

LABOUR AND SOCIAL JUSTICE

# COVID-19 CRISIS MANAGEMENT AND THE CHANGING SITUATION OF WORKERS IN HUNGARIAN MANUFACTURING

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The primary research question was whether the new investment boom in the Hungarian manufacturing sector, boosted by the government's Covid-19 crisis management, could increase the room for manoeuvre that workers and trade unions have.



The Covid-19 crisis management by the Hungarian government has favoured companies over workers, and social dialogue has become even more limited.



Trade unions needed to shape short-term mitigation, medium-term adaptation and long-term transformation measures simultaneously.

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# Contents

<b>1</b>	<b>Introduction</b>	4
<b>2</b>	<b>Employment, wages and investment during the crisis</b>	6
<b>3</b>	<b>Subsidising capital during the pandemic</b>	8
<b>4</b>	<b>Short-term and medium-term employment trends over the coming years</b>	10
<b>5</b>	<b>Factors behind labour’s success during the crisis</b>	12
<b>6</b>	<b>New ways of organising? The successful renewal of a trade union in the automotive sector</b>	15
	ABOUT THE AUTHOR .....	17
	IMPRINT .....	17

# 1 INTRODUCTION

The Covid-19 pandemic and the concomitant economic crisis transformed both the world economy and the Hungarian economy, including working conditions, workers' livelihoods and capital–labour relations. Existing research takes different views of the extent to which the fundamental structures of the world economy might change in the coming years. Also, different views have been expressed on the scope of possible interventions by employees and trade unions in these transformation processes.

The Hungarian government's measures over the past two years have placed investment support at the forefront of the Covid-19 crisis mitigation. This has resulted in new subsidies for enterprises (mainly in the manufacturing sector); as a secondary goal, the government has also sought to return employment to its pre-crisis levels as soon as possible.

The economic impacts of the coronavirus pandemic have previously been evaluated with the help of data from the Hungarian Central Statistical Office, enterprise surveys and opinion polls within the population. However, what has happened in the workplace – from the perspective of the workers – has so far been a blind spot in research. This paper goes some way to rectifying that, focusing as it does on the manufacturing sector.<sup>1</sup>

**The primary research question was whether the new investment boom in the Hungarian manufacturing sector, boosted by the government's Covid-19 crisis management, could increase the room for manoeuvre that workers and trade unions have.**

To answer this question, we

- **review the main employment trends** during the Covid-19 crisis period (Section 2),
- analyse the extent to which **government subsidies have supported capital, rather than labour** (Section 3),
- outline **future employment trends** in manufacturing (Section 4),

- summarise the **factors that have underpinned the success of labour**, including trade unions, in the past two years (Section 5), and
- provide a **detailed case study** of the circumstances that have led to the success of a reorganised union in one particular Hungarian enterprise (Section 6).

The research is based on a mixed methodology.

- **Literature review.** The primary focus is on academic work on employment pressures, crisis management by the state and labour struggles following the Covid-19 pandemic.<sup>2</sup>
- Sections 2 to 4 are mainly based on **official statistics, analysis of policy documents and expert reports.** The data analysis draws on a wide range of data provided by the Hungarian Central Statistical Office as of mid-November 2021. For the impact assessment of government measures in response to Covid-19, information available on the Hungarian Government's website was analysed.<sup>3</sup> Hungarian programmes for spending EU transfers were also evaluated.
- **Expert interviews** were conducted between September and November 2021. Interviewees were asked about the employment challenges of the Covid-19 pandemic, and about trade union best practices in recent years. The interviewees consisted of academics, representatives of employers' organisations and trade union representatives (officials of national trade union federations and their regional branches, secretaries of enterprise-level trade unions). Government institutions did not respond to our inquiry. In total, 11 semi-structured interviews were conducted (largely online), lasting between 1 and 1.5 hours. The identities of the interviewees and the organisations they represent are not revealed in this report. The help of Klára Nagy and Dóra Csepregi in conducting interviews is gratefully acknowledged.

<sup>1</sup> For a more detailed analysis, see the longer version published in Hungarian.

<sup>2</sup> The Budapest office of the Friedrich-Ebert-Stiftung published some reports back in 2020, see Németh, E., Girndt, R. (2020): *Corona macht es einfacher – Arbeitnehmerfeindliche Eingriffe ins ungarische Arbeitsrecht*. Friedrich-Ebert-Stiftung, Budapest.

