



Challenges for Organising and Collective Bargaining in Care, Administration and Waste collection sectors in Central and Eastern European Countries

Hungary: Development of Collective Bargaining

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1. Methodological preface

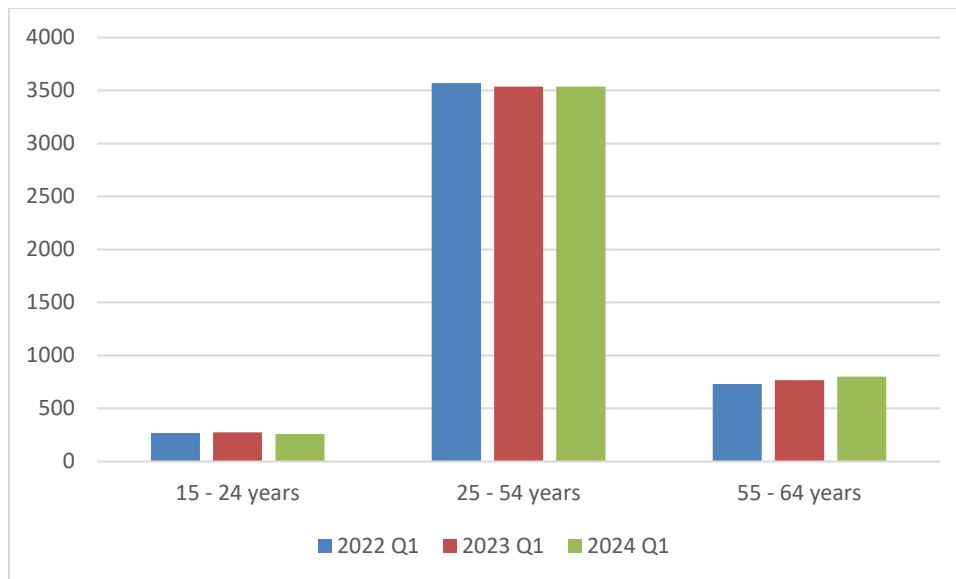
This report is based on desk research and key findings from previous research in the area of the Hungarian collective bargaining system (in Hungary, provided within the research project SOWELL by the CELSI research group), extended by interviews conducted by key stakeholders, trade union representatives, experts and additional research data.

Respondents	Interview date	Interview code
Trade union representative – social care	May 2022 (updated in November 2024), online	HU_INT_1
Municipal representative – employer	Oct 2022 (updated in November 2024), in person - online	HU_INT_2
Trade union representative – social care	Oct 2021 (updated in November 2024), online	HU_INT_4
Expert – collective bargaining	Nov 2024, online	HU_INT_5

2. General characteristics of the labour market and industrial relations system

As of January 2022, Hungary's population was 9,689,000, continuing a decline from previous years (EURES, 2023). In 2023, the labour market employed 4.724 million individuals, or 74.8% of those aged 15 to 74, according to the Hungarian Central Statistical Office (KSH). This marks an increase in employment compared to earlier years. The unemployment rate in 2023 was 4.1%, affecting about 203,000 people, with an increase of 27,000 employed (0.5%) compared to 2022. In terms of demographics, 70.5% of women and 79% of men are active in the labour market. The highest participation rate is among those aged 25 to 54 (87.9%), while only 27.4% of individuals aged 15 to 24 are employed. Additionally, 69.1% of those aged 55 to 64 are engaged in the workforce (KSH, 2024a: 62-65).

Figure 1: Number of employed persons by age group (1,000 persons)



Source: KSH, 2024b

The average percentage of the reserve labor force is recorded at 6.4%. The highest concentrations are observed in the North-Eastern and Southern regions of the country, specifically in Szabolcs-Szatmár-Bereg and Somogy Counties, with rates of 13.2% and 13.0%, respectively. In contrast, the North-Western region exhibits the lowest percentage, notably 3.0% in Győr-Moson-Sopron County. Labor demand is particularly robust in the economically advanced North-West and Central regions, including the capital city of Budapest (MNB, 2024). Furthermore, the NEET (Not in Employment, Education, or Training) rate stands at 14.4% in 2023, positioning it as the sixth highest within the European Union (Eurostat, 2024).

