Chapter 8

Changing Patterns of Employment and Employees' Attitudes at the Firm Level: the Hungarian Case

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1. Introduction

The international research project on 'Worker Attitudes in the Electric and Electronic Machine Industry' was carried out first in 1985. The research investigated the activities of trade unions and management at the firm level by means of an attitude survey of employees in this branch of industry. Ten years later the research team undertook a follow-up survey in 1994-95. Some of the reasons for this decision may be summarised as follows:

1. To examine how the collapse of the Socialist political and economic system in countries like Hungary, Poland and Slovenia influenced workers' attitudes and opinions regarding trade unions, management, companies and other social aspects of the transformation (social inequalities, privatisation etc.).
2. The companies and plants investigated in the follow-up survey, which belong to the electric and electronic machine industry (hereafter called 'EEI') - one of the most dynamic sectors of the global economy - underwent a crucial restructuring process during the last ten years. How are these developments reflected in workers' attitudes and values regarding various aspects of working life and society in general?
3. It is extremely rare for sociologists and other social scientists to participate in follow-up studies. The decision to 'repeat' the survey provided a unique opportunity for researchers to understand the social impact of changes in the attitudes of employees at the micro-cosmos of a plant. Is ten years sufficient time span to discern changes in the pattern of behaviour and values of workers or are these 'soft' elements of human behaviour rather resistant to change?

In the second survey, each national team used both standardised (i.e. questionnaire, company audit, etc.) and non-standardised research tools (for example, the Hungarian research team relied extensively on the analysis of company documents and other sources of information concerning the firms to be surveyed, statistical analyses of economic restructuring, etc.).

2. Changes in the Industrial Sector Investigated

2.1 General Trend

It is not easy to describe the changes in Hungary's industrial structure since the middle of the 1980's. Due to the almost complete collapse of the former statistical system in the country, it is extremely difficult to analyse industrial data in an integrated way. To try to answer the questions raised at the beginning of this chapter, we have to use various kinds of related data to analyse changes in industrial activity since the middle of the 1980's.

The changes in EEI of Hungary reflect the general trend of industrial output, which declined by 50% between 1988 and 1992. But in the following two years, 1992 and 1993, it increased by 10%. Within industrial output, the performance of the steel and the machine industries - including the EEI in the latter category - declined more steeply than the average of all industrial output. In the case of steel industry, this decline fits well with the international trend, whereas in the case of the machine industry including EEI the sharp decline in production in Hungary is inconsistent with the international trend. This is clearly the case when we look at the great losers in the machine industry: engineering, transport, telecommunication, etc. In contrast to Hungary, these industries are the fastest growing sectors in the world economy.

A key factor in explaining the dramatic decline of output in Hungarian steel and machine industries is the loss of almost a half (43.7%) of the domestic market between 1988 and 1992. In spite of the improving performance of Hungarian industrial firms, they could only regain 7% of the market share they had previously lost. But the increase in domestic demand was generated by the investments in the field of infrastructure and not by consumer demand.

Another factor in explaining the sharp decline in the performance of the machine industry was the steep decline in export markets. The share of exports by the machine industry, which represents 47% of total industrial exports, declined by 12% between 1988 and 1992. Despite the fact that exports by the machine industry increased between 1992 and 1994, the sector's share of industrial output actually declined. Within the machine industry, the most export driven products were vehicles, telecommunication equipment, office and computer related goods.

2.2 Sample

Two hundred (mostly blue collar) employees were interviewed at each of two firms surveyed. Unfortunately, it was not possible to 'reproduce' the 1984 sample. There are two main reasons for this failure. First, some of the firms investigated ten years ago no longer exist (the medical electric-instrument producer

MEDICOR, the industrial co-operative RAVISZ, etc.). Secondly, in other cases the new owners did not support our follow-up survey. But it is worth noting that we succeeded in carrying out the 1994 follow-up survey in the same plants as the 1984 survey in the 'core' firms of Hungarian EEI, namely Audio Company and Light Source Company, as shown in Table 1.

Table 1 ***Number of Employees Interviewed***

Companies surveyed	1984	1994
"Csepel" Transformator Factory	265	0
Medicor Company	300	0
Audio Company	283	200
Light Source Company	282	211
Elektrisz Ind. Co-operative	72	0
Rávisz Ind. Co-operative	100	0
Majsa Ind. Co-operative	100	0
Zalalövõ Ind. Co-operative	96	0

The Audio Company plant is located in what was an economic crisis zone at the beginning of the 1990s. In the year of our survey (1994), industrial output in the city where Audio Company is located increased by 45% compared with 1993. From the total 9 billion USD Foreign Direct Investment (FDI) in Hungary, 1 billion USD was used here. The present competitors with this city (Székesfehérvár) include Auckland in New Zealand, Subic Way in Philippines, Oulu in Finland, Manhattan in New York, Nes Ziyyona, etc.

The second firm investigated, Light Source Company, is located in the Hungarian capital Budapest, where the decline in production and employment is below the national average. In this economically dynamic zone the rate of foreign investment is the highest, the infrastructure most developed, privatisation most advanced and the level of unemployment the lowest.