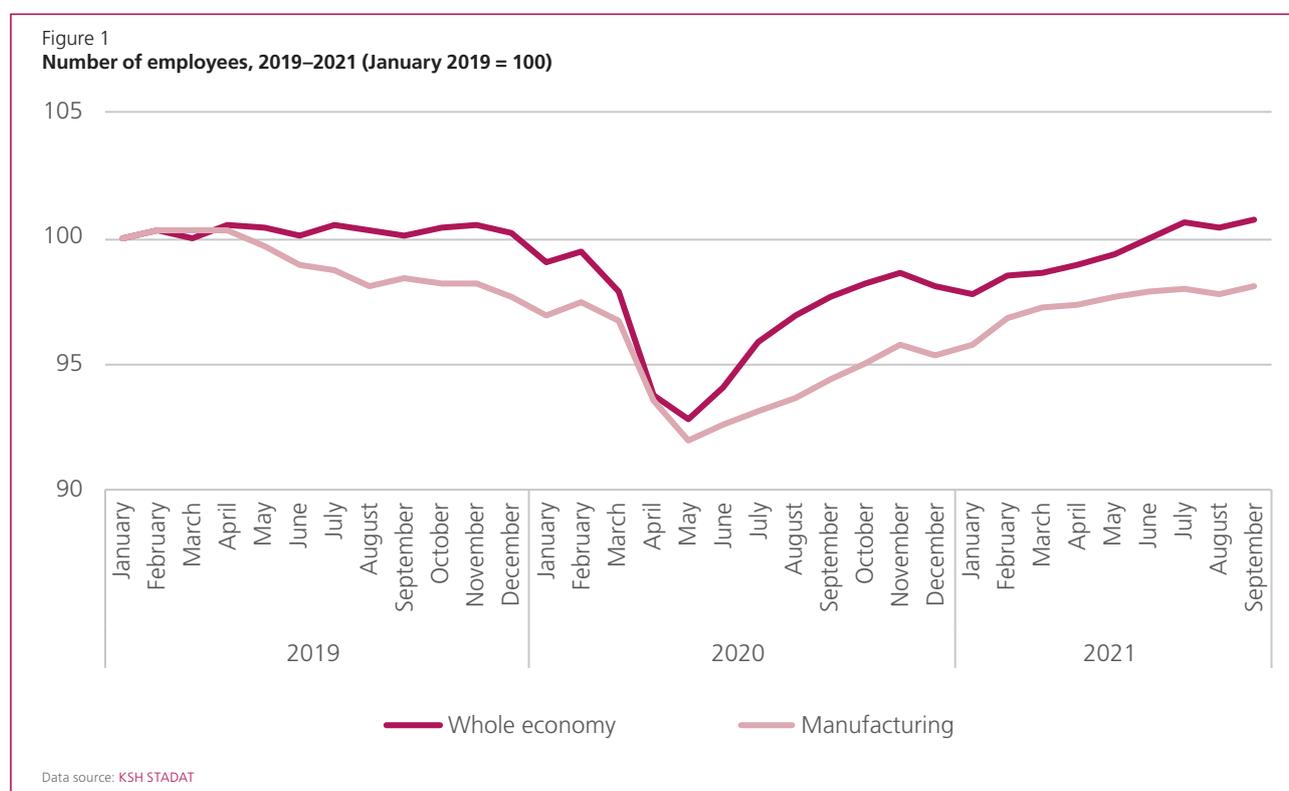
<sup>3</sup> <https://kormany.hu/>

- To supplement expert views and data analysis, **press articles** were also used to gain information on events in other companies, as well as contextual information.
  - Section 6 is an in-depth **company-level case study**, based on participant observation and interviews; in it, Tibor T. Meszmann and Ákos Molnár discuss the reorganisation of a trade union and a success story of labour struggle during the pandemic.
- The manuscript was finalised at the end of November 2021.

## 2 EMPLOYMENT, WAGES AND INVESTMENT DURING THE CRISIS

Before the Covid-19 pandemic struck, the Hungarian economy was characterised by a labour shortage, which also affected the manufacturing sector.<sup>4</sup> While layoffs caused by the pandemic temporarily eased the shortage on the labour market, by autumn 2020 and early 2021 employers and the press were again reporting labour shortages. **The government's primary response was not to protect employment in all sectors during the first, second and third waves of the pandemic in 2020 and 2021, but rather to encourage and subsidise new investments, and thereby facilitate job growth.**

**Considering the economy as a whole, employment was growing steadily in the years before the Covid-19 crisis.** As part of this trend, the number of manufacturing employees peaked in spring 2019 at 723,000. Employment fell sharply as a result of the pandemic (Figure 1). In the first wave, the risk of job loss was relatively high in the automotive sector, and the proportion of people in that industry who did not work a single hour in the second quarter of 2020 was particularly high (16%), compared to other sectors.<sup>5</sup>



<sup>4</sup> For a detailed discussion of the labour shortage in the second half of the 2010s, see Köllő, J., Nyíró, Zs., Tóth, I.J. (2018): *Trends in basic shortage indicators*. In: Fazekas, K., Köllő, J. (Eds.): *The Hungarian Labour Market 2017*. Institute of Economics, Centre for Economic and Regional Studies, Budapest, 63–72.

<sup>5</sup> Köllő J., Reizer B. (2021): *A koronavírus-járvány első hullámának hatása a foglalkoztatásra és a vállalatok árbevételére*. *Közgazdasági Szemle*, April, 345–374.

