

ZSUZSA ARENDAS

Industrial Relations  
in Car-manufacturing Industry:  
a Comparative Case Study of  
Audi Hungaria, Győr  
and Mercedes Benz, Kecskemet



## ABOUT THE PROJECT

This study was prepared in the larger framework of “**The Changing Nature of Employment in Europe in the Context of Challenges, Threats, and Opportunities for Employees and Employers**” initiative (<http://www.changingemployment.eu>). The ChangingEmployment program is a Marie Curie Initial Training Network funded by the Seventh Framework Program of the European Commission between 2012-2016. This paper focuses on Hungary, and is part of a series of studies on trade union strategies in the automotive sector in Eastern Europe. Other studies in the series focus on Poland, Romania, and Slovakia.

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**INDUSTRIAL RELATIONS IN CAR-MANUFACTURING INDUSTRY:  
A COMPARATIVE CASE STUDY OF  
AUDI HUNGARIA, GYOR AND MERCEDES BENZ, KECSKEMET**

*Zsuzsa Arendas*

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## 1. INTRODUCTION

This comparative research study is based on fieldwork visits at Hungary’s two major car-manufacturing plants and interviews with employees, trade union and works council members, and leaders of these organizations at Audi Hungária, in the northern part of Hungary in Győr, and Mercedes Benz, Hungary, in south-East Hungary, in Kecskemét town. Both factories represent significant shares of Hungarian national production and employ a sizeable workforce, being the leading employers of the region. Though there has been an extensive research taking place towards understanding the changing industrial relations in Hungary since 1989 (e.g. Tóth 2001, Neumann 2005, Koltay 2010), much less attention has been paid on particular sectors of the industry or on individual cases. Also, no studies have been written about the car-manufacturing industry in Hungary from an industrial relations (IR) perspective, even though this has become the lead- industry of the country, with specificities including relatively well-developed trade unions and a precariousness of its workforce in an international comparison (due to low wages in the region and at least until recently, over-supply of cheap labor). Thus the aim of this paper is two-fold: to provide an ethnographic description and comparison of two car-manufacturing plants in Hungary (Audi Hungária, Győr and Mercedes- Benz, Kecskemét) and to offer an analysis of industrial relations in this sector based on the findings of the field research.

The research took place between November 2015 and March 2016. Most of the interviews have been recorded, and were conducted on factory premises, in the trade union and works council offices in Kecskemét and Győr. The fieldwork also involved several telephone interviews with trade union leaders as well as personal meetings and consultations with trade union leaders and members of local organizations on factory premises.

The two trade unions, the Vasas trade union (TU) in Kecskemét and Independent TU (Független Szakszervezet) in Győr demonstrate many similarities and some difference too. Firstly and foremost, they both represent a significant share of workforce, which provides them a firm position in the plant and a strong bargaining power. Both trade unions are heavily embedded in the Hungarian context of trade unionism, with its current problems, its historic legacies, structural and socio-political characteristics. Both trade unions are constrained by the same legal environment of the country, most specifically by the new Labour Code (2012).

However, there are substantial differences as well. In Győr, the plant has a relatively long history, with an independent union of equally long tradition. The TU's relationship with the company management has its ups and downs, demonstrating a highly changing character, currently being on the downside. Several factors seem to be influencing the potential for strong union activity in Győr: the geographical location of the plant (proximity of Slovakia, a country with a strong automobile-manufacturing profile, also the proximity of Austria, as a main target country of Hungarian outgoing labour migration), also the socio-economic factors of the region (low unemployment rates, high wages, expensive housing). All these factors seem to add up to making the work-force more conscious of their rights and stronger in their demands.

The Kecskemét plant has a relatively short organizing tradition, with a union, a local unit of a nation-wide organization. This provides them with certain prestige and weight, even though in daily activities they receive little direct support from the TU center in Budapest, as some of the local TU representatives described. The relationship between the TU leaders, works council representatives and factory management is most of the time cordial, amicable, with few real conflicts. This non-conflictual relationship might be the result of some of the socio-economic factors characteristic of the region: the plant is located in part of Hungary, south-East of Budapest, towards the Romanian border (Bács-Kiskun county), where unemployment rates are still high, thus cheap workforce is readily available, also, the regional wages are below the level of the wages in Győr-Moson-Sopron county, where Audi Hungária is located.

In Bács-Kiskun county, the average net wage in this county was 130 905 Hungarian forints in 2015 according to the Central Statistical Institute (KSH), while in Győr- Moson- Sopron county, it was 169 285 Hungarian forints. In terms of unemployment, in Bács-Kiskun county the unemployment rate was 7.4 per cent by the end of 2015, in Győr- Moson- Sopron county the unemployment rate was half of the previously quoted figure, 3.3 by the end of 2015. According to this understanding, the availability of cheap workforce, the low level of local wages and other economic-social parameters of the region strongly contribute to the precarity of workforce employed in Kecskemét and the low bargaining power of the local trade union. This may be the reason why the local union has obtained a rather non-conflictual model of trade unionism from the very beginning of their activities in the plant, with more emphasis on smooth communication, maintaining a good working relationship with the factory management within the limits provided by the Labour Code on one side and the factory leadership on the other side. This of course doesn't exclude the chance of changing union strategies, especially due to impulses coming from other parts of the automobile-manufacturing industry, as part of larger, sectoral changes of union strategies.

During my visits to both the trade union offices in Kecskemét and Győr The 2016 wage negotiations (bértárgyalás) were taking place. In Győr, an open conflict between the factory senior management and the local trade union has evolved, the employer offering 2.5 % pay rise, while the trade union demanding 12 %. For some time, the positions remained conflictual, with a strike committee being formed by the Independent Trade Union first time since the operations of Audi Hungária. At the end, after months of negotiations and threats by the trade union, an agreement was reached according to which both the basic wages and the extra-pay benefits<sup>1</sup> have been increased to all workers of Audi Hungária. The trade union evaluated the results of these negotiations as a true success.

1 15 thousand forints (approx. 50 euros) pay hike has been granted for each employee (untill January 1, 2016 in retrospect), and a 500-thousand-forint package (per employee per year) as a fringe benefit.