2.1. Industrial relations at a glance

Hungary's industrial relations system showcases a **diverse capacity among social partners**, influenced by varying levels of unionization and employer organization. From the position of workplace representation, Hungary has a dual system with the presence of both trade unions and works councils, where the trade unions have the right to negotiate, while the works councils have rather a formal role with information and consultation rights (worker-participation.eu, 2024). Over the past three decades, trade unions in Hungary have seen a **drastic decline in membership**. In 1990, trade union density was at 88.6%. However, this number dropped significantly to 48.3% by 1995 and continued to decrease to 7.9% by 2018 (ILOSTAT, 2021; Visser, 2019), eventually reaching 7.4% by 2020 (Berki, Gyulavári & Kártyás, 2023:7). This trend of de-unionization underscores the diminishing influence of trade unions

in the industrial sector. Despite these challenges, **five major trade union confederations** remain active in Hungary:

- **MaSZSZ (National Confederation of the Hungarian Trade Unions)**
- **LIGA (Democratic League of the Free Trade Unions)**
- **ÉSzt (Confederation of Unions of Professionals)**
- **SZEF (Forum for the Cooperation of Trade Unions)**
- **MOSZ (National Federation of Workers' Councils)** (Fulton, 2021).

A key characteristic of **trade unions is their decentralization**. Confederations have limited authority, and negotiations primarily occur at the company level, especially in large organizations where union representatives wield more power. Additionally, Hungarian trade unions are often divided along political lines, associating with either the left or right, as well as between public and private sectors (Meszmann & Szabó, 2023: 546-549).

The FIDESZ government **reformed the Labour Code** in 2012, which introduced several obstacles to industrial relations, collective bargaining and the competencies and rights of the social partners, especially for the trade unions. One of these activities was the introduction of a membership threshold for trade unions to engage in collective bargaining, requiring at least 10% of the total number of employees to be union members (Matheika, Borbély & Krokovay, 2021; Borbély & Neumann, 2019: 304).

Collective bargaining coverage has similarly decreased, from 38.4% in 2000 to 17.8% in 2019. Most collective agreements are signed at the company level, with limited multi-employer agreements, particularly in the non-state sectors. The presence of sectoral bargaining is minimal, and the data regarding collective agreements are often outdated or incomplete (Visser, 2019; Fulton, 2021).

Employer associations are diverse, with eight major organizations active in Hungary. Three of these are involved in the tripartite negotiation within the VKF (Standing Consultative Forum for the Competitive Sphere and the Government):

- **MGYOSZ (representing industrial sector employers)**
- **ÁFEOSZ (focusing on retail and wholesale sectors)**
- **VOSZ (representing SMEs and entrepreneurs)**

Other employer associations, such as KISOSZ (trade and catering sector), OKISZ (Hungarian-owned SMEs in the industrial sector), IPOSZ (craft and artisan businesses), MOSZ (active in the agricultural sector), and the STRATOSZ (deals

with strategic state-owned companies), are not involved in the collective bargaining (Matheika, Borbély & Krokovay, 2021).

The **right to strike** in Hungary is formally recognized but faces practical restrictions. Legislative changes and political-economic developments have increasingly limited this right, particularly during crisis periods such as the Covid-19 pandemic. Visible issues arise in public services due to the National Strike Law (Act VII of 1989), which requires essential service employers—such as those in transport, telecommunications, healthcare, social care, and education—to maintain service during a strike. The law mandates that employers and employees negotiate how to ensure this service, but it does not define "adequate provision." If no agreement is reached, employees at that institution cannot strike. Alternatively, the terms can be determined by a court ruling in a labour dispute (Wolters Kluwer, 2022j).