The recovery of employment in the national economy was more rapid than in the manufacturing sector (Figure 1). Although the second (autumn 2020) and third (spring 2021) waves of the Covid-19 pandemic were more devastating than the first (spring 2020) in terms of infections and deaths, this pattern is not reflected in the employment figures. Quite the reverse: **employment reached a new record high of 4.7 million in the summer of 2021.**<sup>6</sup> The slower recovery of employment resulted in overtime working in several manufacturing factories in autumn 2020 and spring 2021. The recovery was also visible in firms' turnover data – especially those of foreign-owned firms. Turnover rose more steadily than employment, i.e. the recovery in production had to be ensured with fewer workers than before.<sup>7</sup>

The impact of the Covid-19 pandemic on the average gross wages of full-time workers was less pronounced, reaching new highs in November and December 2020 of HUF 449,000 (€1,250) for the whole economy and HUF 477,000 (€1,330) in manufacturing. Thus, **those who were able to keep their full-time jobs did not lose out in the pandemic.** Wage increases are also often cited in government communications that seek to explain the rapid recovery.<sup>8</sup> Nevertheless, the average wage growth does not capture the way in which the livelihoods of a significant share of workers deteriorated during the subsequent waves of the Covid-19 pandemic – for example, among those who were unable to work full time.

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<sup>6</sup> This is the highest level since the Labour Force Survey was introduced in 1992, see [here](#). A methodological change also contributed to the new record: in particular, the fact that an additional group of child-care benefit recipients has, since January 2021, been regarded as employees.

<sup>7</sup> See also Köllő J., Reizer B. (2021): *A koronavírus-járvány első hullámának hatása a foglalkoztatásra és a vállalatok árbevételére.* Közgazdasági Szemle, April, 345–374.

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<sup>8</sup> See, for example, [here](#).

### 3 SUBSIDISING CAPITAL DURING THE PANDEMIC

**The standard Hungarian government support for enterprises has been partly modified due to the economic impact of Covid-19.** The government has developed new aid schemes and has maintained – or, in some cases, extended – the financial support available. This section argues that these subsidies have helped capital, rather than labour. The government refers to economic development subsidies as job-creating or unemployment-reducing subsidies; **but these instruments have not contributed to either improved working conditions or better social dialogue in workplaces.**

The main issues to do with the instruments introduced or expanded during the Covid-19 pandemic are the following.

- **The costliest instruments deployed in the Covid-19 crisis management followed the logic of investment promotion.** The **VIP cash subsidy scheme** has been available since 2004 to foreign investors who come to Hungary. The subsidy reached a new record high in 2020–2021 of HUF 21 million (€61,000) per workplace created. This aid is negotiated between the Hungarian Investment Promotion Agency (HIPA) and the company on an individual basis, with the final decision made at government level. **A new non-refundable cash subsidy to improve competitiveness was introduced in 2020, in order to tackle the effects of the Covid-19 pandemic.**<sup>9</sup> Eligible applicants were medium-sized companies (first call in spring 2020), large companies (second call in autumn 2020) and enterprises of both sizes (third call in spring 2021). Companies had to promise new investment (at least €2 million in the third call), without any cut in employment. The subsidy per workplace was around HUF 1.2–1.4 million (€3,400–4,000). By January 2021, total government expenditure stood at €630 million, with more than 700 companies being subsidised.
- Wider-reaching **wage subsidy schemes** were also introduced in the wake of the Covid-19 pandemic. This Hungarian *Kurzarbeit* (short-time working) scheme was, by European standards, modest in both its duration and its value, at HUF 200,000–450,000 (€570–1,280) per employee (a higher rate applied for R&D workers). Access to this aid also placed a significant bureaucratic burden on employers.<sup>10</sup> The total budget for the programme in 2020 was €100 million, and it contributed to the wages of 207,000 workers across the country.
- ‘Orderly industrial relations’<sup>11</sup> are a prerequisite for most government subsidies. However, **there are no other strings attached in terms of working conditions, wages or social dialogue (which would contribute to employment security and the creation of decent jobs).** In this respect, the government sides with capital over labour.
- **We are not aware of any publicly available government impact assessment of the Covid-19 crisis management measures.** In all likelihood, the government has not been evaluating them at all. The only measure of the effectiveness of a subsidy is how much money the government has spent on it. The evaluation criteria for applications (for example, for the VIP cash subsidy scheme or the subsidy to improve competitiveness) are not quantified: approval is based on informal preliminary talks with the HIPA, and it is assumed that there is no evaluation beyond the formal criteria.<sup>12</sup>
- **There have been no Covid-19-related subsidies that directly reach workers in need** (except for a subsidy for the self-employed in 2021). **The implicit government view is that non-refundable subsidies to companies will automatically trickle down to their workers** (for which almost no empirical evidence is available in the literature).

<sup>9</sup> For more information on this new subsidy, see the presentations of HIPA [here](#) and [here](#).

<sup>10</sup> For the European comparison, see Eurofound (2021): [COVID-19: Implications for employment and working life](#). Publications Office of the European Union, Luxembourg.

<sup>11</sup> The concept of ‘orderly industrial relations’ has been in place in Hungarian labour law since the mid-1990s; it means that the company has not been charged with violating any basic labour law requirements within the past two years.

<sup>12</sup> See the procedure of application and evaluation in [HIPA’s presentation](#).

