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Multinational Firms and Heterogeneity of Labour Relations

The Hungarian Case

Introduction

In our days the international division of labour has arrived at an entirely new phase, one called Allyn Young specialization, characterized by the penetration of multinational firms, long production chains, exchange of diverse fittings and component parts, and the fragmentation and disintegration of formerly complex industrial processes (Kol-Rayment 1989). In contrast to the past decade, signs of this process getting under way and gathering strengths have come to be clearly discernible in Hungary as well (Novoszáth 1993).

It is commonly known that competition between multinational firms within industrial branches has by now exceeded the confines of skirmishing in partial markets, with globalization the dominant trend. The pattern of the world economy during the next decades will probably be determined most strongly by this process, that of the spread of multinationals' "cobweb"[1]. Therefore one of the greatest problems in our times concerns company response to this global challenge. For the time being, the relevant theories are not one mind, some arguing the unification of, some the emergence of deepening divergences in, structures as being the more probable trend. Nevertheless there is broad consensus about the impossibility of exploring these processes by methods currently known and widely employed.

The relevant theory has evolved in two main directions. According to the advocates of the school of convergence, each multinational firm is under the influence of the business culture of its country of origin and can be observed to transmit its specific traits acquired in that country to its organizational units located abroad. In other words, differences in state regulations of the countries of origin may be preponderant factors in influencing the internal structure of companies, their system of motivation and thereby their output performance in the socio-economic fabrics of different host countries. At the same time, shifts in and the natures of markets are felt by everyone and generate similar company responses, which point in the direction of uniformity.

By contrast, the exponents of the school of divergence hold that the main question is that of how the actors of the market assess the processes enfolding around them and how they will respond to related challenges. In fact, the influence of the external environment reaches the inner world of firms through many transmissions and filters and, given as different the corporate cultures, responses to challenges may also vary by firm. Companies are influenced mostly by the immediate environment in which they operate and, as the international activity of large companies strengthens, i.e. their multinational and even transnational character becomes more marked, their policies and possibilities will be less and less determined by the socio-economic conditions prevailing in the countries of origin.

Both schools appear to agree in that any company failing to give appropriate responses to the challenges facing it is going to share the fate of RCA or Dunlop, two one-time giants, both of which have disappeared, leaving behind nothing but their names as warning examples of passing glory.

Another important feature of our times is the changing pattern of multinational production and marketing structures. Earlier, what the larger firms did was place part of their capacities on the markets of countries that they found worth conquering, but in fact they behaved like "colonizers", compelling the hosts to adapt their own corporate culture. Frequent employment of foreign managers was a striking manifestation of this. Managers from countries of origin employed in missionary role came automatically into a relationship of superordination to local employees, and if they had no sense of vocation in studying the spirit of the host country, nobody complained about that. This state of affairs, however, soon to be ended by sharpening competition and a dramatic shortening of the lyfe-cycles of products and technologies. Our times dictate the need for the specific demands of different markets to be also taken into account in the course of planning and implementation, benefiting from the cost-saving effect of global production.

These developments come posing new challenges to managers of multinational firms and force present-day missionaries to "live in the Roman style if they are at Rome". This process appears to be invigorated by a growing number of multinationals seeking to train would-be managers among the gifted young Titans of the host countries. Also, a body of experience gained at numerous multinational firms operating in Hungary shows it to be much easier to change a manufacturing technique or to introduce a new marketing or perhaps book-keeping method than the mentality of people, established orders of value, traditions and forms of behaviour (Poór 1992).

1. Brief Overview of Attitudes to Foreign Capital

Among the former socialist countries of Central and Eastern Europe, Hungary proved to be the most attractive region for foreign capital up to the end of 1992. Although in 1993 international capital showed a greater interest in Poland, the Czech Republic and Russia, there were founded 17.529 joint ventures in Hungary by the first part of 1993.[2] The number of newly established joint ventures and the pattern of direct international capital investments are indicated by the following figures:

Year	Number of joint ventures	Value of joint ventures (In US$)
1989	1879	550 million USD
1990	3814	900 million USD
1991	5642	1.700 million USD
1992	4010	1.641 million USD
1993 1st half year	2093	651 million USD

Source: Falubíró (1993)

The share of foreign capital investments in the original stock of companies with foreign interests increased from 1991. Thus, for instance, this percentage share was 40 in 1991 against 77.1 in the first part of 1993.

Comparative analyses usually divide foreign investments into 3 categories. One is green-field manufacturing capacity, in which case foreign investors start from the base in building the firm's system of relationships. This form is especially preferred by large firms, for it calls for sizable capital input, which medium- or small-sized firms are incapable of.

Establishment of joint ventures is the second form of undertaking with great traditions in other countries as well. The adoption of the Associations Act imparted impetus to the formation of associations in Hungary, with large amounts of capital contributed also by a considerable number of foreign companies as partners of Hungarian firms.

Lastly, privatisation is the third form of investment, offering many opportunities for foreigners to bring their capital invested within the framework of transactions connected with privatisation amounted to 1.3 billion dollars at the end of 1992, representing nearly 30% of foreign investments motivated by purchase of formerly state-owned property.