Hungary **lacks a comprehensive national tripartite body** encompassing all sectors. The already mentioned VKF serves as a consultative body limited to the private sector, primarily addressing the agenda on minimum wage and average wage increases (Parlament.hu, 2021: 3). The National Economic and Social Council (NGTT), established in 2011, is an advisory body without governmental representatives, focusing on broader civil society participation. Sectoral social dialogue committees established post-EU accession, have limited presence and influence, further weakening the overall capacity for meaningful social dialogue and collective bargaining (Parlament.hu, 2016: 1-2; Borbély & Neumann, 2019: 296). We must also mention the presence of the bipartite bodies in Hungary, called Sectoral Social Dialogue Committees (ÁPB – Ágazati Párbeszéd Bizottság), which were established in 2004 and 21 of them exist in several sectors (Matheika, Borbély & Krokovay, 2021). Exists also special sector or profession-specific consultative bodies, like the OKÉT (National Public Service Interest Reconciliation Council), which focuses on public service employees, or the KVKF (Consultation Forum of Public Service Enterprises), focusing on state-owned public service companies (Parlament.hu, 2021).

Table 1.: Main tripartite and bipartite bodies in Hungary

Name	Type	Level	Issues covered
National Economic and Social Council (Nemzeti Gazdasági és Társadalmi Tanács, NGTT)	multipartite	national	Overall social-economic issues, strictly for information and consultation without the right to negotiating (or collective bargaining)
Permanent Consultative Forum of the Industry and the Government (Versenyszféra és a Kormány Érdekegyeztető Fóruma, VKF).	tripartite	national	Minimum wage, annual recommendation for general wage increase, for negotiation; labour-law related issues for consultation. Other issues in the area of work-related taxation or health and safety, sometimes EU-related legislation, but only on an ad hoc basis, and for information or consultation only
Sectoral social dialogue committees (Ágazati Párbeszéd Bizottságok, ÁPB)	bipartite	sectoral	Issues covered agreed by the parties. Committees have the right to collective bargaining

Source: Bors & Kahancová, 2023 (based on Matheika, Borbély & Krokovay, 2021)

2.3. Collective labour agreements

The Hungarian Labour Code outlines the terms and conditions for negotiating collective agreements. Paragraph 276 of the Code specifies that collective bargaining involves two parties: the employer and the employee. Each employer can only sign one collective agreement, though multiple agreements may apply to the employer, such as in sector-level negotiations. On the employer's side, participants in collective bargaining can include:

- The employer;
- Multiple employers collectively;
- An employers' representative body (employers' association), provided this body is authorised by its members.

On the employee's side, the trade union is the sole authorised negotiator. The trade union negotiates and signs the collective agreements with the employer. To be representative, the trade union must meet a 10%

membership threshold, based on the average number of members over the past six months. Collective agreements remain valid even if trade union membership declines, lasting until the agreement's expiration (HVG, 2022: 53-54).

Data on the exact number and wording of collective agreements in Hungary is quite limited. According to the Hungarian Labour law, employers and employees involved in collective bargaining must inform the Ministry responsible for the evidencing of the employment affairs to upload the signed collective agreements into the MKIR (Employment Relations Information System) registry database. However, if they fail to do so, the Ministry have no legal tools to penalize them, and agreements can still be negotiated and signed. This lack of enforcement is one reason why the MKIR database is often incomplete (Kártyás, 2019: 80), outdated or missing certain agreements from it (Berki, Gyulavári & Kártyás, 2023: 11).

The collective bargaining coverage in Hungary has decreased similarly to that of trade union coverage. In 2019, the coverage rate was 17.8% (Visser, 2019), with 2,846 collective agreements covering 6,023 companies and approximately 815,000 employees. The majority of the agreements were signed by a single organization, either a company or a state institution. Only 85 multi-employer agreements were signed in the non-state sector, while the state sector had only two. According to the ETUI report, the availability of valid numbers for collective agreements could be problematic. The report states that the negotiators do not always provide the newest information, and the register might include invalid or expired collective agreements. However, the report states, that the collective agreements are mostly signed by a single companies or institutions and the collective bargaining activity covers only one fifth of all employees (Fulton, 2021).

2.4. Opinions on the state of collective bargaining

Several respondents from trade unions indicated that the quality of collective bargaining is influenced by the power and size of the employers or companies as well as trade unions involved in the negotiations. Notably, there is a distinction between larger multinational corporations and smaller or medium-sized enterprises (SMEs), as well as between private sector companies and those within the public sector. In the public sector, collective bargaining is typically confined to the company level and must comply with stringent regulations.