- There has been no instrument that automatically allocates money to people or employees (without any bureaucratic application process).
- **Government subsidies have not provided a policy response to the increased burden on households of reproductive and care work.** State aid has not made up for wages lost, and nor has it improved

the conditions of social reproduction. A small-scale programme subsidising the establishment of workers' hostels did continue in 2020 and 2021: over the past five years, 6,000 hostel places have been created, with the help of this subsidy, by private companies or local governments.<sup>13</sup>

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<sup>13</sup> See a news article on the topic [here](#).

## 4 SHORT-TERM AND MEDIUM-TERM EMPLOYMENT TRENDS OVER THE COMING YEARS

Employment levels set new records after the shock of the first wave of the pandemic. **According to the estimates** of research institutes and bilateral chambers of industry and commerce, **manufacturing employment will continue to rise in the coming years.** For example, according to a survey by the German-Hungarian Chamber of Industry and Commerce in spring 2021, half of the respondents expected a growth in employment in the manufacturing sector – more than in most of the other Central and Eastern European countries. Meanwhile, only one tenth of company managers anticipated lay-offs – largely in Hungarian-owned and smaller companies.<sup>14</sup> The Institute for Economic and Enterprise Research operated by the Hungarian Chamber of Commerce and Industry (MKIK GVI) reported similar trends, with a growth in jobs expected in exporting companies. The institute also noted that employers will possibly not be able to hire as many new workers as they had envisaged.<sup>15</sup>

**The expansion in manufacturing employment may be accompanied by a labour shortage in coming years,** with the first signs of this already visible in summer 2021. In a survey by the German-Hungarian Chamber of Industry and Commerce, 60% of managers in the manufacturing sector expected labour shortages; they regarded this as the most significant risk factor for company growth.<sup>16</sup> There is also a ‘geographical mismatch’, as workplaces are not located where the unemployed are. This is a long-term feature of Hungarian capitalist development, reflecting the geographical inequalities of capital and labour. The geographical distribution of company subsidies is reproducing these inequalities, rather than mitigating them.

Employers and trade union officials also deplored the **lack of skilled workers in manufacturing.** This could create serious disruption in the future as well, as previous reforms of vocational training are seen as having been unsuccessful in terms of providing a skilled workforce for current and future manufacturing needs. The Hungarian government tied the *Kurzarbeit*-type wage subsidy to the provision of training for employees (a linkage that was only utilised by three countries in Europe).<sup>17</sup> This training, however, failed to provide most workers with new skills, according to comments made by both employers’ and employees’ organisations.

Before the Covid-19 pandemic struck, employers sometimes tackled the labour shortage by hiring temporary and foreign workers (third-country nationals). Temporary work agencies believe that it is important to retain and integrate foreign agency workers in Hungary, in order to cope with the rising demands for labour. Our interviewees expected there **to be a continuous need for foreign workers in the manufacturing sector, especially in unskilled jobs;** they also anticipated that in years to come the growing demand for manual workers would increasingly be covered by third-country nationals. The government made it easier to hire such workers during the pandemic: as a result, 15,000 work permits were issued for third-country nationals in 2020 (with Vietnamese, South Korean, Chinese, Turkish and Indian nationals crossing the 1,000 threshold), 30% of whom are employed in manufacturing. Moreover, 21,000 third-country workers arrived following the easing of the hiring procedure, including 13,000 Ukrainians.<sup>18</sup> In some factories (such as in the electronics industry), foreign agency workers represent up to half the workforce.

<sup>14</sup> Deutsch-Ungarische Industrie- und Handelskammer (2021): *Konjunkturbericht. Ergebnisse der 27. Konjunkturumfrage der DUIHK.* DUIHK, Budapest.

<sup>15</sup> MKIK Gazdaság- és Vállalkozáskutató Intézet (2021): *Rövidtávú munkaerőpiaci prognózis – 2022/1.* MKIK Gazdaság- és Vállalkozáskutató Intézet, Budapest.

<sup>16</sup> Deutsch-Ungarische Industrie- und Handelskammer (2021): *Konjunkturbericht. Ergebnisse der 27. Konjunkturumfrage der DUIHK.* DUIHK, Budapest.

<sup>17</sup> Eurofound (2021): *COVID-19: Implications for employment and working life.* Publications Office of the European Union, Luxembourg.

<sup>18</sup> ITM (2021): *A külföldi állampolgárok magyarországi munkavállalásának főbb sajátosságai.* Innovációs és Technológiai Minisztérium, Budapest.

EU transfers and policy recommendations will not alleviate the labour shortage over the coming years. In May 2020, the European Council recommended '[p]rotect[ing] employment through enhanced short-time working arrangements and effective active labour market policies and extend[ing] the duration of unemployment benefits', as well as involving 'social partners and stakeholders in the policy-making process'.<sup>19</sup> The Hungarian **Recovery and Resilience Plan** has not yet been accepted by the European Union (as of late November 2021). The preliminary plan of the Hungarian Government<sup>20</sup> **does not include measures that contribute to better working conditions or that tackle the labour shortage in the short term**. Long-term measures include healthcare and educational reforms. **The educational reforms serve the short-term needs of the employers**, but do not seek to open up a new development path by educating young people with the employment needs of the just transition in mind. The operational programmes submitted to the EU for the period 2021–2027 are not designed to serve workers' interests, but rather to meet the interests of companies. Most economic development subsidies will finance the investment of small and medium-sized companies, and the government aims to raise the employment rate to 85% by 2030. **It is envisaged that the capacity development of social partners will be funded to the tune of €24 million between 2021 and 2027 – a drop in the ocean, compared to the total Economic Development and Innovation Operational Programme of €7.07 billion.**<sup>21</sup> The social partners are also being left out of many programmes in which the implementation of projects relies on broad local or regional partnerships.

