastructure and Conditions of the support of SDCs. 8<sup>th</sup> December 2003, Budapest.

<sup>4</sup> Up sit p.2.

With regard to institutional support the ministry has stated that another task yet to be solved is to ensure operating conditions of the SDCs (premises, IT infrastructure, etc.). This also includes among other things to earmark sufficient funds to the activities of the SDCs and appoint and train SDC secretaries<sup>5</sup>.

So far the development of the SDCs has shown that by far the majority of the sectoral social partner organisations have welcomed the initiative within the

**ILO on the role of the state concerning social dialogue:**

"For social dialogue to work, the State cannot be passive even if it is not a direct actor in the process. It is responsible for creating a stable political and civil climate which enables autonomous employers' and workers' organizations to operate freely, without fear of reprisal. Even when the dominant relationships are formally bipartite, the State has to provide essential support for the parties' actions by providing the legal, institutional and other frameworks which enable the parties to act effectively."

Source: [www.ilo.org](http://www.ilo.org)

PHARE/Twinning project. Some social partner representatives have expressed their appreciation that all relevant parties within the individual sectors were brought together. Obviously, in the past simply bringing the parties together in order to start some form of dialogue has caused difficulties. Consequently, there is a need of quite basic support – to organ-

ise meetings, to ensure a continuing contact between the social partners, etc. Something which at least partly seems to be met by the future initiatives of the Ministry of Employment and Labour (c.f. above).

Yet within other industrial sectors the social dialogue is rather well established meaning that the social partners over the years have developed rather close formal and informal contacts. In order to both qualify the dialogue and to extend the range of issues to be addressed in the dialogue, representatives from such sectors have pointed out the need to have access to various kinds of data (e.g. statistical) and expert knowledge on different issues. Institutional support of the social dialogue initiated by the state could in various ways ease the access of the social partners to such data and knowledge.

Nevertheless, it should be emphasised that a key-responsibility of the state is to ensure that employers' organisations and trade unions can develop a dialogue in a stable political and civil environment – c.f. the ILO statement in the textbox above. In other words the state should ensure the framework conditions in the broadest sense where an autonomous social dialogue can develop. Therefore it should also be underlined that *if* the a stable environment is established, and that will in the Hungarian case include a legal base for the sectoral social dialogue and the implementation of certain support institutions, then it is up to the social partners themselves to establish the dialogue and make the commitments for achieving results.

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<sup>5</sup> Up sit p.2-3.

## 5 How to make the social dialogue operational at sector level in Hungary

In this section a number of recommendations on how to develop sectoral social dialogue will be highlighted. The objective is to put forward quite specific experiences in order to make tangible for the actors involved in sector level social dialogue. Moreover, it should be emphasised that these recommendations are first and foremost based on experiences on developing social dialogue, achieved over the last couple of years, in the six sectors studied in this context.

In the *short term* the following is recommendable:

- *To formulate demands and expectations with regard to the SDC*

An important first step in the work of the SDCs is to raise awareness of and to some degree harmonise demands and expectations among the social partner organisations with regard to the future work of the SDCs. The individual social partner organisations might in the first place have varying understandings of the SDC activities. This includes questions like: What kind of issues are to be put on the agenda? What kind of outcomes do we expect (joint statements, agreements, etc)?

- *Transparent internal rules and procedures for SDC activities*

In order to secure the favourable conditions for co-operation and negotiation among the social partners there has to be a common understanding and unity on how to run the SDC. The common understanding has to be transformed into internal rules and procedures of how to *prepare*, to *conduct* and to *follow up* on meetings. Mutual recognised and respected internal rules and procedures can be an important contribution to the trust building among the partners.

- *Focus on 'soft issues' in the first phase*

In the first phase of the dialogue it can be useful to address 'softer issues', meaning issues where the chances of reaching some form of consensus, if not agreement, are more likely to occur. Typical 'soft issues' are education and training, health and safety, basic guidelines for co-operation, etc and a number of issues where shared understandings can be reached eventually leading to joint lobbying. On the contrary, 'harder' issues like pay, working-time, etc. might cause controversies and might hinder the development of the dialogue.

- *Capacity building*

The social partner organisations must enhance their own resources. That might include raising membership fees and launching targeted strategies for recruitment of new members. Further, an important element can be to share information and organisational resources among social partner organisations. A key-element in developing a constructive dialogue is to ensure that all involved parties have access to the same basic information.