Furthermore, the effectiveness of the bargaining process is contingent upon the nature of the relationship between the local trade union branch and the

employer. Stronger and better relationships tend to facilitate smoother negotiations. According to the interviewee from the trade union side, it is beneficial to both sides (the employer and the employees/trade unions) if they cooperate in a constructive way. However, the problem is, that the collective bargaining could focus only on the principal issues, like for example, on the "wage negotiations and opportunities for skills training" (HU_INT_1), and while these issues are not solved on company-level, it is pointless to focus on more important, or company, or local-level issues.

Moreover, the constraints imposed by strict regulations on collective bargaining represent a significant challenge. Even when a pertinent issue arises that affects employees, it becomes increasingly difficult to negotiate and adjust agreements to reflect those specific requirements.

3. Collective bargaining dynamics in recent years

A 2023 research paper by the Hungarian office of the Friedrich Ebert Stiftung examines the decline in collective bargaining coverage. The authors analyse government actions since the reformed Labour Code was implemented in 2012, noting that several changes have weakened trade unions' bargaining power. One major change is the elimination of the option for unions to exchange unused working time benefits for cash, which reduced their financial resources. Additionally, public administration employers are no longer required to deduct and transfer union membership fees, complicating funding access for unions. A proposed regulation from August 7, 2023, suggests that starting January 1, 2024, certain public sector employers may refuse automatic deductions of union dues. The proposal also allows non-representative unions and elected worker representatives to sign collective agreements without meeting the 10% representation rule, pending worker approval. Overall, there has been a significant decline in collective agreement coverage in Hungary, with many small and medium-sized enterprises neglecting works council elections and multiple unions in companies causing bargaining deadlocks (Berki, Gyulavári & Kártyás, 2023).

4. State of play after the adoption of the Directive

4.1. Discussions and legal preparations

To evaluate the current state of the Hungarian minimum wage and its development over the past three decades, it is essential to consider two primary figures: the gross minimum wage and the guaranteed wage minimum, which pertain to positions requiring secondary education. According to official statistics provided by the Hungarian Central Statistical Office (KSH), all categories of minimum wage have exhibited an upward trend since 1992. From 2022 to 2023, the gross minimum wage experienced an increase of 16%, rising from 200,000 HUF (approximately 526 EUR) to 232,000 HUF (around 610 EUR). In 2023, the guaranteed wage minimum was recorded at 296,400 HUF (780 EUR). Projections for 2024 suggest a gross minimum wage of 266,800 HUF (702 EUR) and a guaranteed wage minimum of 326,000 HUF (857 EUR). Nevertheless, a comparative analysis of the gross minimum wage in relation to the average gross salary reveals a declining trend. In 2017, the gross minimum wage comprised 42.9% of the average gross salary, whereas by 2022, this proportion had decreased to 38.8%. Additionally, it is pertinent to highlight the significant disparity within the public service sector, where the minimum wage for public employees, including those engaged in public works, was recorded at only 116,000 HUF (305 EUR) in 2023, as indicated by KSH data (KSH, 2024c; penzcentrum.hu, 2024).

The present circumstances highlight the necessity for systematic changes within the Hungarian wage system and social dialogue, particularly if the country intends to fulfil the milestones set forth in the Minimum Wage Directive. Initial formal steps have already been undertaken. In April 2024, the Hungarian Parliament enacted a law amending the Labour Protection Act to integrate the Minimum Wage Directive into the country's legal framework. Subsequently, a Government Decree designated the VKF body as a national consultation platform to address wage-related matters, recommend adjustments to the minimum wage, and ensure alignment with the requirements of the Directive. The adoption process entails collaborative efforts among representatives from the government, relevant ministries, and the VKF itself. Trade union representatives, as members of the VKF, have emphasized that this body will play a pivotal role in establishing annual wage increase plans, aiming to achieve a minimum wage that is 50% of the average gross salary at the earliest opportunity. The president of the LIGA trade union has asserted that the minimum wage “*must be increased by at least 10 percent [annually] to bring it closer to the guaranteed minimum wage*” (Parlament.hu, 2024; Járđi, 2024, Magyar Közlöny, 2024).