**New legislation has also led to the further intensification, increased flexibility and cheapening of labour.** This included a **temporary modification of the labour code, by which certain labour regulations were suspended** (all favouring employers).<sup>22</sup> This modification may also have contributed to the fact that the flexibility of the labour code is regarded in a positive light by company leaders. Tensions will increase during 2022, as **the rise in the minimum wage of around 20%** will put pressure on wage bargaining as well, particularly in those sectors of the manufacturing industry that are suffering from the current issues surrounding global value chains (such as the shortage of microchips).

**The changes to working conditions during the pandemic and a potential shift towards decent, high-quality work require a wider discussion of social reproduction generally.** This issue came to the fore of Hungarian public debate during the first wave of the pandemic, and the government introduced certain measures to support the costs of social reproduction. In years to come, **we expect the Hungarian state increasingly to pass on the costs of social reproduction to individuals**, further cheapening the Hungarian workforce and supposedly 'ensuring' the economy's international competitiveness. A revealing example is that the rise in the minimum wage in recent years has been accompanied by a cut in the social security contributions paid by employers. Consequently, households need to finance their long-term social reproduction from their own pockets, as the quality of the services provided by the state (health care, education, etc.) has declined.

<sup>19</sup> See the full text of the Council recommendation [here](#).

<sup>20</sup> Magyarország Helyreállítási és Ellenállóképességi Terve (Version of 2 July 2021).

<sup>21</sup> Gazdaságfejlesztési és Innovációs Operatív Program Plusz 1.4. 2021–2027. Tervezet.

<sup>22</sup> For a detailed analysis, see Gyulavári, T. (2020): *Covid-19 and Hungarian Labour Law: the 'State of Danger'*. Hungarian Labour Law E-Journal, 1, 109–125.

## 5 FACTORS BEHIND LABOUR'S SUCCESS DURING THE CRISIS

According to a study by Eurofound, social dialogue has been limited in most European countries during the pandemic. Hungary is unique among the European countries, as **the government has regularly consulted employers, but has left trade unions out of crisis management negotiations.**<sup>23</sup> The government has been consulting employers' organisations at informal weekly or fortnightly senior management meetings coordinated by the Ministry of Innovation and Technology, rather than at the official forum for social dialogue, the Permanent Consultative Forum of the Private Sector and the Government (VKF).

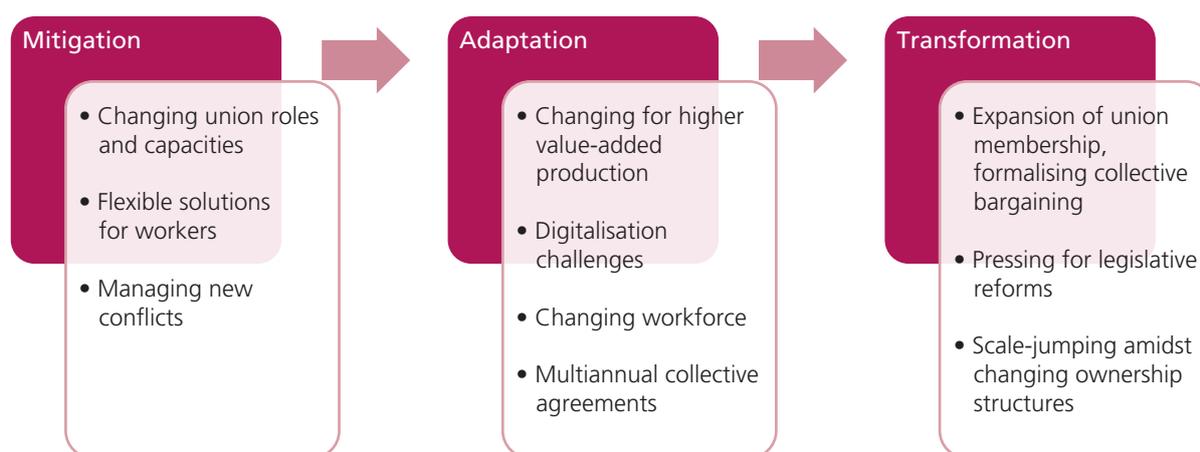
Thus, the company level has become a more prominent venue for social dialogue. **This study differentiates between three categories of issues related to trade union action** (Figure 2): mitigation covers short-term

issues directly linked to Covid-19 crisis management; adaptation issues are linked to medium-term changes in the labour market; and transformation covers even longer-term trends, to which trade unions have had to react.<sup>24</sup> Trade unions have had to think about and act in all three categories simultaneously during the pandemic.