## 2. SOCIAL HISTORY OF IR AND TRADE UNIONS IN HUNGARY SINCE 1989

During its transition process from a state-socialist system towards a new capitalist and democratic regime, Hungary's major political and social forces envisioned a social-market economy, where trade unions were supposed to play a regulating role via collective bargaining. However, the influence and strength of unions in the post-socialist period turned out to be much weaker than expected, and different explanations evolved regarding the possible reasons behind this, also giving some predictions about the possible or suggested role of trade unions in the region in the near future. The story of trade unions during and after the 1989 transition period shows a diverse picture with various routes of development pointing toward different political goals and social visions, with individual players taking directions mostly depending on previous history, human and material assets of the given union, its affiliation to the political actors in Hungarian national-level politics, and also depending on the destiny or success of the sector in which a particular union was/ is active. The section below cannot offer the full history of Hungarian IR and development of the trade unions in the past decades, instead it tries to outline the main directions and highlight some of the decisive moments of this multidirectional and complex development.

To start with, many experts (Tóth 2001) argue that unions had sufficient power at some companies to shape privatization processes, at other instances, they were successful in representing workers' rights or to block government policies which would have negatively affected workers' rights. Others present old unions as 'powerless giants accepting whatever measures the government put forth'. (Tóth 2001: 38) To explain the controversy over union strength in CEE, and more particularly in Hungary, Tóth (2001: 38) uses a typology provided by Valenzuela, which I will follow in the paragraphs below. In short, Valenzuela distinguishes between three types of union insertion into the democratic regime: *social democratic*, *contestatory*, and *pressure group* type of union activities.<sup>2</sup>

The period close to the change of regime (second half of eighties) in Hungary brought along the birth of new unions together with the survival of the old ones. The membership of the former have not grown large, but their political weight and social role was important, as it signaled social dissatisfaction and tensions, pushing for a full democratic transition. However, due to low numbers and weak mobilization power, they did not manage to put sufficient pressure on the regime or any particular political player to achieve any direct changes or social outcomes. Instead, they worked as a social indicator, signaling the social need for regime change and for full democratization. (Tóth 2001)

As for old unions predating the 1989 changes, their organizational fragmentation took place parallel to the social-political transition in Hungary. Unions emerging from the breakup of the old

2 According to this categorization, unions of the first type, the social democratic ones, are relatively strong, with firm affiliations (typically strongly connected to a single, social-democratic party), and a strong plant presence. The second, contestatory model, represents unions which are divided according to different ideological tendencies and are inserted into different ideological and party camps. The third type is a pressure group model, represented by unions with strong links to preexisting parties, therefore the evolvement of unions doesn't result in a formation of a typical working-class party. (Tóth 2001: 38)

SZOT (Szakszervezetek Országos Tanácsa<sup>3</sup>) managed to maintain most of their membership (which was around 4 million) and inherit the assets accumulated during times of state-socialism. SZOT gradually parted with all its former political connections and its successors tried to maintain a political independence. It was important as old unions were easily associated with state-socialism and the former communist regime in public perceptions (as it was often the case, especially on the top-leadership level). On the other hand, it's important to note that during the political transition, SZOT was the sole negotiator on behalf of unions recognized by the government, thus working as a vehicle for democratic transition (Tóth 2001: 41).

Despite the involvement of transformed trade unions in democratic transition and the birth of new trade unions as indicators for a need for change, the trade unions in general lacked a working-class militancy and power of the rank-and-file members to mobilize in order to design structures under the new democratic circumstances. (Tóth 2001: 42) This would have served working class interests since the social-economic transformation hit hard particularly this social strata. Instead, high-level union bureaucrats were more busy with their personal advancements and with establishing links to particular political groupings. (Tóth 2001) From these types of ambitions, the second path of union development has emerged, the *contestatory unions*, where political goals and ambitions to insert themselves into pro-democratic party structures was a dominant element. The different attitudes toward existing party politics has become the major divide between various types of trade unions in Hungary, and explains much of the struggle and conflicts on the union-scene in the post-1989 Hungary. Moreover, the same period is characterized by a general social belief referred to earlier in this text, according to which trade unions are relics of the past and thus their rights and capacities need to be curtailed under the new circumstances. State institutions adopted the same attitude and shortly after the democratic transfer of power, the Constitutional Court<sup>4</sup> cancelled several union privileges inherited from the past. (Tóth 2001: 43)

The above processes indicate a gradual loss of political influence of unions during the democratization and restructuring period. But what have the changes brought in terms of membership? The post-1989 trade union landscape was composed of six confederations, out of which four (MSZOSZ, ASZSZ, SZEF and ÉSZT<sup>5</sup>) originated from the break-up of the former trade union confederation SZOT, and two (LIGA and MOSZ) were new unions, which emerged as part of the transformation process. Altogether, the six confederations along with numerous independent unions currently unite fewer than 600,000 members (compared to 2.5 million in 1992), with the 17% union density rate is one of the lowest in CEE. Unionization is considerably higher in the public sector, (Labor Force Survey 2004) than in other sectors. (Koltay 2010: 11) Also, the closure of many workplaces and thousands of workers ending up on the streets meant automatic losses to the trade unions. In some sectors, such as the automobile industry, the union membership became practically confined to production workers, while the white collar, professional and managerial employees of these privately owned, foreign companies remained out of the trade unions. (Tóth 2001: 49)

3 The communist-era National Council of Trade Unions.

4 According to leading expert Tóth András, the Court ruled that union control over individual employment contracts was against individual freedoms, along the lines of the logic that individual rights were of higher order than collective rights.

5 Full forms of which are: MSZOSZ- National Confederation of Hungarian Trade Unions, the main successor trade union, active mainly in manufacturing and private-service sector; ASZSZ-Federation of Autonomous Unions, mostly in chemical and public-utility sectors; SZEF- Cooperative Forum of Trade Unions, main federation for public service and civil service employees; ESZT- Association of Academic Employee's Unions, a main union for academics.

Meanwhile, unions' efforts to consolidate their own positions within national tripartite institutions and sectoral social dialogue seemed to absorb most of their energies. The task of autonomous organization at work-places was given up by a more "corporatist" strategy that sought "top-down" legitimacy. This latter has become the primary means of justifying the unions' existence, trying to cover up the gloomy realities of declining memberships. (Koltay 2010)

The 'transition recession' in Hungary resulted in a drastic decline of GDP and a 20-30 per cent inflation rate, a deterioration of wages, a disappearance of entire sectors (such as mining or textile industry). It also resulted in a sharp decrease of the economic activities of the working-age population. In the midst of this crisis, ultimately becoming much deeper than foreseen by most of the experts, the government proposed a scheme that proposed a continental-type industrial relations in Hungary. This meant a reestablishment of a national tripartite council, with an invitation extended to all the seven confederations mentioned above (ÉT, or Országos Érdekegyeztető Tanács - Interest Reconciliation Council).