Most investment projects launched in Hungary with the participation of foreign capital are made up of joint ventures, which have so far changed property structures for the most part and, to a lesser extent, economic (real) processes at the company level, meaning that genuine "working" capital appears when, following the change in ownership, productive capacities are also expanded in the form of increase in the original stock. (For instance, the purchase by the French firm Sanofi of 40% of the Chinoin shares did not modify except the property structure of the pharmaceutical factory as a first step. Productive capacity expansion was facilitated by an increase of US$ 10 million in the original stock as a second step. A similar pattern was observed in connection with the purchase of Tungsram shares by General Electric (Falubíró 1993).

In evaluating the role of foreign capital in Hungary and analyzing its impact on industrial relations it is practicable to distinguish two-step capital investment as mentioned before and green-field manufacturing capacity (the latter may be well exemplified by the Opel Car factory of General Motors at Szentgotthárd or the Hungarian Suzuki Car Factory established by the Japanese at Esztergom).

Before presenting industrial relations at multinational firms we shall give some idea of the trends in the attitude of the Hungarian population to foreign capital. The findings of a nationwide representative survey conducted in the period 1992 to March 1993 show a changing climate of public opinion about the appearance of foreign capital in Hungary (Lengyel-Linczowski 1993). In the spring of 1992, for instance, more than one-third of the interviewees agreed without reservation with foreign capital shares in Hungarian enterprises, whereas this ratio fell to less than one-fourth a year later (1993). Those favouring the appearance of foreign capital in the Hungarian economy are to be found mostly among educated people of younger age (secondary school and university graduates) and among inhabitants of Budapest. Those opposing the participation of foreign capital come from the lower age-groups (over 60), people with lower levels of schooling, and rural inhabitants. Also, it is worth while to cover in more detail the changing pattern of approaches appreciative of and recognizing the advantages of firms operating with foreign capital (see Table on the next page).

A growing ratio of the Hungarian population believes that foreign capital investments have favourable economic effects, mainly in the increasing volumes of investment, income and profit. Opinions are less favourable concerning their job-creating role and clearly unfavourable concerning their impact on the country's economic development.

Question: What is the advantage of firms operating with the participation of foreign capital?

Advantages	1992	1993
Attract more money	14.9	40.8
Technological develop	17.1	31.3
Economic prosperity	13.7	12.6
Increasing market share	8.0	18.7
Improving work-moral	4.0	10.3
Job Creation	10.7	16.4
Higher Income	4.4	14.5
Higher Profit	2.5	16.4

Source: Lengyel — Linczowski (1993).

2. Multinational Companies and Industrial Relations

2.1. Industrial Relations at the Company Level

Before outlining the patterns of industrial relations at multinational firms we shall describe the distinctive features of trade union involvement in the economic activity of firms in the early 1990s. Our findings are based on surveys conducted by the Japanese Research Institute of Industrial Relations in Hungary in the summer of 1992 and in the spring of 1993 (J.I.L. 1993).

The most important survey results indicate that whereas the relationship among a large number of trade union confederations emerging in the wake of the change in the political regime (1990) bore the marks of sharp political, ideological and personal rivalry, the dominant element of relationships at the company level was cooperation between trade unions on the one hand and between employers and trade unions on the other. Given the typical economic structures, and under conditions of slump (recession), the prevailing pattern of cooperation brings favourable influence to bear on the defence of workers' interests as well as on company chances of survival. (Company-level cooperation between trade unions and companies has a long past to look back upon in Hungary and is inseparable from what is called workers' characteristic tradition of "dual loyalty" (Makó 1987).

A representative organisation of workers is active at the overwhelming majority (85%) of Hungarian enterprises included in the national sample, the most influential of them being the National Association of the Hungarian Unions (NAHU), the renewed old trade union confederation. In more than one-fourth (446) of the companies covered by the survey, management is willing to bargain with local trade unions, while only a fraction (9%) is ready to do so with the strongest organization of workers. The structural pattern of labour disputes at the company level has undergone a notable change under the combined impact of privatisation and economic recession. Under conditions of social employment typical of socialism, labour disputes revolved mainly around wages and fringe benefits.

Labour Disputes

Subject-matter of dispute	Before 1990	In 1990 and after
Reorganization of enterprise	96	117
Privatisation effected	30	114
Workers' property ownership introduced	24	109
Job security	85	175
Wage issues	245	213
Fringe benefits	196	158
Plant labour regulations, arrangements for shift work	84	54
Working time (overtime)	84	64
Benefits on dismissal	39	122

Today, by contrast, privatisation and enterprise reorganization as well as related employment security and circumstances of dismissal due to redundancy (e.g. severance pay) are focal points of dispute in bargaining between company managements and trade unions.

Trade unions continue to be ready for bargaining with company managements. This cooperative attitude is manifested even in connection with problems like lay off. For instance, lay off was rejected by as little as 20 of the trade unions affiliated to NAHU, was accepted by a vast majority (99%), and was even supported by a considerable number (64). Of the organizations affiliated to the Democratic Ligue of the Independent Unions, which was the first to be established and was regarded as having adopted a critical approach, only 1 rejected lay off, while the rest of trade unions active at the companies included in the sample were acquiescent in or supportive of it.