As part of the process of mitigating the effects of the pandemic, four issues were identified as important.

- Trade unions have had to **change their roles and engage in more dialogue in the workplace. Trade union roles have been varied**, ranging from 'co-managing' the pandemic to controlling and overseeing employers' decisions (partly also taking on the task of labour inspection). Company measures have had to be digested and quickly reviewed at a turbu-

Figure 2  
Categories of trade union action during the Covid-19 pandemic



<sup>23</sup> Eurofound (2021): *COVID-19: Implications for employment and working life*. Publications Office of the European Union, Luxembourg, Chapter 6.

<sup>24</sup> This framework is adapted from resilience research, and has also been used in analyses of how workers reacted to the Covid-19 pandemic. See, for example, Neise, T., López, T., Angga Reksa, F. (2021): *Steering through troubled waters. Resilience strategies of cruise ship labor amid the Covid 19 pandemic*. Presentation at the #GeoW-och2021 conference, 5 October 2021. For similar research in Germany, see also Detje, R., Sauer, D. (2021): *Corona-Krise im Betrieb. Empirische Erfahrungen aus Industrie und Dienstleistungen*. VSA: Verlag, Hamburg.

- lent time, while the state has also been introducing low-quality and controversial legislation.
- In several workplaces, trade unions have been involved on those company boards that have dealt with mitigation measures. **Negotiations between employers and employees have been fruitful in enterprises where there are well-established channels of social dialogue.** Costlier interventions to maintain production have been introduced, where company finances have allowed it: be that the provision of disinfectants, masks and testing capacities, or the promotion of vaccination. Several measures have been adopted from the parent companies of Hungarian subsidiaries. The white paper of the Ministry of Innovation and Technology<sup>25</sup> outlined complex interventions to tackle the pandemic in companies, but did not discuss how to involve workers, works councils or trade unions in the planning and implementation of the measures. This reveals much about the current quality of social dialogue in Hungary.
  - **The flexible working arrangements introduced during the pandemic have been a double-edged sword**, their success depending on local power structures. Issues of work organisation (e.g. regulations governing working from home; reducing the chances of contagion on the shop floor) and pay (e.g. reconciling working time lost due to lockdowns with ‘time banking’ schemes; sacrificing bonuses for extra holiday) have been the focus of trade union attention. Also, company-level regulations have had to be introduced for the remuneration of workers in quarantine, and of those who have tested positive or been in contact with infected co-workers or family members. Some companies allowed family members to stay at home while the schools and kindergartens were closed and to receive compensation equal to the minimum wage.
  - **New sources of conflict have also emerged** in the wake of the new challenges, for example surrounding the distribution of bonuses among employees. Some companies which made a profit and paid dividends tried to cut workers’ bonuses – attempts that were partially countered by trade unions. An emerging source of friction is that employers may unilaterally insist on their workers being vaccinated against Covid-19. This can be something of a dilemma, given the current labour shortage in manufacturing and the fact that workers in unskilled and skilled manufacturing jobs have relatively low vaccination rates.
  - **The shift to higher value-added production** has continued during the pandemic, in part due to government subsidies. Unions need to respond to these changes, such as through negotiations with the employer to retain core staff by means of retraining. Trade unions face challenges when both low-tech and high-tech production occur in the company in parallel: negotiating wages and representing the interests of all workers is not an easy task under such circumstances. One way forward is to call for change in government subsidies, so that workers also receive their share of the rewards accruing from the shift to higher value-added production.
  - **New digital forms of communication** in trade union work have emerged during the pandemic. These include holding meetings online, rather than in person. In one manufacturing firm, for example, the company’s mobile application was also used by the trade union to reach out to workers and organise the works council elections during the pandemic, when in-person voting would have been almost impossible.
  - Trade unions need to be prepared for **changes in the workforce**. Some interviewees reported that their companies had been adapting, leading to a change in the proportions of physical and non-physical workers, of skilled and semi-skilled jobs and of Hungarian and foreign workers. New union strategies may be required under these new circumstances. For example, foreign, third-country workers (or non-local workers in general) are often believed to weaken unions, by accepting worse working conditions than local Hungarian workers.
  - **Multiannual wage agreements and collective agreements in general** proved advantageous for workers. Agreements – including on wages and benefits – may have been renegotiated during the pandemic, but strong collective agreements and strong representation meant that workers could ask for compensation. Also, workers’ preferences might have changed: they may prefer to have the costs of working from home covered, or else have private healthcare contributions made. The minimum wage will rise by almost 20% from January 2022. This could lead to new tensions at the company level, and also among employees, since a general 20% pay rise would seem to be unfeasible for several employers under the pandemic circumstances.

There are three important transformation issues relating to long-term restructuring of the manufacturing sector.

- Linked to the changing workforce mentioned previously, **local trade unions have to expand their membership** to new worker segments. For example, it was mentioned that it is a challenge even for experienced trade union officials to attract young workers. When considering those factors that would promote future success, the **internal reform** of trade union structures and the internal training of trade union members and leaders were also mentioned as important.