4.2. Any trade unions activity dedicated to promotion/familiarize audience with the Directive

Drawing from the available documents, it appears that the Hungarian government has undertaken several initiatives to implement the Directive. This effort is particularly noticeable in the legislative realm. Between May and July 2024, numerous rounds of discussions were held in Parliament with the objective of amending existing laws and regulations. These discussions centred on key issues such as worker protection, collective bargaining, and sectoral agreements, as well as the integration of the Directive into the new Labour Code (NJT.hu, 2024).

According to statements made by various trade unions, the government's initiatives have not sufficiently addressed the objectives outlined in the Directive, leading to significant concerns about its implementation. Over the last two years, the trade unions have engaged in proactive efforts to influence the government's agenda regarding the Directive, aiming for a more effective realization of its goals. A significant point of contention for the trade unions is the government's approach to implementing the Directive, which they allege is occurring without essential and meaningful consultation and collaboration with relevant social partners. This lack of engagement raises doubts about the legitimacy and effectiveness of the implementation process. The VKF serves, in this case, as the principal forum for discussing matters related to the minimum wage, but trade unions have voiced concerns about the limited opportunities provided for genuine consultation and joint planning with the government. Within this framework, the unions have presented numerous proposals aimed at enhancing the implementation strategy, but unfortunately, all these proposals have been dismissed by the government, leading to significant frustrations. The MaSZSZ trade union confederation, a member of the VKF, has articulated several critical issues regarding the government's practices and decision-making processes. One of the foremost concerns is the exceedingly brief, seven-day window for social consultation with social partners, which was the sole official opportunity provided for discussing the Directive. This short timeframe raises questions about the government's commitment to engaging with trade unions and other stakeholders effectively. Additionally, the MaSZSZ has criticized the government for asserting in official documentation, that the country has already met EU standards concerning the Directive. Róbert Zlati, the president of the MaSZSZ, has publicly challenged this claim, urging that it is misleading and inaccurate. Further issues identified by the MaSZSZ include the inadequate reinforcement of trade union positions, the lack of guarantees for their rights, insufficient encouragement for forming sectoral collective

agreements, and a distinct absence of social conditionality in public procurement and public subsidies. Moreover, the confederation has called attention to the need for more rigorous labour inspections to ensure compliance with labour standards. To exert pressure on the government and seek support for their cause, the MaSZSZ has formally requested international legal assistance to ensure the effective implementation of the Directive. This action underscores the urgency of their concerns and the critical need for a collaborative approach to fulfilling the obligations set forth by the Directive (MaSZSZ, 2024, Parlament.hu, 2024).

5. Action plan

As of October 2024, the only noticeable activity consists of consultations with social partners regarding the minimum wage increase for the upcoming years. This represents a crucial step toward achieving the targeted 50% share. Currently, no information is available concerning the preparation of the Action Plan, even though the adoption deadline for the Directive is November 15, 2024.

6. Summary and conclusions

The industrial relations system in Hungary is confronted with several structural challenges, particularly due to the 2012 Labour Code reforms that established a 10% membership threshold for trade unions to participate in collective bargaining activities. This threshold, coupled with a significant decline in union density has substantially diminished the role of trade unions. Furthermore, collective bargaining coverage has also experienced a decline, dropping from 38.4% in 2000 to just 17.8% in 2019, with the majority of collective agreements being negotiated at the company level. Recent developments in Hungary underscore the prevailing uncertainty surrounding the formulation of an effective action plan aimed at strengthening collective bargaining and social dialogue. While the government bears the primary responsibility for these initiatives, there is a strong criticism from the side of the trade unions about effectiveness and transparency of the actions. Consultations related to the EU Minimum Wage Directive, including its incorporation into Hungarian law, have provided limited opportunities for trade unions to influence the process. Unions have expressed dissatisfaction with the constrained seven-day consultation period provided by the government and have contested the assertion that existing practices align with EU standards. Although discussions at the VKF have focused on adjustments to the minimum wage,

unions have raised concerns regarding the lack of broad engagement and the absence of meaningful reforms.

Despite these challenges, Hungarian trade unions have demonstrated a strong interest in enhancing their influence. However, as their organizing efforts largely remain internal, implementing the Directive is unlikely to reverse the ongoing decline in collective bargaining coverage. Absent structural reforms and more inclusive dialogue, the existing framework presents limited opportunities for the strengthening of industrial relations and the enhancement of collective agreements in Hungary.

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