2.2. Evolution of Industrial Relations at Multinational Firms

The appearance of multinational companies in Hungary is judged very positively by public opinion in general (on this point see the results of public opinion poll mentioned above!). Specialists raise several questions and express anxiety about the presence of multinational firms. Anxieties are often founded, are partly based on incomplete information, and are ideologically tinted (with claims that e.g., such firms undermine the national industry). The most frequently expressed anxieties relate to market purchase, displacement of Hungarian products from international markets, and a deterioration of Hungarian positions on the former CMEA markets. In order to give a complete picture we shall naturally refer to appraisals that expect the appearance of international firms to lead to new employment opportunities, technological development, modernization of the service sector, and streamlined methods of management and direction in the form of additions to productive capacities.

Apart from the positive or negative attitudes expressed in general terms, today we have a small body of ordered information about the activities of multinational firms in Hungary, their human resource policies, and industrial relations associated with them (OECD Seminar 1993).[3]

In this paper we attempt to describe those elements of social-organizational relations between employers and workers that are determinative of the methods of manpower utilization. The joint ventures founded with the participation of foreign capital may be classed by several criteria, it being practicable to distinguish, for the purpose of examining industrial relations, joint ventures established in the form of green-field manufacturing capacity and through buyout of state-owned enterprises already operating.

In the first case, the social-organizational relations of companies have to be created almost from "nothing". The second case, the partners to industrial relations (company management and trade union alike) have to reckon with the previous patterns of interest and power relationships as well as with social and cultural traditions inseparable from them in the process of transformation accompanying the change in ownership.

We have chosen to present the operation of Hungarian Suzuki Corp. in illustration of the appearance and operation of foreign capital in the form of green-field manufacturing capacity, and in outlining the role of foreign capital in a Hungarian enterprise formerly owned exclusively by the state we shall discuss a few features of industrial relations as they prevail at Aeroplex Ltd. established with the participation of MALÉV and Lockheed. (It is to be noted in parenthesis that data and other information about the operation of multinational firms are extremely scarce and are not in easy access to sociologists.)

2.3. Works Council Instead of Trade Union: the Example of Hungarian Suzuki

The volume of Japanese capital investments in the former socialist countries of Central and Eastern Europe is virtually negligible. With this trend in view, it should be noted that almost one half of all investment projects were launched and over fourfifths of invested capital (USD 74.4 million) were laid out in Hungary. nearly one half of the latter amount was used for the establishment of Hungarian Suzuki Corp.

The founding document of the Corporation — formed with 51% of Japanese capital (40% for Suzuki Motor Co. and 11% for C. Itoh. with shares of 40% for Hungary and 9% for International Financial Corporation) — was signed in 1990 after little short of 10 years of negotiations. The market considerations involved in establishing the Japanese-Hungarian car factory were these: (a) the average lifetime of cars in Hungary was 10 years in the early 1990s; (b) Hungarian owners would urgently replace about one-third of 3 million cars as they were over 10 years old and two-fifths of them had a high polluting 2-stroke engine; (c) the customs tariff levied on cars imported to Hungary was 35 5 from 1990. The 5 door Swift cars with 1.000 cc and 1.300 cc motors and the 4 door Sedan turned out by Hungarian Suzuki in Hungary form part of the firm's world market strategy. Accordingly, the small cars (Maruti with 800 cc) are manufactured in India, the larger Sedan of medium category in Hungary, and the off-road vehicle in Santana of Spain. Hungarian Suzuki Corp. plans to turn out 50.000 cars a year, but the firm's capacity will allow this figure to be increased to 100.000. Supplier's shares in the total volume of assembled cars are shown by the following table:

	Percentage shares		
	1992	**1993**	**1994**
Suzuki import from Japan	70%	60%	40%
Hungarian suppliers	30%	40%	60%
of which: Hungarian Suzuki Corp. (Esztergom)	20%	20%	20%
Other domestic suppliers	10%	20%	40%
Total	100%	100%	100%

Note: Gábor Bakos (1992): Japan and Central Europe: New Subregional formation and Japans presence. Tokyo: The Institute of Economic Research — Hitotsubashi University, p. 33.

The job-creating effect of the investment project in the local labour market (where the unemployment rate is 20% against the national rate of 14.5 in 1993) is not negligible: after the full running period of production, the total workforce employed will be 1.000 at the central factory of Esztergom and an additional 17.000 to 18.000 at the supplying firms. Until April 1993, 150 Hungarian workers received training in the Kosai factory of Suzuki Motor Co., and the majority of workers were trained in Hungary. On the part of Suzuki, 25 persons assist the Hungarian company management and 25 are active in the direction of production.

Preference in recruitment was given to qualified young people (20 to 25 years of age). Applications were threefold at the start, but this rate fell later. The Hungarians receiving further training at the Suzuki plant in Japan were critical about Japanese working conditions (1.5 hours of overtime a day, meals), but only 15 quit the company. The Japanese company management is very content with the professional skills of Hungarian maintenance and repair workers and thinks that Hungarian workers are overskilled in general.