The issues of trade union action linked to the medium-term adjustment processes can also be summarised in four points.

<sup>25</sup> Innovációs és Technológiai Minisztérium Járványmatematikai modellező és epidemiológiai projekt (2020): *Vállalati Fehér Könyv. Gyakorlati útmutató a vállalati pandémiás terv elkészítéséhez és végrehajtásához*. Budapest. This ministry is also responsible for employment policy in Hungary.

- Trade unions should strive to **restore the legal and operational frameworks of social dialogue**. These have been further undermined during the pandemic, and the government has introduced several measures without prior consultation with its social partners.<sup>26</sup>
- A third issue is the **changing ownership structures** in the manufacturing sector – not only in Hungary, but also globally. As institutional investors (investment funds, pension funds, insurance companies, etc.) become larger shareholders, so short-term profit interests could corrupt the long-term interests of both workers and company management.<sup>27</sup> Trade unions in Hungary have found examples of this, where certain decisions agreed between the local management and trade unions have been overridden by shareholders with an eye to short-term profitability. One solution could be ‘scale-jumping’ by the union movement: for example, engaging in collective bargaining on European works councils, rather than in local subsidiary companies.

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<sup>26</sup> On details of current struggles and the lack of consultation with social partners, see also the [International Labour Organization's report on Case No 3381](#), as well as on [Case No 3399](#).

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<sup>27</sup> See, for example: Dörre, K. (2015): Beyond shareholder value? The impact of capital market-oriented business management on labor relations in Germany. In: Weller, C.E. (Ed.): [Inequality, uncertainty, and opportunity. The varied and growing role of finance in labor relations](#). Labor and Employment Relations Association, Champaign, 85–117.

## 6 NEW WAYS OF ORGANISING? THE SUCCESSFUL RENEWAL OF A TRADE UNION IN THE AUTOMOTIVE SECTOR

TIBOR T. MESZMANN,<sup>28</sup> ÁKOS MOLNÁR<sup>29</sup>

In the Hungarian private sector (and thus also in the automotive industry), the current economic and epidemiological conditions are not conducive to forming and sustaining a union. **The Hungarian trade union movement is in desperate need of new ways to innovate.** Despite the difficulties, a large number of workers are ready to defend their rights, if necessary. Hungarian trade unions prefer to use and combine two toolkits to organise workers, and to represent and defend their interests. One is the traditional, step-by-step approach to building and strengthening unions, which draws on an inherited, local knowledge base and which emphasises the importance of step-by-step trade union recruitment and building. The other approach, which is in vogue today, emphasises learning and the application of new organisational skills.

The fundamental problem with both approaches is the assumption that the union structures are already in place: for example, that there is a main organiser and a (relatively) stable organisation (or at least the basis of such). But these structures often do not exist; and especially in a period of crisis, this shortcoming becomes all too visible. In this study, we present a case of successful trade union renewal where neither of the approaches was much in evidence. Rather, it was **a rupture in organisational practices that led to renewal.**

The union at the company in question was established in 2013; but by 2020, only a dozen members remained. Then, following a wage dispute, in just two weeks of June 2020, **some 430 employees joined the union, representing more than half of the company's workforce.** According to one of the new union members, 'we were looking to the existing [union] leaders for solutions'. Up to the outbreak of the second wave of the Covid-19 pandemic, in autumn 2020, the main objective was to inform union members. This was achieved through meetings in the restaurant opposite the company, which was easily accessible to workers on all shifts. After the lockdown, communication between workers moved to the digital space. The

online forums were employed not only to assess the situation, but also to consult experienced trade union leaders from other plants. This turned the meetings into a place for intensive strategic discussion.

Since the union had no leadership, those members who took on tasks simply 'emerged' in the course of the meetings. The new trade union 'core' consisted of a group of 20–40 people who were always present. Organisational work was discussed, and specific tasks (collecting signatures, leafleting, etc.) were assigned during the meetings. The organisers called themselves the 'active circle'.

Later, as the union grew, **it engaged in collective bargaining with management.** During the negotiations, it became clear to the employer that the union had the strength and capacity to mount a strike, if it so wished, and that this would undoubtedly be joined by almost all the workers. This led to successful bargaining, and the workers retained their previous wages and benefits.