This can involve information on economical, legal, political, social or other issues of relevance for the individual industry.

- *To ensure the continuity of contacts - formal as well as informal*

Just a few meetings will only rarely result in a genuine development of the social dialogue. More often several meetings and on-going informal contacts are needed in order to reach consensus - that is joint statements or agreements. The overall aim is to establish the culture of dialogue.

- *To ensure the legal framework and the operating conditions for the sectoral social dialogue*

Uncertainties concerning the legal framework and the operating conditions for the SDCs hinder the development of the sector level social dialogue. Consequently, there is a need to pass the relevant legislation, and hereby also to lay down the operating conditions of the SDCs.

- *Efficient secretariats to support the dialogue*

As the social partner organisations at sector level often only have very limited organisational resources, it seems like a precondition for a smooth and successful dialogue that the SDCs receive professional and efficient support from the secretariats. Consequently, there is a need for transparent rules and a shared understanding of the mission of the secretariats. This will include their role in preparing papers, memorandums, etc. necessary for the decision-making process, preparing meetings or others events related to the social dialogue, and launching the follow-up procedures on decisions taken by the forum.

In the *medium* and *long term* the following is recommendable:

- *Mandated social partner organisations*

Social partner organisations participating in the social dialogue should be mandated by their members to conclude agreements with their counterparts. Especially the employers' organisations are in several cases basically chambers of commerce that have no mandate on behalf of member companies to engage in negotiations and conclude agreements with the trade unions. This situation hinders the development of the social dialogue.

- *Overcoming organisational fragmentation - ensuring representativeness*

A key problem in establishing a stable social dialogue at sector level is to overcome the organisational fragmentation among social partner organisations. A stable social dialogue means a future dialogue that produce substantial results in the form of collective agreements and other forms of joint results that will have an impact on the entire sector in question. In order to reach this goal at certain level of organisational resources must be available for the organisations participating and, even more importantly, the organisations participating must be representative of the employers/employees in the sector. Consequently, there is a need to initiate a process where patterns of co-operation among employers' organisations as well as among trade unions are being established. This might

lead to setting up alliances of respectively employers organisation and trade unions and it might eventually lead to mergers of respectively employers' organisations and trade unions.

- *Awareness of the responsibilities following the reached positions and agreements*  
When a joint opinion has been given or a common position has been reached by the SDC it is important that the members of the SDC not only accept the result, but initiate follow-up measures as well. A decision taken in a bipartite social dialogue forum often requires that the social partners' organisations take action. A first step would obviously be to inform the organisation and its members about the decision, and next step could be to set up internal rules on how to respect the decision or even how to pursue the aim implied in the decision. The capability to prepare discussions and negotiations and to disseminate and follow-up on decisions taken in the SDC must also be considered with regard to achieve public acceptance and recognition of the SDC. Not only is it necessary to have resources for the dissemination of information on debates and results, but also to ensure the discussions and negotiations carried out in the SDC reflect the interests and opinions of the members. In turn the reached positions and agreements should be accepted and followed by the social partners' organisations.

Finally, it should be emphasised that many initiatives based on social dialogue has been taken in present day EU member states in situations characterised by tensions between the social partners, if not conflict, due to problems like economic stagnation, industrial restructuring, unemployment, etc. Nevertheless, common initiatives have been taken due to the fact that both employers and trade unions could gain from the initiatives taken – they succeeded in creating 'win-win situations'. Once again it should be emphasised that following elements have proven to be important in social dialogue based initiatives. Accordingly, these elements could be seen as basic guidelines for the future activities of the SDCs:

- Well-defined roles and transparent policies of involved social partner organisations
- Shared understanding of key economic and social mechanisms
- Mutual recognition of conflicting interests
- The ability to create win-win situations

## Annex

### Methods

The report is based on data and information in reports, articles - e.g. the ‘mapping-studies’ and other texts written up within the framework of from the PHARE/Twinning project of strengthening autonomous social dialogue at sector level. However, the prime source of information has been interviews with social partner representatives and ministerial representatives in Hungary.