With regard to wages, the multinational firms in Hungary pursue two strategies: one follows actual wages prevailing in the labour market and reckons with relatively significant fluctuations thereof. The other offers 20 to 30% higher wages than those prevailing in local markets and seeks to win workforce loyalty (this stands closer to the wage-payment strategy of Hungarian Suzuki Corp.) Workers in production earn monthly wages of 25.000 to 27.000 forints, while the wages paid to managers directly in charge of production and to foremen are 20% higher, and remuneration is combined with extra time and productivity bonuses. Performance is assessed twice a year in the case of workers, employees and managers alike.

In the planning and organization of work the Japanese company management is pressing the case for the application of methods characteristic of the Japanese practice of manpower utilization (job rotation, QC, etc.). In this connection the Japanese managers complain that the Hungarians are individualists and have a weak team spirit (Neumann 1993).

The institutions of and mechanisms for regulating industrial relations as well as the methods of human resources management are not yet established at Hungarian Suzuki Corp. Still, the company management shows some discernible features of an anti trade union attitude. Trade union organization at the company is at its incipient stage. Only a fraction (7%) of the current workforce is members of the Iron Worker's Union, which initiated the formation of workers' representative organization from the outside. The company management is not particularly friendly to the trade union, which is well illustrated by, among others, the fact that it has not yet felt the want of a partner with which to conclude a collective agreement governing matters covered by the Labour Code (new Labour Code, Act XXII of 1992). It nevertheless feels the need for workers' involvement in decision-making, because it is otherwise impossible to design a two-way communications system, from top down and from below upward, to guarantee a smooth flow of production. This explains in fact the establishment of the Works Council at Hungarian Suzuki Corp. in October 1992, although the related elections took place in the country early in the summer of 1993.[4] The 9-strong Works Council meets monthly to discuss in the first place questions like production plans, training, and increase in earnings. As was stated by István Lepsényi, General Manager of Hungarian Suzuki Corp., *"the Works Council serves its purpose perfectly, as it intends to introduce the Japanese model of paternalist employer in Esztergom as well"* (Heimer 1993).

2.4. Series of Conflicts: the Case of Aeroplex of Central Europe Ltd.

2.4.1. Complications of Establishment

At present the number of multinational firms among a total of nearly 18.000 joint ventures or entirely foreign-owned companies may be estimated at several hundreds, yet the Hungarian trade unions declared but one strike in support of wage demands at a company with foreign interests operating in Hungary, namely at Aeroplex Ltd., a joint venture of Hungarian Air Transport (MALÉV) and Lockheed Aircraft International Service (LASI). This is to say that Hungarian workers and trade unions besieging companies with foreign interests with "impossible" wage-demands is far from being a dominant feature of the Hungarian landscape. In what follows we will highlight the chief motives for, focal points of tension of, and antecedents to the only strike so far staged at Aeroplex Ltd.

The formation at Ferihegy Airport of the joint venture by the American firm Lockheed and Malév were not also free from complications. It was in February 1991 that the MALÉV management officially announced that a declaration of intent concerning the foundation of a joint venture for aircraft repair and maintenance service had been signed with LASI. The basic function of the limited liability company to be formed with a share of 50% contributed by each side to the original capital was defined as including maintenance of MALÉV's entire aircraft park and doing of job-works for other airlines. The joint venture was founded with the aim of modernizing aircraft maintenance through introduction of the American partner's management and working methods and through assistance in obtaining qualifications and licenses prescribed by the aviation authorities of the advanced Western countries.

The MALÉV workers concerned complained that the company's general manager had included them in the bargain offer to the joint venture without informing them and obtaining their consent. They did so because they were of the view that MALÉV would practically sell nothing but the skills and the labour-power of its workers (the latter being ridiculously cheap compared to the Western average) as a contribution of capital to the joint venture. Therefore they sought information about what other potential partners the MALÉV management might have negotiated with, about what other considerations might have guided it in opting for the American firm, and, in general, about how that concept fitted into the scheme of MALÉV's privatisation as contemplated at the time.

MALÉV's one-time director-general initially conceived of the foundation of the joint venture as constituting a partial privatisation of MALÉV, but the trade unions concerned found out, on the basis of the opinion of Hungarian and foreign experts, that Lockheed-MALÉV Ltd. could not be regarded at all as constituting a (partial) privatisation of MALÉV in accordance with Hungarian legislation in force, but simply as establishment of a new economic association.

Furthermore, the experts invited called the attention of MALÉV's trade unions to the possibility that, with the intended Ltd. formed, MALÉV's entire technical sector and aircraft repair capacity would be withdrawn from the process of privatisation. Should workers be transferred to the new company before MALÉV's transformation into a corporation, they might stand to lose several of their rights recognized by law, namely they would have no say in the process of privatisation and no possibility of obtaining worker's shares.[5]

Again the experts point out that Lockheed wanted to acquire an important market value and to gain regional economic and political advantages at a low price by a volume of investment far below the value of the planned activity.[6] On the other hand, what "remained" of MALÉV might be considerably devalued by its dependence on its own joint venture managed by Lockheed specialists.[7] Its aircraft could not be repaired by others, and the inevitable costs of developing the repair base should also have to be shouldered by the new owners. The national airline company and, for quite a long time to come, Hungary's only international airport might also be mortgaged, for next to nothing at that.