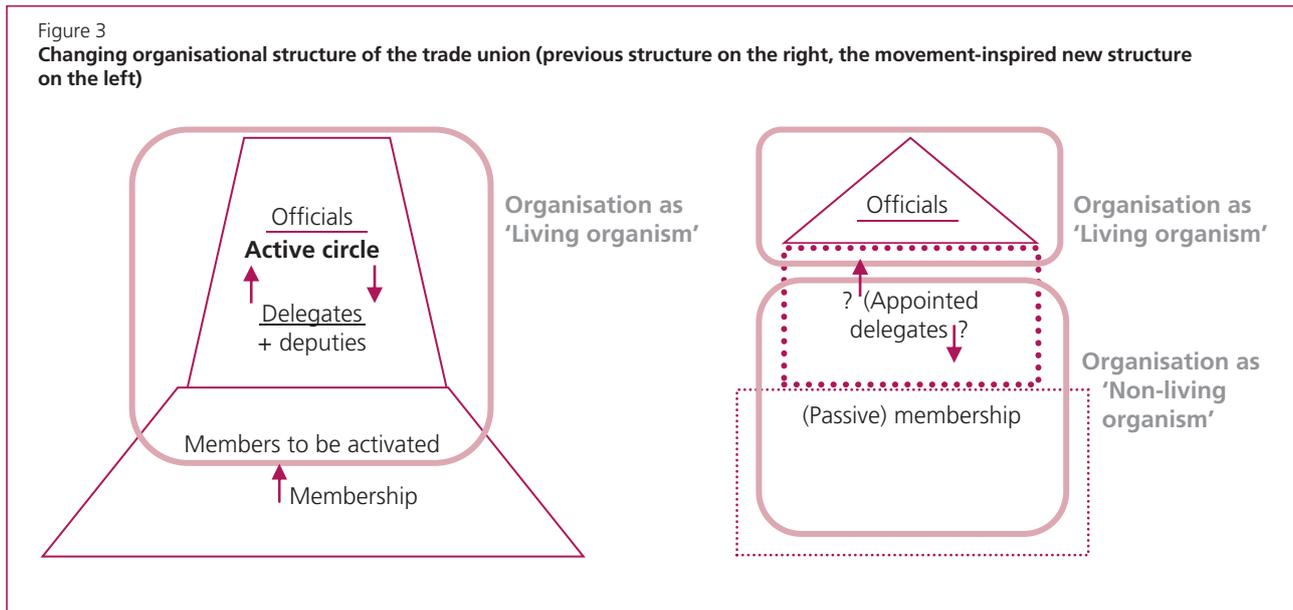
**In the trade union world, a sudden surge in membership can disrupt the organisational processes and the 'internal life' of a union.** New membership can also cause friction. Because the organisational structure is underdeveloped, it has inadequate capacity to deal with the surge in new members, and therefore cannot cope with the issues that stack up. As a result, it is common for the initial momentum of the union to stall, and for disillusionment with the union to set in among its members.

**From the perspective of organisational sociology, the 'management' of new members is unquestionably difficult, since a structure has to be set up or rapidly adapted.** If the organisational structure remains unchanged, it is very rarely able to integrate members properly. But if alterations to the structure fail, the risk of losing a significant part of the membership is greatly exacerbated.

A trade union has a hidden organisational background – a hidden foundation – that is only dimly visible from the outside. The importance of this concealed structure is also highlighted in our case study. Here, an external

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trade union expert offered legal assistance and made suggestions as to how to set up a communication and educational infrastructure for union members. **The organisational development was carried out in parallel with expert advice and consultation, involving new members.**

In just a few months, the union has seen not only a growth in membership, but also a qualitative change in its mode of organisation. **The crisis generated a potential** (a sudden increase in membership, demand from workers, pressure to identify and solve problems), which compensated for the lack of stable organisational resources through movement-like processes. What was novel in the case study was the flexible and non-hierarchical structure. This, in our opinion, could be a guiding principle for trade unions in other companies as well. An ideal-typical comparison between the traditional trade union structure and the structure of our case study is shown in Figure 3.

Ultimately, our story provides an excellent example of organisational development in a supportive, emancipatory environment. We find instances of continuous provision and of the incorporation of impulses into organisation formation; the active involvement of members; and community-building. This trade union is similar to a living organism, and is very different from a formalised, hierarchical body run by a small number of officials. The trade union, together with its experts, has provided an ever-growing set of conditions and tools for collective thinking and joint action for active members to resolve their problems together. In particular, **continuous learning and community-building has increased organisational capacity in an organic way**, with the members of the 'active circle' starting out with modest knowledge and becoming masters through practice. The basic premise of conflict-oriented union politics is that conflict gives unions the chance to grow stronger. In our case study, the conflict – the demonstration of the capacity to act and strike – came at a fortuitous moment and led to recognition of the trade union as an organisation that could help shape local industrial relations.

## ABOUT THE AUTHOR

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# COVID-19 CRISIS MANAGEMENT AND THE CHANGING SITUATION OF WORKERS IN HUNGARIAN MANUFACTURING



The primary research question was whether the new investment boom in the Hungarian manufacturing sector, boosted by the government's Covid-19 crisis management, could increase the room for manoeuvre that workers and trade unions have. The study is based on statistical data analysis, document analysis, expert interviews and a case study.



The Covid-19 crisis management by the Hungarian government has favoured companies over workers, and social dialogue has become even more limited. The only measure of the effectiveness of subsidies is how much money the government has spent to 'save' as many jobs as possible. No effort has been made to improve the quality of jobs, contribute to decent work and develop industrial relations.



Trade unions needed to shape short-term mitigation, medium-term adaptation and long-term transformation measures simultaneously. Trade unions' activities have resulted in beneficial changes for workers in many workplaces in the wake of the Covid-19 pandemic; but it is hard to scale up these success stories to the sectoral or national level. The publication presents a company-level case study that explores the success factors behind a union reorganisation in the automotive sector.

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