The ruling MDF (Hungarian Democratic Forum- a conservative, right-wing party) has proposed a new Labour Code (1992), providing workers' councils with strong consultative rights, and at the same time giving unions bargaining power, with the condition that they meet the new thresholds for representativeness<sup>6</sup>. (Kubicek 2004: 140) As a direct result, confusion about rights and competencies, and rivalry between the two bodies of labour representation (unions and work councils) emerged on workplace level, and company managements often took benefit of these tensions and uncertainties, playing one against the other (unions against works councils). <sup>7</sup> The law has also made deep cuts into unions' rights in union codetermination of individual wages, stripped their rights to veto employers' decisions, and took away their immediate role in grievance procedures. The law has been amended with special measures for unions active in public and state sectors, providing them with even less rights. (Kubicek 2004: 143)

In between, new conflicts have evolved among new and old unions mainly along political lines. New unions argued for „completing the transition” by redistributing the historical endowments (Tóth 2001: 45). MSZOSZ, as an old trade union, argued that small trade unions had no real social support and they represented politically militant strategies. During their negotiations with the government, they managed to gain a lead role among unions and a legitimacy to be the main negotiating partner to the government on a long-run. This has resulted in a massive gain on the side of traditional (once-official) unions, and meant a defeat for the new unions. As a consequence of MSZOSZ's consensus-seeking, disciplined behavior, its adopted policy of social partnership and by representing lower segments of workforce, MSZOSZ shifted toward a social-democratic model in the course of its search for new place and role in society.

After the 1994 elections, the Socialist party formed a government in coalition with the liberal party (SZDSZ). The close cooperation between traditional unions and the government seemed very likely, however, the relationship soon turned sour. The national tripartism collapsed soon, due to various reasons, including union weakness, lack of a well-developed political strategy on the government-side, and last but not least, due to “pure” economic reasons as the International Monetary fund (IMF) required the government to implement a severe austerity program. (Kubicek 2004: 144) The

6 This meant that the new threshold for union representativeness required that the union (or a group of unions) received 50 per cent of votes in work council elections in order to conclude agreements at the workplace. The effect of this new measure was to inhibit the development of new at new workplaces, or rather to keep new workplaces non-unionized.

7 As described by Makó and Novoszách in case of Suzuki factory in Esztergom, referred to by Kubicek (2004).

government introduced these strong economic measures in 1995 - 1996, without any prior consultation with the major social partners. At the same time, major unions like MSZOSZ began losing their members (a drastic drop from 1.2 million members in 1993 to half a million in two years), and their ability to mobilize workers. As Tóth summarizes (2001), “the post-transition period saw the failure of contestatory unions, which had close linkages to major parties of the former pro-democracy block. Starting with the transition period, new unions faced difficulties in penetrating workplaces. The end of the political transition and the ensuing transformation of the economy paralyzed their organizational growth. Furthermore, their support of the neoliberal policies of their allied political parties blocked their mobilization capacity after the political transition.” (Tóth 2001: 47)

In short, the 1995-98 period saw a rupture in the development of the Hungarian IR social democratic model. The Socialist Party did not fully back the unions, instead invited top union leaders into the government, offering them individual political careers with leaving behind their trade union past. Until 1995, internal development and tensions in the union movement lead to the weakening of MSZOSZ, one of the main representatives of the social-democratic project. Personal aspirations and tensions based on political affiliations punctuated this uneven course of development. By 1995, the strains grew to the extent that the differences became unbridgeable. This led to the disintegration of the social-democratic and the emergence of a pressure-group model. As Laszlo Neumann notes, “It has been a widely held view among politicians of new parties in Hungary [including those in the 1990-1994 government] that economic reforms as well as privatization could be implemented more smoothly without unions having a meaningful say” (quoted by Kubicek 2004: 143)

The 1998 elections brought the victory of a right-wing, conservative coalition of Fidesz (Young Democrats) and MDF. This political change determined the effective breakdown of Hungarian corporatism and social partnership. (Kubicek 2004: 145) Both government members were known by then for not maintaining a particularly friendly relationship with once-official trade unions. They were not in close contact with new trade unions such as LIGA or MOSZ either. The new right-wing government has dissolved ÉT and established two new bodies for national consultations<sup>8</sup> instead. This also meant the halt of all previous negotiations over wages, pension and welfare benefits. The government has also changed the 1992 Labour Code 1992 regarding the role of works councils, authorizing the latter to sign collective agreements at workplaces with no active union. This further complicated the even otherwise troubled relationship between trade unions and works councils, and made the job of unions more difficult in workplaces with no union to organize workers, as works councils seemed to have become authorized to take up their role.

In the last more than half a decade, marked by the rule of right-wing, conservative coalition of Fidesz and KDNP<sup>9</sup> (2010-2014, 2014- present) the social role and political power of trade unions has weakened even further. Soon after taking office for the second time, the Fidesz-led government passed a new *Labor Code* (2012), which came into full effect on January 1, 2013. The main purpose behind this new law was to make employment more flexible, cheaper and more market-compliant, making local workforce extremely vulnerable and exposed to market forces in an unprecedented way.<sup>10</sup> The most important changes for unions in the new code were cuts to the entitlements and rights of union

8 Szociális és Gazdasági Tanács (Social and Economic Council), and Országos Munkügyi Tanács (National Labour Council).

9 Cristian-Democratic Party, hardly distinguishable from the program and political direction of Fidesz.

10 The government wanted to introduce an even more radically revised Labor Code, but had to back down following protests from the social partners, political parties in opposition and the general public, and also due to the necessity to complying with international labor standards and European common law.

activists.<sup>11</sup> The trade unions condemned the code's lowering and diluting of minimum standards, flexibilization and the shifting of some of the risks of employment to the employee. In their view, it ensures flexibility for employers and, at the same time, lowers substantially the security of employees.

Other than facing undeniably harsh legal and economic realities, workers and unions in Hungary have to put up with multiple challenges. These include organizational problems connected to inappropriate staffing, confederations having a limited number of professionals to assign them as specialists to all national forums, while responding to needs of sectoral structures too. Aging staff is also a problem at the confederation and industrial levels, notes Neumann (2005: 83), as it is very rare that union centers provide paid job opportunities for potential new colleagues due to limited resources. The lack of financial resources as a general problem permeates the whole system, as governments in general are hesitant to openly provide financial assistance to unions, and accordingly, there is no reliable data on allocations to social partners by the Hungarian government. Trade union incomes from membership fees have also been on a decrease: though traditionally union dues represented 1 per cent of the members' gross salary, some unions lowered this contribution to 0.5 per cent new members in their competition for new members. (Neumann 2005: 83).