The Lockheed case posed a serious decision making dilemma for MALÉV's trade unions, for workers did not in general question the need for and the raison d'etre of such a technical undertaking, and acting in that spirit, the trade unions considered it their prime duty to represent and defend workers' interests consistently. Accordingly the trade unions sat down to the negotiating table with the MALÉV management, but tried to uphold their rights from the outset. In several cases they lodged written protests with the State Property Agency (SPA) and the Ministry of Transport, Communications and Water Management (MTCWM) concerning the Ltd.[8]

Acting under that pressure, an operative committee composed of representatives of SPA, MTCWM and MALÉV took up the case on 21 January 1992. The workers' delegates to the negotiations repeatedly stated the need to include their demands in a draft contract and their wish to learn the content of the final text in exercise of their lawful rights. Promises to that effect were made by the managements of SPA and MALÉV at the meeting.

That being settled, MALÉV's workers learned with astonishment and indignation that on 24 January MALÉV's general manager had signed, without their consent and any consultation with them, the contract for the foundation of the joint venture with the Lockheed representatives in Budapest.[9] In a statement of position signed unanimously on 5 February, MALÉV's trade union round table protested against that procedure and put on record that the workers' side refused to assume any responsibility in connection with the foundation of the Ltd.

On 6 February, despite the protest, MALÉV's legal representative submitted to the registry court an application for the registration of the Ltd., which was actually registered, so Aeroplex of Central Europe Ltd. (ACE) came into being formally.

In response, the Independent Trade Union of Air Mechanics (ITUAM) requested, on 20 March, a review of the Ltd's foundation and the suspension of its operation on grounds of provable irregularities.

2.4.2. The spell of the past

With the disputes around its foundation settled, ACE officially started operations on 30 June 1992 with 840 workers and 6 American managers, but there remained numerous outstanding questions yet to be solved.

In the last days of June 1992 the workers of MALÉV's Maintenance Division called personally on the head of MALÉV's human resource management centre to cancel the labour contract with ACE, because they thought they would no longer enjoy various benefits due to them as "MALÉV men". Thereupon, when Aeroplex was formed, all workers transferred from MALÉV received a wage increase of 21% under a one-year agreement. That was not, however, an effective increase, but a compensation for lost benefits formerly granted on a non-regular basis, and as an across-the-board measure, it failed to reduce existing disparities in wages to any degree.[10]

When the firm started operation, workers promised to demand no wage increase for a period of one year. Indeed, there was no increase, apart from one of 20% for the firms top managers. it appeared that the situation with regard to workers returned to normal, with the previous tensions on the wane.

"Although we did not understand, we were unfortunately "made to understand", that ACE was the only solution which would ensure jobs, higher wages, higher professional appreciation, and a more secure future. And, protesting vigorously, we finally asked for our transfer voluntarily. Indeed, our then leader of LITUAM went under in the protest" (a navigation mechanics, ITUAM leader [Bercsényi, 1993/b]).

In June 1993, in connection with delays of 3 of its flights, MALÉV informed the public saying that ACE was not adhering to maintenance and repair schedules and that the resultant delays of flights and the worsening standard of services were causing damage to the airline. Yet, in the meantime, MALÉV's park of aircraft was expanding, old airplanes becoming obsolete, and flights increasing in number. These imposed mounting tasks on the now separate technical base, operating with staff of 150 workers less than before, reasoned the other side.

"With our staff strength reduced, we have to attend to aging aircraft, giving more work and presenting new difficult tasks we had not been prepared for (command of English, international certificates of qualification). We had a growing feeling that we were destined to be the scapegoat, and we were right, because ACE was said not to be performing the tasks it had undertaken. We were said to be doing bad work, which was causing problems of schedule, delays, longer time-lags in servicing, and changes of aircraft. Yet we knew we had been coping with these same problems when we belonged to MALÉV's Technical Directorate, with the exception that then no one blazed them forth in public. Who is pointing to himself?" (an air mechanic, ITUAM leader [Bercsényi 1993/b]).

The term of the contract concluded with workers expired on 1 July 1993, and the trade union claimed that the conclusion of a collective agreement had been prevented by the management's inadequate preparations. Therefore the renewed ITUAM active at ACE saw no point in wage bargaining either. On 15 July it announced its intention to start wage bargaining independently of the question of collective agreement.

ITUAM maintained that nothing but a differentiated wage increase was acceptable, one that would be the first step toward a sensible reduction of the formerly established disparities in wages. In order to provide a basis for such a policy, a designated group of workers formulated criteria having regard for the international standards applicable to the occupation of air mechanics. There was not much more to rely upon, however, since ACE had neither a description of jobs nor statues. In order for every worker to receive a wage increase according to criteria fully acceptable for the management as well, it would have been necessary to raise the wage fund by 150% in 1993.

"The wage system full of stresses and strains, with basic wage scales ranging from less than 20.000 to 60.000 forints in similar lines of work, was inherited from MALÉV", said Tibor Hegedűs acting on behalf of ITUAM (Fahidi 1993).