The persons interviewed can be categorised the following way:

- 3 ministerial representatives
- 2 representatives of the confederations/sectoral organisations (employers side/employee side)
- 5 trade union representatives - sector level
- 5 employer representatives - sector level

Furthermore, nine Danish social partner representatives, who have taken part in organising sector level social dialogue workshops, have been interviewed (phone interviews).

As mentioned in the introduction the study has been focussing on six selected sectors. The following sectors were selected: (1) Catering and Tourism, (2) Electricity, (3) Agriculture, (4) Light industry, (5) Road transport, and (6) Basic metals. As the basic idea of this report has been to focus on good practice experiences in developing social dialogue, these six sectors were selected according to the following criteria: The overall development of social dialogue activities within the sector; the articulated interest on behalf of the social partners to participate in the social dialogue; and the ability of the social partners to solve problems that have hindered the development of the social dialogue.

The selection of sectors as well as interviewees has been done by the PAA of the PHARE/Twinning project after consultations with the Hungarian Ministry of Employment and Labour.

### Definition of social dialogue

For reasons of clarification a few remarks on how the concept of social dialogue is used in the paper is needed. The social partners are individual employers and/or employers’ associations and trade unions. The autonomous *social dialogue* is in this context defined to include all types of negotiations, formulation of joint opinions or simply exchange of information between, or among, representatives of employers and employees, on issues of common interest relating to economic and social policy. Next to the autonomous social dialogue between trade unions and employers’ organisations exists a tripartite process with the government as an official party to the dialogue. The tripartite dialogue can take the form of consultations that are either informal or institutionalised, although often a

combination of the two. It can take place at the national, regional or enterprise level. It can be inter-professional, sectoral or a combination of all of these.

The main goal of social dialogue itself is to promote consensus building and democratic involvement among the main stakeholders in the world of work. Successful social dialogue structures and processes have the potential to resolve important economic and social issues, encourage good governance, advance social and industrial peace and stability, and boost economic progress.

The term ‘social dialogue’ has by and large become a global concept. It has become well-

#### What is social dialogue?

Social dialogue can take a variety of forms, ranging from the simple act of exchanging information to the more developed forms of concertation. The following is a short list of the most common forms of social dialogue.

- *Information-sharing* is one of the most basic and indispensable elements of effective social dialogue. In itself, it implies no real discussion or action on the issues but it is nevertheless an essential part of those processes by which dialogue and decisions take place.
- *Consultation* goes beyond the mere sharing of information and requires an engagement by the parties through an exchange of views, which in turn can lead to more in-depth dialogue.
- *Tripartite or bipartite bodies* can engage in negotiations and the conclusion of agreements. While many of these institutions make use of consultation and information-sharing, some are empowered to reach agreements that can be binding. The social dialogue institutions that do not have such a mandate normally serve in an advisory capacity to ministries, legislators and other policy-makers and decision-makers.
- *Collective bargaining* is not only an integral – and one of the most widespread – forms of social dialogue, it can also be seen as a useful indicator of the capacity within a country to engage in national level tripartism. Parties can engage in collective bargaining at the enterprise, sectoral, regional, national and even multinational level.

Source: ILO, [www.ilo.org](http://www.ilo.org)

known in debates on the role of employers and trade unions in regulating modern societies. Prominent examples are the ILO, which has promoted the term in analyses, seminars, etc. and within the European Union ‘social dialogue’ has become the key-term for the involvement of employers and trade unions in the processes of policy-making. Nevertheless, social dialogue in individual states takes into account each country’s cultural, historical, economic and political context: “There is no ‘one size fits all’ model of social dialogue that can be readily exported from one country to another<sup>6</sup>. Adapting social dialogue to the national situation is crucial to ensuring local owner-

ship of the process. There is a rich diversity in institutional arrangements, legal frameworks and traditions and practices of social dialogue throughout the world.”<sup>7</sup> This understanding of the phenomenon ‘social dialogue’ should also embrace the reading of this report.

<sup>6</sup> C.f. Søren Kaj Andersen, *Social Dialogue and European State Traditions - the Systems and Practice of Social Dialogue in Ireland, Spain, the Netherlands and Denmark*. The report can be downloaded in a Hungarian version at [www.fmm.gov.hu/main.php?folderID=2054\\*?](http://www.fmm.gov.hu/main.php?folderID=2054*?)

<sup>7</sup> ILO: [www.ilo.org](http://www.ilo.org)

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