### 3. PLANT LEVEL INDUSTRIAL RELATIONS

#### 3.1. Audi-Hungária, Győr

Audi-Hungária's plant was set up in 1993 and is located in the north Hungarian city of Győr, in the close proximity to the Hungarian-Slovak border. The plant was established as a brownfield project on the premises of the Rába Hungarian Vagon and Machine Production Company (*Rába Magyar Vagon- és Gépgyár*), one of the big heavy industry plants of the state-socialist period. In the initial five years, Audi restricted its production to engines. The plant has been gradually growing in size since its establishment, with new production halls being gradually added. In 1998, the factory extended its production to fully assembled vehicles, and in 2010 the company purchased an extra 200 hectares of land for the construction of new production facilities.

By the time of this fieldwork, that is 2016, Audi employed approximately 12 thousand people. Its employees are predominantly from the Győr-Moson-Sopron region, within a 50-kilometer radius of the plant. Daily bus transport from this distance is provided to the employees upon request. Győr

11 These specify that, only up to five union officials are entitled to legal protection, depending on the size of a workplace; the statutory working time exemption for performing union duties has been reduced to one hour per month for each of two trade union members; the legal right of union officials to claim financial compensation for unused exempted working time has been removed; the working time exemption for trade union education of representatives has been removed; and there is no mention of the right of unions to participate in the electoral committee which organizes works council elections; the unions' rights of veto and control over the living and working conditions of employees have been limited; unions with at least 10% membership at a company are entitled to conclude a collective agreement. The information and consultation role of the works council has been given more emphasis than in the former code. The new code has also given the task of monitoring the observance of employment rules to the works councils. However, in order to conclude a collective agreement, the employer remains obliged to provide economic information to a representative trade union. On the other hand, works councils now have the right to conclude works agreements with the employer in cases, where there is no collective agreement in force and no representative union present at the workplace. The works agreement may regulate terms and conditions of employment in a collective agreement, with one important exemption – it cannot regulate wages and other forms of pay.

and its surroundings belong to the economically prosperous, developed part of Hungary, with higher incomes, but also higher rental costs and living expenses. It is because of this latter reason that few blue-collar workers migrate here from other parts of Hungary, as it turns out to be unprofitable for them (considering the costs of relocation, the high local rents and prices in general) even with higher salaries provided by Audi compared to other employers. Some of the interviews revealed that in the past there were instances of white-collar workers (engineers, managers) shifting from other parts of Hungary to Győr because of Audi. This is less characteristic nowadays, as people tend to move directly to Western Europe, mostly to Austria and Germany.

Initially, after the setting up of the plant, few engineers from across the border from Slovakia also came to work for Audi, typically ethnic Hungarian engineers. However, since the growth of the Slovak car-manufacturing industry has picked up in the last decade, fewer and fewer employees come from Slovakia. On the contrary, recently opened car-manufacturing companies from Slovakia recruit workers in the Győr region (e.g. for Jaguar Land Rover, to be set up in Nitra), promising significantly higher salaries compared to the Hungarian wages. Line-workers in Slovakia earn around 50 thousand forints more (per month) (cca. 160 Euros) compared to their Hungarian colleagues. This recent development has been an important argument of the trade union at Audi Hungária during the recent, 2016 wage negotiations<sup>12</sup>. On the other hand, Audi is already experiencing a slow but steady drain of its workforce by the neighboring Austria, Slovakia as well as Germany. This is a peculiar problem of Audi, due to its proximity to the borders with Austria and Slovakia.

Audi, is among the biggest investors in Hungary. This is probably why the Hungarian government finds it important to maintain an exemplary relationship with the company, to provide them with a favorable legal environment (e.g. taxation, employer rights and labor code) and other incentives. According to recent statistics, the exports of Audi Hungária amount to 9% of Hungary's total exports, which makes the company Hungary's second biggest exporter. According to a 2012 study on the most attractive employer conducted by three job search companies, Audi has become the most popular employer in Hungary, followed by the MOL group, and Mercedes on the third place.<sup>13</sup> (In 2015, Randstad Award for the most popular employer Audi has been taken over by Mercedes, in 2016 April, during the third round of the award Audi has regained its first ranking. The overall results indicate the highly attractive nature<sup>14</sup> of the automobile industry among employees.)

Recent statistics<sup>15</sup> show that while in the Hungarian car-manufacturing industry the highly qualified, professional workforce (mostly engineers) is better paid than in neighboring post-socialist countries (Slovakia, Romania), and a pay-revision took place in recent years (this applies to Audi, as Mercedes is a new plant), the line-workers (manual workers) are still slightly underpaid even in a CEE regional comparison. In the future, it is expected that unless a major pay-revision takes place, the automobile-industry in Hungary will have to face severe labor shortages due to strengthening tendencies of workforce immigration both in the category of manual labor as well as professionals (managers,

12 The course of negotiations and results favored by the local trade union (Audi Független Szakszervezet- AFSZ) will be discussed in a separate section of this chapter.

13 [http://hvg.hu/kkv/20120301\\_vonzo\\_munkaltato](http://hvg.hu/kkv/20120301_vonzo_munkaltato).

14 In 2015, 67.58 % of respondents in Hungary said, they would be happy to work for Mercedes, while slightly less, 66.08 % of the respondents answered in the same way for Audi. (source: [http://hvg.hu/gazdasag/20150424\\_Mar\\_nem\\_az\\_Audi\\_a\\_magyarok\\_kedvenc\\_munkah](http://hvg.hu/gazdasag/20150424_Mar_nem_az_Audi_a_magyarok_kedvenc_munkah)). In 2016, 63% voted for Audi Hungária and 61% for Mercedes. (source: [http://hvg.hu/kkv/20160407\\_magyar\\_melos\\_Audi\\_Mercedes\\_uSzerencsejatek\\_Zrt\\_munkahely\\_munkavallalo\\_munka](http://hvg.hu/kkv/20160407_magyar_melos_Audi_Mercedes_uSzerencsejatek_Zrt_munkahely_munkavallalo_munka))