According to him, the gross average wage amounted to 38.000 forints at Aeroplex, which is owned in equal shares by MALÉV and LASI employs some 940 workers, but the mechanics and technicians received only 32.000 forints on average, while over 200 specialists earned as little as 20.000 to 30.000 forints a month.

The argument of MALÉV's management that the monthly gross average earnings of 44.000 forints at ACE were twice the Hungarian average for industry did not dissuade the trade union from enforcing its demand because it claimed that the type of work there was not average in any aspect (qualifications, skills, responsibility).

The demand for strike was clear evidence of a conflict of interests existing between the owners, i.e. MALÉV and Aeroplex owned by the former in 50%. In common with Alitalia, MALÉV set out on a revision of its relations with ACE and of the contract.

"It is not a fortunate solution for MALÉV to order aircraft repair from an external company, because doing so would bring it into a state of dependency...The company's internal organs of control had been entrusted before, namely independently of the present strike, with examining how the stipulations of the contract between Aeroplex and MALÉV were being carried out", said former Minister András Gálszécsy, Chairman of MALÉV's Board of Supervision (Magyar Hírlap 1993).

Now MALÉV came to strike a harsher note in wage bargaining with the "external" mechanics than it had with its own pilots a month before.[11] According to the trade union, MALÉV wanted to exploit the wage dispute and the strike for terminating its contract with the Ltd. Moreover, MALÉV had invited mechanics from England and had said it would drop its wage offer altogether unless ITUAM backed off from its threat of strike.[12] The strike was, as it was, inevitable under the circumstances consequential upon earlier and new conflicts.

"Everything that had gone cross with us — wages, grievances about the reorganization a year before, the past year, an uncertain future, the alarming rate of inflation and, what was among the most important problems, an almost complete lack of information and continual disregard of workers' opinion — boiled down to a single set of concerns in those few years" (an air mechanic, ITUAM leader [Bercsényi 1993/b]).

"We came by slow degrees to see that the contract which had been concluded was quandary not only for us, but also for one of the owners, who is also a customer of ours. Our hopes drove us to expect a better offer from the other owner because of MALÉV's battening down the hatches, but Mr. Bramley let us know that he was unable to make a better offer" (a navigation mechanics, ITUAM leader [Bercsényi 1993/b].

"In my opinion, the strike was a symptomatic consequence of events over the past year or two. It could well have been provoked much sooner by the tensions accumulated in the occupation of air mechanics and in aviation in general. The past period gave evidence that the contract between the two companies could not serve as a good basis for cooperation. Added to all this were a crisis of confidence and discontent, phenomena which were instrumental in the strike indicative of the state of affairs between MALÉV and ACE" (a navigation mechanics, ITUAM leader [Bercsényi 1993/b].[13]

Finally, after long quarrels, the strike ended with a compromise. The trade union accepted a wage increase of 34.6% as the last offer, which fell far short of its expectations, but, acquainted with the financial status and material conditions of MALÉV Corp., Lockheed and Aeroplex, it realized that it was the maximum rate of increase that could be achieved. In addition, the ACE management and the ITUAM leadership committed themselves by a contract to doing their utmost to conclude a collective agreement by 15 October 1993. ITUAM undertook to raise no wage-demand during the period from the signing of the collective agreement to 31 December 1994.[14]

The conflicts and wage bargaining between Aeroplex and ITUAM offered many lessons, the most important for us appearing to be that the disputes could have been headed off at the outset by paying due attention to the existing problems and undertaking timely and conscious efforts to mould the shape of industrial relations, the management-labour relationship, at the company level.

"Negotiations should have been started earlier. I myself have a share of responsibility in that, but I believe that conclusion of the collective agreement is of paramount importance. In the future I shall be pushing ahead with the idea of having these extremely important negotiations set in train sooner, about 60 days before the date of expiration of the agreement. We need much more accurate preliminary information to see the availability of funds for purposes of wage increase or other benefits. I feel there is much for Aeroplex to improve upon in this respect" (opinion of ACE's American managing director Bercsényi 1993/b).

3. Some Conclusions

Foreign enterprises that start operating by executing other than "green-field" investment projects undoubtedly find themselves in a situation more unfavourable from the perspective of labour relations, because they have to devote considerable energy to streamlining "inherited" labour conditions as well as relationships, customs and orders of values established among the workforce in addition to carrying out eventual technical or technological development programmes. Moreover, account should also be taken of any resistance which indigenous workers and even managements may put up to change in the social environment.

Nevertheless, even "green-field" investors may suffer hardships, as was evidenced by the events of November 1992 at General Motors Factory in Szentgotthárd.[15] In spite of such difficulties, however, our enterprises with foreign interests experience very few cases of tension between management and labour, and all wage-demands but one have been settled by way of peaceful bargaining, without recourse to strike.

Again, as is proved by the case of Aeroplex Ltd., grave antecedents set the stage for workers initiating a strike by risking their jobs and in part fighting for preserving them.