15 *ibid.*

engineers). At the time of my last visit to the factory in February 2016, Audi reported a workforce fluctuation of 7-8% (statistics of year 2015), and similar numbers have been registered at Mercedes. According to reports from the early 2000s, the company had made minimum investments into human resources, and instead imported 'ready-made' skilled workers from Slovakia. (Galgóczi: 2003) However, from 2012 onwards, a dual training program was launched, and later positively evaluated by both the trade unions as well as by the plant management. (Beblavy- Kurekova et al.: 2012) In terms of training, Audi has also started a cooperation with the local Sándor Lukács vocation school in 2001, including accepting apprentices from the school for six months for factory practice during their studies. Later, the same type of cooperation was extended to two other schools in the town. With the opening of Audi's internal training facility on factory premises, human resource development opportunities grew further. On the other hand, Audi could offer a limited number of employment places to its apprentices (all together 80 in 2012) (Beblavy- Kurekova et al., 2012, based on Audi Annual Report 2010). In 2010, 53 apprentices have been employed by Audi (out of 62, who studied vocational training in one of the school cooperating with Audi). In 2012, 190 students took part in the dual training out of which 20 began their training in Audi's internal training center. (Beblavy- Kurekova et al., 2012)

The Independent Trade Union (Audi Hungária Független Szakszervezet, AHFSZ) was launched in 1996, with 420 members in its first year. Before the establishment of AHFSZ, a local branch of Vasas Trade Union, the biggest and oldest union in Hungary in the area of metal industry, was active in the plant since 1994. However, due to personal conflicts within the local Vasas leadership and the lack of support from the national level (as it was perceived by a former Vasas leader), the local Vasas organization has drastically shrunk (by the beginning of 2016, their membership was around 60 people), and a new grassroots, independent union was formed, attracting former Vasas union members as well as recruiting many new members<sup>16</sup>. In five years, the number of AHFSZ members tripled (becoming 1,216 in 2001) and by 2016 their number grew to 7,084 according to the latest available statistics (the total number of employees was around 12 thousand in February 2016), which amounts a union density of 60-65 per cent. The union membership dues are 0.5% of the gross salary of each member, that is half of the usual dues unions used to collect from their members. Still, union members like to see the concrete material benefits they receive for their regular contribution from their union. These include financial aid in case of special occasions or emergency situations (childbirth, death of a close family member) and various coupons and special offers (including discounted prices for petrol, travel vouchers, summer child camps with discounted prices, theatre tickets).<sup>17</sup>

In addition, since the start of its operations, Audi has a works council, which was created within the legal framework provided by the 1992 Labour Code. The 9 works council members are all AHFSZ delegates, indicating the success and power of the union across the entire plant. The works council and the trade union worked out a smooth division of liabilities and responsibilities among each other: while the works council is responsible for issues related to the collective agreement and fringe benefits, the trade union is in charge of wage negotiations and rules of employment. The first collective agreement in Audi Hungária dates back to the year of 2001, while the currently valid one was signed in 2012, soon after the new Labour Code (2012) has been approved by the government.

16 As AFSZ interviewees explained, an unwritten agreement was in place between AFSZ and Vasas, according to which Vasas stopped admitting new members after 1996. Some old Vasas members who joined AFSZ kept their earlier union affiliation too, thus ending up with a double membership. These practices though have been stopped by Vasas lately.

17 Based on interviews at the AFSZ office at Audi Hungária, Győr.

As a recent development around Audi workers' rights representation, an IG Metall office in close cooperation with Vasas has opened an office in the city of Győr as part of a large EU project<sup>18</sup>, which may influence the power relations between the old union and the new, independent union at Audi Hungária in the near future, according to some local trade unionists. However, recent successful wage negotiations for 2016, with a lead-role of AHFSZ suggest that the popularity of the local independent union will grow rapidly. The first signs of it are already visible as according to the independent union leaders, they had 20-30 new members on weekly basis during the months after April 2016 (the period following the end of wage negotiations).

As an AHFSZ leader explained, the relationship of the independent union to local Vasas is normalized, there are no sharp conflicts or open rivalry. Instead, they try to cooperate on local level in shop-floor negotiations (with an obvious dominance of AHFSZ due to its membership size). Before 2010, AHFSZ participated on Vasas national congresses as a joint member-organization. This close cooperation culminated in some initial attempts from Vasas national leadership to assimilate this independent union to the national organization. However, they met with strong resistance from AHFSZ leaders. When asked about the reasons for not willing to merge with a respectful, traditional, large union like Vasas, the local AHFSZ leaders quoted reasons like lack of organizational flexibility, low presence of the younger generation, and a strong need for personal changes at Vasas (related to prolonged presence of old cadres). They also argued that the national Vasas Congress is slow and bureaucratic; lacks new ideas and innovative approaches in workers' rights representation.

When AFSZ leaders in Győr were asked about the main sources of union discontent, they pointed to the 2016 wage issue as an immediate question to be resolved and the question of suppliers, more precisely, the lack of unionization among them. As for the first question, AHFSZ found the 3.4- .5 per cent proposal of Audi Hungária plant management too low compared to the national average of 4.9 per cent rise in wages. According to the AHFSZ argument, Audi Hungária has completed a financially successful year in 2015 which would allow an increase in wages. As for the second point, suppliers are often violating basic employment rules and exploiting the highly precarious situation of Hungarian workers in different situations (temporary contracts, unpaid extra-hours, unpaid bonuses and 13<sup>th</sup> month salaries and so on), at the same time these companies make the access of AHFSZ (or any other unions) to their employees extremely difficult. AHFSZ and Vasas leaders considered the unionization of the subcontracted labour to Audi Hungária as a new direction for further union development. The IG Metall project and union office opened in Győr in 2016 serves exactly this purpose, as it was revealed during the field interviews.

### **3.2. Mercedes Benz-Hungária, Kecskemét**

Mercedes Benz-Hungary (MB-H) started as a greenfield investment in 2012, on 441 hectares in the vicinity of Kecskemét city. In three years, the plant became the biggest employer in the Southern Plains (Dél-Alföld) region. At the time of writing, the company provided employment to approximately 4000 people. The Kecskemét plant works together with around 32 local suppliers, their total car production since the beginning of their operations in Hungary reaching 500 thousand cars by February 2016. A

18 In short form, DKMT project (Duna- Kőrös- Maros- Tisza project), as one of the Euro-region initiatives, <http://dkmt.net/hu/>, sponsored by the European Regional Development Fund, with an aim to bring closer bordering regions of Romania and Hungary.

system of dual training has been established in Hungary by Mercedes-Benz. This means that secondary school students specialized in different areas of car-manufacturing spend part of their learning time on factory premises, working on production lines as part of their training. In this way, students develop links with the factory from early on and receive a practice-oriented education that is tailored to the needs of the factory. The success of this model prompted the relevant state education department to extend it to the entire vocational training system, and by now this model is used by other factories, including Audi Hungária. Students of the first batch of the dual learning system in university education (car engineers) in Kecskemét are completing their studies in 2016, and will likely to be employed by MB-H.

A local branch of the national trade union, Vasas<sup>19</sup>, was set up almost immediately at MB-H, Kecskemét. Initially, the branch union was predominantly joined by white-collar workers. With the gradual hiring of manual workers, the ratio of white-collar and blue-collar union members changed as well. In 2016 February, white collar union members made up approximately one third of the total membership, with blue collar workers comprising the other two thirds. As the leader of the local trade union explained in an interview, it is more difficult to attract white-collar workers into their trade union. Moreover, at MB-H Kecskemét many engineers and highly qualified technicians joined the local organization of a national trade union set up by this professional group, targeting their specific needs, called Mérnökök és Technikusok Szabad Szakszervezete (MSZSZ- Free Trade Union of Engineers and Technicians). Apart from the local organization of the national Vasas trade union, the independent national union LIGA (a post-1989, new generation union) is also represented in the factory, but with very modest numbers (less than 30 members). Thus the Vasas union is the most successful and sizable union within the plant at the moment.

The collective agreement in MB Kecskemét was signed in 2012, shortly after the introduction of new Labor Code (2012) in Hungary, which is often criticized among trade unions and employees for being favorable to the employers. As the head of the Mercedes works council explained in an interview, their situation was more difficult than at Audi Hungária, as Audi has signed a collective agreement before the publication of the less favorable new Labor Code (2012), and thus could negotiate on the basis of rights achieved earlier. In spite of this, the Vasas local union at MB-H Kecskemét was able to reach significant results, as it negotiated a better deal for employees than those guaranteed by the new Labor Code in several areas. It includes more protected work places for trade union representatives than guaranteed by LC; a possibility for a salary advance based on individual applications among other achievements.

Regarding human resource development, workers joining Mercedes-Benz in Kecskemét underwent a training organized by their company in Germany. To be able to attend foreign training in Germany, workers had to undergo intensive language training (German) (100-250 hours) after joining the company for 1.5 months. Their professional training at the company headquarters in Germany usually took 3-12 months, depending on the project or assignment. Typically assembly line workers received a three months of training. The primary role of the training in Germany was to teach the Hungarian workforce the right speed and rhythm of work ('takt time') and to familiarize them with specific movements related to different segments of the production process. (Beblavy- Kurekova et al.: 2012).

19 Vasas, as mentioned before, is among the oldest and most prestigious trade unions in Hungary. It is active in the metal industry, and one of good examples for old-type trade unions with large apparatus, old cadres, and significant material assets.

#### 4. TRADE UNIONS IN THE CAR-MANUFACTURING INDUSTRY

One of the major characteristics of the trade union movement in Hungary is that since 1989 it is still struggling with some basic issues regarding its membership (both in terms of numbers and organizational structures), as well as identity problems regarding what is the goal of unions, and what political stand they should have. On the level of the rank-and-file, it is often the lack of interest in collective action and skepticism towards trade unionism as such, due to the general public perception that trade unions are 'relics of the past'. People perceive trade unions primarily as providers, expecting them to give first<sup>20</sup>, rather than asking for contributions in terms of time spent with collective activities, organization, and membership fees. This is the image of the union as a 'provider' discussed by some of the authors (e.g. Ost 2002) writing on CEE trade unionism and will be presented later in this text in more detail.

On the leadership-level, unions are still facing internal tensions, fractions, debates over a wide range of issues such as the place and social role of trade unions, the ideal organizational structure, the unions' relationship to some political parties or groups (most importantly to the Democratic Left in Hungary). In addition, there is a strong *inter-generational divide* between the pre-89 generation of trade union workers, 'cadres', who have been in the movement before the political changes took place in Hungary, and were socialized in those political and social circumstances, and the so-called 'new generation', who became active in the trade union movement post- 1989. Representatives of the new generation often complain about the 'old cadres' occupying important positions with political influence and financial means, which they use to serve their personal interests (to the extent that concrete corruption charges have been articulated by some of my interviewees) and to maintain their influence within the organization even at the expense of basic democratic mechanisms within the organization. However, the other side of the coin shows that these large, national unions are often heavily understaffed, and often there is no one to take up the place of the stepping down new generation. Thus on the one hand there might be an internal resistance against genuine renewal, but often there is a lack of fresh forces coming from outside.

According to an example of an intergenerational and intra-union conflict, a local trade union leader, when criticizing the national leaders of his union on financial matters, asking for more transparency and accountability ended up in a sharp conflict with the national board. The conflict culminated in the expulsion of the challenging local leader from the union. The charges against the expelled local leader included organizing a secession from the union and an attempt to establish an independent trade union. (Later on, the former local union leader has become the head of the works council, continuing a very similar work he did before, due to the significant overlap between union and works council rights and responsibilities.)

20 This is a general complaint of trade union activist towards rank-and-file and potential members, often heard in interviews conducted at both the automobile plants.

Another reoccurring question in the trade union movement is the issue of membership, recruitment of new, and retention of existing members. Despite the negative tendencies, trade unions seem to be performing relatively well in the automobile industry, at least in the two German plants presented in this paper. Their relative success seems to be crystallized around a few points. At both the sites young unionists took over the organization and daily management of these local unions. They are at par with the dynamic, business-like attitudes of the plant management and thus figure as excellent partners, cooperative and constructive in all common matters regarding works' rights. Negotiation, compromise, mutual benefit are the key words of this working relationship between unions and employers. In both the cases, these local units function as independent ones, in Győr this is fully the case (both *de jure* and *de facto*), while in Kecskemét, the local Vasas union *de jure* is part of a big national organization, Vasas, but as local leaders emphasize, they get practically no help from them. They have to work on their own, and they achieve whatever they can afford from their own resources. This also suggests that they feel far away from all the disturbances of national union politics and fights over resources, thus this semi-independent status is more of an asset than a disadvantage. The young generation of unionists, according to my observations, managed to reboot locally the union movement, giving it fresh looks, new appeal, based on the servicing model of trade unions familiar from the past in this region. This model meets the material expectations, the immediate financial interests of most of the employees who join these local unions.