Of course, there is no doubt that integration of foreign enterprises, including multinational corporations, into Hungary's socio-economic environment is not always free from conflicts and that defence of workers' interests in "decision-sharing" can hardly be to the liking of Western investors, who, after all, transfer their production to Central and Eastern Europe with cheap wages undeniably with the added aim of gaining advantage in prices. This is supported by the fact that the Hungarian Association of International Companies (HAIC) — which organizes the interests of giant companies such as Philips, Coca-Cola, Ford, General Electric-Tungsram, Suzuki, Henkel, Unilever and United Technologies — deems it necessary to have some modifications introduced into a few paragraphs of the Labour Code relative to the rights of works councils (See Heimer 1993 and Kasriel 1993).

In addition to united action, however, the experience gained at multinational corporations in Hungary shows significant and substantial differences between companies in building labour relations. There are firms like Hungarian Suzuki Corp. that tries to meet worker's demands halfway and urge the establishment of a works council before the time-limit set by law, while disliking the formation of a trade union. Also, there are some which do not find works councils to be desirable and lay primary emphasis on bargaining with the strongest trade union, while others do not think that either a works council or a trade union is really necessary and generally make no conscious efforts to build industrial relations at the company.

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[1] According to a study prepared by UNCTAD, the value of world trade was $ 4.000 million million in 1992, whereas the multinational corporations in other than headquarters states "produced" $ 5.500 billion worth of trade flows in goods and services. (These figures do not include the value of services supplied by bank empires abroad). In the light of figures it is not surprising that in the past year of recession the multinational corporations acted as the motor of the world economy (G.Gy. 1993).

[2] In illustration of the vast scale of change it will be noted that in Hungary there were as little as 282 joint ventures operating with a capital stock of some 310 million dollars at the end of 1988 (Vígvári 1993).

[3] To our knowledge, authors discuss this subject in relevant literature only in connection with joint ventures (e.g. Viszt—Ványai—Berkó [1990], Koncz [1992], Orolin [1992]).

[4] The rights of the works council are regulated by the new Labour Code as follows:

1. The distribution and utilization of the welfare fund as well as the labour safety regulations are subject to joint decision by the enterprise management and the works council.
2. The enterprise management must obtain the views of the works council on
   a. measures affecting larger groups of workers (e.g. reorganizations, transformations, transformation of organizational units into independent organizations, privatisation);
   b. establishment of a system of personnel files;
   c. plans for workers' training access to employment promotion subsidies, and early retirement policies;
   d. measures for the rehabilitation of workers with reduced working capacity;
   e. annual schedule of leaves;
   f. introduction of new methods of organization of work and of performance requirements;
   g. draft internal regulations affecting worker' important interests;
   h. competitions organized by the employer and involving material or moral recognition.
3. The enterprise management must inform the works council on
   a. fundamental questions concerning the employer's economic situation, at least once in every 6 month;
   b. major draft decisions concerning significant adjustments in the employer's scope of activity or relative to the employer's investment projects;
   c. patterns of wages and earnings, liquidity relative to wage-payment, characteristics of employment, utilization of working time, and characteristics of working conditions.

[5] Government Decree No. 119/1991 (IX.12.) guarantees, inter alia, that no privatisation may be effected without worker's knowledge of and say in it. No unfounded property assessments may be made, and workers may have a say in social benefits as well. Furthermore, the property policy guidelines enable workers to buy business shares or shares in an association on easy terms.

[6] This is supported by the fact that Lockheed requested 4 million dollars to be sent to Hungary for 6 American managers for a term of 5 years, against a contribution of as little as 2 million dollars in cash, whereas the total assets of the Ltd. will not reach the 6 million dollar mark, although MALÉV's technical service was valued four or five times that amount even by the consulting firm Credit Swiss First Boston, which gave a rather low estimate of MALÉV's property.

[7] In fact, with a share of 50 % Lockheed obtained a voting majority without a majority share in property by sending its managerial staff to Budapest and placing them in key positions.

[8] This explains in part why Lajos Csepi, Managing Director of SPA, wrote a letter to the MALÉV management on 16 December 1991, communicating that since the foundation of the Ltd. greatly affected workers' economic and social interests, and given the company's weight, it constituted a significant step in the process of MALÉV's privatisation and was therefore subject to the provisions of Government Decree No. 119/1991.

[9] As is known, MALÉV announced the fact of signature at a press conference on 3 February, the General Manager of MALÉV stating that the dispute with workers' representative organizations had been settled prior to the signing of the contract and that the parties had come to an agreement satisfactory to workers.

[10] For that matter, ITUAM claims that the technical personnel were promised a wage increases as early as the autumn of 1991, when the MALÉV management recognized the legitimacy of the mechanics' demand for a pay rise. Since no such measure had been taken despite the agreement, the trade union brought the matter to the labour court. It won the case, the decision ordered MALÉV to bargain about wages, but the mechanics had by then been transferred to the new joint venture, so the decision was clearly inapplicable to this employer. The only result was that none of the technical personnel's 7 trade union representatives continued working with Aeroplex. This notwithstanding, ITUAM has 580 members today against 170 in December.