The current questions unions at both plants face include the know-how of recruitment and retaining of their existing members<sup>21</sup>. In recent years, both the Audi and the Mercedes trade unions managed to make significant progress in the direction of a better recruitment system by introducing a half an-hour introductory session about trade unionism and about the local trade union (on AFSZ in case of Audi Hungária, and on Vasas at Mercedes Benz) during the induction day of newly joined workers. Some of the 'freshmen' join the union shortly after this introductory session. A veteran unionist complains that 'it is difficult to address the Y-generation', therefore they are trying alternative, new methods to involve people in the union movement, including social media, mobile messages, offering special mobile subscription packages for new members.

Informants active in trade unions studied during the fieldwork often mentioned the perceived difference between CEE union traditions rooted in the pre-transition union life and the 'German way' of understanding the role of unions in a plant. CEE trade unions in the pre-1989 period also had a role of a cultural organizations (beyond the usual role assigned to them as a 'conveyor belt' to the Communist Party, (Crowley- Ost 2001)) enabling workers to access 'high-culture' in various forms functioning as important players in democratization of elite culture: providing workers with theatre and concert tickets, organizing book reading sessions, giving them access to concerts, exhibitions, visits to places earlier unreachable by this strata of society. As it is known by many who have memories of the pre-1989 era and its everyday life, these ideologically motivated acts became farcical by the sheer fact that they took place on compulsory basis in an undifferentiated manner. Yet, many of these cultural, sport and recreation events were popular among workers, especially the cheap recreation tours and holiday opportunities provided by union-owned properties, vacation houses. This latter disappeared in most cases in the privatization process and redistribution of union property, but workers' such needs remained.

21 Though this has significantly changed since April 2016 in Audi, after successful wage negotiations were concluded.

For instance, during my visit to Audi Hungária trade union office, three trade union workers were busy looking after theatre tickets, holiday tour coupons, discounted entry tickets to family events for their union members. It was obvious from the intensity of their work that it is an important and well-appreciated part of their activities. A trade union activist at Mercedes pointed out with a slight disapproval in his voice that workers consider these local organizations as a kind of “service providers” (culture, entertainment, extra-curricular activities for children, summer camps, etc.). They understand the relationship between the trade unions and their members as a commercial one, where the emphasis is entirely on the material gains of union members. Such union practices in Hungary seem to be linked to a strong model of ‘business unionism’ (Ost 2002). The author argues that there is ‘a continued relevance of an old, and largely discredited model of economic unionism’ (Ost 2002: 34), which seems to be returning to Eastern Europe in a large way. It is a servicing types of unionism, which is distancing itself from any political strategies, thus it represents a depolitization of union movement, and a distancing from any social movements at all. This appears to be the winning model in the CEE region according to Ost. (2002: 34) This model stands for representing the ‘narrow’ economic interests of workers, providing concrete services to members, representing labor against the capital.

Trade union practices experienced in the two car-manufacturing plants originate from the historic tradition and legitimacy unions had in this region; secondly, this business-like, service-centered role of unions is, according to my understanding, a clear sign of rejection of former over-politicized unionism in Hungary. In this sense, all these unions represent something ‘new’, apolitical, commercial, thus appealing for their members. Third, the ‘serving union’ model is a direct consequence of economic hardships of the transition period, which made workers extremely conscious of their living costs and expenses.

When activists in Audi Hungária spoke about the union’s role as a service provider, interesting inputs were provided about an additional role AHFSZ has played in the recent past, according to their opinion. As an interviewee explained, the union contributed in developing an urban, working-class lifestyle (instead of rural, agricultural one) and a consumerist lifestyle based on regular, reliable incomes earned at Audi (instead of more modest incomes in other sectors, and a saving economy of the socialist and post-socialist era). Before Audi came to Hungary, Győr and its region had a predominantly agricultural profile, despite the fact that heavy-industry was also present in Győr, personified by Rába Vehicle and Machine Factory. People in Győr area were living in family houses, many did small farming in their extra-time, producing agricultural products for the market as a second source of income. Launching a modernization project, the union “taught” people how to enjoy their free time in a new, meaningful way. This was presented during the interviews to me as an ongoing process, as part of it, people started giving up their more ‘traditional’, agricultural lifestyle and rely increasingly on their wages earned at Audi. They moved from nearby villages to the city, finding homes in newly built collective houses (‘társasház’) with small gardens (if at all) serving purely recreation purposes. Thus, the union has contributed to this modernization project by providing services in the area of culture, leisure activities, sports, encouraging their employees to enjoy their earnings and consume.

The story of slow urbanization and modernization described above and the role Audi Hungária played in it by providing factory jobs instead of former agricultural employment for many is not an exclusive one. Audi Hungária, being partially a brown-field project, established on the place of the former socialist factory, Rába Jármű- és Gépgyár (Rába Vehicle and Machine Factory), took over some of the former workforce. However, most of the labour were first generation industrial workers

coming from agricultural families. As Sadler and Swain (1994) note in connection to General Motors established in Szentgotthárd, ‘workers drawn from the rural hinterland were particularly unused to industrial waged employment (very few were transferred from Rába, despite its share in the venture) and were also very fit.’ (1994: 399) The authors also speak about the young age of these workers, most of them in their mid-twenties, thus they obviously could not have been employed by Rába earlier.

Apart from the business model unionism characteristic of both the studied trade unions, when it comes to analysis of their bargaining techniques and relationship to the plant management, a consensus-seeking attitude can be seen in both cases with minor differences.

The founding principle behind union operations at both sites is to maintain a functional, smooth day-to-day relationship with the employers. As it was articulated in the section on historical traditions of IR in Hungary, this region is not known for strikes, violent conflicts between unions and employers. Instead, unions were either influenced by political parties, or as it happened recently, strongly opposed any politicization or contact with mass movements. Due to the lack of any direct and strong political support or firm national-level union background, unions try to serve their members and establish a mutual understanding and co-living with the local plant management. This seemingly peaceful coexistence may turn problematic at some periods, as it was the case during my fieldwork (beginning of 2016). Union leaders complained about changes in the ranks of senior management, which resulted in communication problems between the former and the plant management. The conflict (lack of agreement on wages for 2016) culminated in a call for a strike by AHFSZ, ending with an agreement based on the main demands of the trade union.