[11] On 11 June 1993 the MALÉV pilots went on a strike of warning for nearly 2 hours in support of their wage-demands. Their aim was to approximate the wage levels of different groups of MALÉV workers to the international average. In many aspects, this strike was an added organic antecedent to that of air mechanics. It is characteristic that according to the opinion of the Chairman of MALÉV's Board of

Supervision, for instance, the trade union of air mechanics should have joined with the pilots in their demand for a wage increase, thus making it clear that they would stop work unless they were granted at least as high an increase. However, they had originally demanded an increase of little less than 100 %, so had no chance of winning the sympathy of MALÉV workers, particularly the flying personnel, for the latter had even seen their income decrease because of the strike (L.K. 1993).

[12] The deployment of 18 British air mechanics provoked a strong wave of protest. The International Transport Worker's Federation (ITWF) protested with MALÉV and Qualitair, which had sent the mechanics, against the (planned) strike breaking and called on its affiliated organizations to voice similar protests. NAHU strongly condemned the preparations for breaking the strike and considered that the conflicts generated by unilateral non-compliance with the previous agreements were a source of profound concern. The Intellectual Union's Bloc voiced indignation about MALÉV's intention to use strike breakers against the Aeroplex workers rising lawful demands, and this from a country that has a rich tradition of trade unionism. Cooperativ Forum of Unions also pledged solidarity with the air mechanics on strike. The National Council of the Worker's Council made a similar statement, adding that it would join international actions of solidarity unless the employers changed their methods.

[13] On the day the air mechanics went on strike Craig Bramley, Deputy Head of Lockheed's Personnel Department, arrived in Budapest, held talks with the trade union representatives that afternoon and the following morning met the MALÉV's managers, who would only have been inclined to agree to a pay rise in excess of their previous offer if the extra costs thereof had been defrayed in full by Lockheed as co-owner.

[14] We shall provide a summation of all the conditions laid down in the Agreement signed by Aeroplex of Central Europe Ltd. (thereinafter referred to as employer) and the Independent Trade Union of Air Mechanics representing the former's workers (thereinafter referred to as ITUAM/ACE):

1. The Agreement signed by the Parties shall remain in force for 18 months, this period to start running on 1 July 1993 and to expire on 31 December 1994 at 20 hours.
2. The rate of wage increase shall be 34.6 % relative to the basic wage fund of the workers concerned in June 1993. The wage increase shall be retroactive to 1 July 1993 and its amount shall be distributed according to the principles of the new "GALHAM" scale of values jointly adopted (by ITUAM and Aeroplex).
3. ITUAM/ACE undertakes to raise no new wage-demand from the date of signature of this Agreement to 31 December 1994.
4. A representative of the company's workers, who is also on the Board of Supervision, shall attend all official membership meetings. His presence at other non-official conferences of owners shall be subject to invitation.
5. The employer undertakes to inform ITUAM/ACE of any contract signed by the company as well as of any amendments and additions thereto affecting workers' economic interests. The person representing workers on the Board of Supervision shall have the right to inspect such contracts. This Agreement shall not derogate from the management's right to decide freely on matters affecting the company.
6. Since the employer is not in a position to influence all factors that may necessitate dismissals, the Agreement stipulates that Aeroplex shall try to avoid any dismissal of a larger scale during the term of the Agreement. Any layoff shall be executed in accordance with the Collective Agreement to be concluded. Both Parties (ITUAM and Aeroplex) shall make every effort to conclude the Collective Agreement before 15 October 1993.
7. The employer undertakes not to use the package of wage increase as agreed upon herein for covering the wage costs of workers to be engaged after 1 July 1993.
8. The employer shall continue to train an adequate number of workers in such skills and types of aircraft as may be required to meet the needs of MALÉV and other customers. Aeroplex shall continue to draw, in the manner determined by the manager, on existing funds secured by contracts relative to the joint venture.
9. Aeroplex has reaffirmed LASI's intention to provide ad hoc technical assistance for Aeroplex at the request of its managing director, such assistance to be governed by the stipulations of the contract relative to the joint venture.
10. The management of Aeroplex undertakes to secure orders for services to be supplied for additional

third parties. Depending on the success of efforts to secure such orders, it is Aeroplex's intention to examine the possibility of designing a profit-sharing system to be applied in future.

11. Both Parties undertake to start wage bargaining for 1995 on 1 November 1994.
12. The Parties declare that they consider the wage bargaining started on 11 August 1993 as concluded and that after the signing of the present Agreement they will not raise any demands against the other Party concerning the results of negotiations.
13. The present Agreement shall be complementary to the Collective Agreement to be concluded by 15 October 1993. Any violation thereof or non-compliance therewith shall entail the legal consequences determined by the Labour Code.
14. The Parties signing this Agreement on behalf of the employer and workers are duly authorized thereto.
15. The Hungarian and English texts of this Agreement shall be signed simultaneously, the Hungarian text to be regarded as official.

In November 1992, 200 out of the 500 workers of the General Motors factory at Szentgotthárd formed a group, thereby shocking the company management. The Works Council was elected on 29 March 1993, and it lent support to the wage demands of the trade union established in autumn last year and declared its readiness to exercise its rights to obtain information from the company's managers. (For more detail, see Kasriel [1993] and Heimer [1993]).

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