At MB-H Kecskemét, the relationship between the plant management and the workers’ representatives, including the works council, is excellent, as it is reported by the latter. It seems that since the very beginning of the plant’s history in Hungary, this relationship has been built up very carefully and professionally, with close assistance from German trade unions and European Works council. This relationship was hindered only by some tensions from the national organization within Hungary (Vasas). The Mercedes pay negotiations for 2016 were finalized with success as workers accepted the 5% wage increase offered by the management. The president of the works council has weekly meetings with the head of HR, and monthly meeting with the managing director of the plant. He has excellent connections to the European works council and attends their meetings regularly. He characterizes the factory workers’ representatives’ relationship with the company management as “*harmonious, almost friendly*”. Then he adds, “*there is no point in trying to make a revolution, it is better to maintain a good relationship and work along that partnership*”. They feel that their work is fruitful and their achievements are felt among workers: ‘*we are achieving whatever we can in the current legal context and the given economic circumstances*’, he concludes.

### ***Attitudes towards the German model of unionism***

One of the dominant discourses among interviewees at both Audi and Mercedes is the one comparing Eastern and Western work ethics, work cultures, professionalism, attitudes towards work on the factory level. Hungarian employees from both workplaces seem to almost unanimously agree that German professionalism and honesty about work is exemplary, and that locals (Hungarians) employed by these automobile plants have already learnt a lot from them. MB-H sent all their employees hired for the Kecskemét plant in Hungary for an at least three-months long training to Germany at the beginning of

their production activities. This involved learning German, but most importantly learning the specific steps of production, internalizing the methods of punctual and reliable work. The workers whom I have interviewed in Kecskemét spoke positively about this period spent in Germany. Later on, probably with the growing numbers of new workforce, the factory management decided to do most of the line-worker training in Hungary, on factory premises, on a special training line designed for such purposes. Team leaders (Meisters) and engineers still get their training in Germany, in the main factory of Mercedes, in Ingolstadt.

Interview excerpts with Hungarian employees indicate that they prefer German managers over Hungarian ones, as according to them the latter abuse the power given to them, while Germans represent a positive work culture and ethic. This stereotype or myth resonates to popular perceptions and discourses about the East and the West (described in detail by Edward Said), according to which positive values, characteristics, attributes of development are being assigned to the West, while the East is described as underdeveloped, retrograde, and negative in general terms. Most scholars building on Said's *Orientalism* (1978) analyze the ways in which these highly mobile categories of East and West are applied in different situations and geographic settings.<sup>22</sup>

Going by the same logic of assigning high qualities to Western workforce, Hungarian trade unions also prefer German managers as negotiating partners, because as they argue, Germans stick to the model of equal partnership, flat company structure, cooperation instead of using techniques of confrontation, and in general behave according to the rules of German IR culture known to them from before.

Another observation uses a more critical stanza toward the German employers and emphasizes the double-standards they work with in CEE. Though they are fully aware of the union standards practiced in Germany, they treat local employees differently than workers back in Germany. This can happen primarily due to the fact that the legal framework in Hungary, or more precisely the current Labour Code (2012) provides more space for employers and in parallel, workers' protection is very weak.

Some authors call on the responsibilities and accountability of global companies irrespective of the geographical location where they have production lines exactly on the basis of such cases. Due to close cooperation with German trade unions, Hungarian trade unionists are aware of the achievements of German unions, legal guarantees workers in Germany enjoy. Given their frequent visits to the German mother-factory, they are familiar with local working conditions and "company culture". This also gives them a picture about the limitations of the Hungarian context, about the vulnerability of CEE employees, the serious gaps of the Hungarian legal protection (i.e. new Labor Code), not to mention about wage differences.

## 5. SUMMARY

The present study tried to summarize the main issues characterizing the industrial relations in automobile industry in Hungary based on two case studies conducted in Audi Hungária in Győr and Mercedes Benz, Kecskemét. Many of the points discussed in the previous sections indicate much beyond the

<sup>22</sup> In case of Hungary, Attila Melegh (2006) writes about an East- West slope and the discursive practices of Eastern Europe and Hungary, positioning and repositioning themselves and others along these categories.

automobile sector and are related to the crisis that the trade unions are facing in Hungary, some of them related to specific societal issues, or macro-economic processes characteristic to the region.

The trade union movement for some time in CEE struggles to address some basic questions in a convincing way: how to become attractive for new members (and remain one for the existing ones), what is the agenda after the change of the regime, what roles are they supposed to play in the changing political-economic context, just to name a few. On one side, there is a strong historic disillusionment with the movement among general population, but simultaneously, new capitalist production methods, precarity of labour force in CEE, harsh economic and social realities strongly legitimize activities of trade unions and call for their revival more than ever.

During late 90's, industrial relations experts voiced their fears that due to the severe economic cuts, workplace downsizing, huge numbers of workers losing jobs, and in general, the working class losing its earlier status and social respect, frustrations among these social strata will grow drastically. Predictions were fearing that if trade unions are not able to channel these frustrations and anger (often of young, unemployed male population dismissed from state factories, shut down mines, etc), these negative emotions will find other channels to break out, for instance in form of radical nationalism or in other forms of political extremism. By now we see that these predictions were not utterly mistaken, though these tendencies are characteristic not only to this part of Europe (the extent, exact character and general social acceptance of these movements may vary though).

Case studies like the ones presented in this study may slightly differentiate this pessimistic picture about the gloomy future of trade unions in CEE. They suggest that unions in the region may have an important role, though a different one expected at eve of political-social transitions in CEE, during the time of dissident activities of Solidarnost in Poland, or later on by Liga in Hungary. The social-democratic model has broken down, the union model based on political competition or on pressure group formation seems to be overtaken by business model-like service unions at workplace level. The social-historic factors behind depolitization of unions at workplace level in the studied automobile industry are known, the real question is if this model is sustainable in the changing context of EU job markets and of increasing numbers of Hungarian workforce finding employment abroad, but also in the context of a gradually deteriorating economic and legal environment inside the country from a labour perspective. Will unions move ahead with their service-type model or will they turn more militant if working conditions deteriorate and the purchase value of their wages will not grow significantly? Will they see themselves in a different bargaining position due to lack of sufficient well-educated workforce in the region?

Meardi (2000) argues that while European integration takes place (parallel to the disintegration forces), new differences seem to emerge; along with them the old East/ West divide acquires new meanings. The global and international experience of multinational companies, which transforms the workers into each others' competitors, and generates mutual stereotypes of each other like the 'egoist Westerners' and the 'inept, dishonest competitor Easterners' (Meardi 2000:2) Meardi argues, that the experience of transition economies of Eastern Europe (he calls them 'alternations') provide East European unions with a unique experience, which makes them anything but obstacles to reforms or relics of the past, as it is often wrongly believed about them. To the contrary, they are characterized by flexibility, acceptance of changes and by innovative standpoint. (Meardi 2000:2)

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