In many ways the fact that these two 'flagship' electric / electronic firms operate in rather similar economic zones demonstrates well the symptomatic problems which characterise Hungarian business organisations undergoing transformation since the late 1980's.

(It is an interesting but unfortunate - and often downplayed - effect of the transformation crisis following the collapse of Socialist system that social scientists have become 'unwelcome' visitors even in successfully privatised firms. According to the opinion of one privatisation expert, 'It is difficult to carry out surveys on the consequences of privatisation. The "successful" firms wish to defend their secrets, while in the case of the failure, the company gates remain closed.' (Figyelõ, 1994:15). One motif for the refusal to allow social scientists in is management's fear of pressure for a re-negotiation of the privatisation agreement or the risk of leaking information to competitors. Managers of former state

owned privatised firms often fear that the presence of social scientists and the publication of survey results would create or intensify power struggles related to the privatisation process.)

2.3 Firms Investigated Ten Years Later

The changes of the last decade have had a strong impact upon the activities of the two firms researched. For instance, the number of employees drastically declined in both firms, and the unionisation rate fell, as shown in Table 2.

Table 2 *Selected Indicators of the Firms Surveyed*

	Audio Co.		Light Source Co.	
Characteristics of the Firms	1984	1994	1984	1994
Number of employees	18.580	6.319	31.00	10.326
Share of females	56.4 %	55.0 %	65.0 %	47.1 %
Part time employees (%)	4.0 %	0.0 %	1.6 %	0.2 %
Number of unions operating in the firm	1	20	1	N/A.
Number of union members	16.722	1.750	30.070	N/A.
Unionisation rate	90.0 %	27.7 %	97.0 %	N/A.

The first symptoms of the crisis in the case of the Audio Company were already visible in 1986-87, when the solvency of the Russian market deteriorated on the one hand, and imports of consumer electronic goods were being liberalised and military expenditures were being cut on the other. Due to these changes in international and domestic markets, the firm experienced a deep crisis in 1989-91. The state owned Audio Company Group was privatised in 1991 amid much public debate, the new owners being the Hungarian Credit Bank, Euroinvest and several Hungarian private investors. The new management initiated the implementation of Western accounting and control systems and set up profit centres in the company. Unprofitable activities were closed down and management tried to revive former business relations (for instance in various republics in the former Soviet Union) and to secure new business partners. These efforts were largely successful and as a result Audio Company produced a turnover of 11 billion HUF (more than $110 million US) in 1993, with almost two thirds of this turnover generated by export activity.

The Light Source Company, established in 1886, is another 'flagship' of the Hungarian EEI. In this case engineers contributed greatly to the development of this firm with several innovative products. For example, Light Source Company engineers created the first 'tungsten lamp', production of which was launched in 1906. This product was the first long lasting electric bulb in the world. In the 1930's, the firm produced the first foreign business relations with Dutch, British and American firms, including the US General Electric Corpora-

tion (GEC). After World War II, the firm was able to retain the form of a Corporation, despite being 86 % state owned. In the mid 1980s Light Source Company had an exceptional position among state owned firms, with exports totalling $300 million US, including 70% of its exports going to the United States.

Following the collapse of Socialist system, Light Source Company lost 30% of its former 'Socialist' markets. This was the main factor in its early privatisation (in 1988), during which 49.6% of its share-capital was sold to Austrian 'Girozentrale Bank Konzorcium' for $110 million US. In November 1989 a US multinational announced its desire to buy 50% plus 1 share-capital for $150 million US. In this context, it is worth noting that multinationals operating in this sector are developing production capacities in the former Socialist countries of Central and Eastern Europe. For instance, Philips established a plant in Poland and Osram is planning to set up a factory in the Czech Republic. The Hungarian government initially hesitated over the American proposal, fearing further plant closures in a period of rapidly rising unemployment. However, it soon became apparent that the US multinational wanted to improve its market position in Europe, and that for this purpose Light Source Company's production capacities and not just its markets were necessary. In giving the 'green light' to the American offer, the Hungarian government wanted to demonstrate its positive attitude towards foreign investors and its desire to attract foreigners to participate in privatising former state companies.

The US multinational took over management control of Light Source Company in January 1990, and the new management - in spite of its continuing labour intensive technology - made 50% of its existing manpower redundant. The reasons for such high over-staffing were not only out-dated equipment and machinery but also the bureaucratic style of management and the national policy goal of full employment (Scamehorn and Marosi, 1994:35-44). As mass dismissals would have harmed the prestige of the US company in Hungary, the new management used 'soft' methods to reduce employment. Female workers over the age of 52 years and male workers over 55 were encouraged to make use of the company's 'early retirement scheme'. Each employee concerned received a notice 3 months earlier than would otherwise have been the case, and received 6 months severance pay. Light Source Company also wanted to assist its former employees in finding new jobs. The firm spent $15 millions on early retirement programmes, re-training and new job creation over a three year period. Despite the fact that the cut in employment was less than planned, the social atmosphere in the plants deteriorated with employees' fear of 50% reduction in employment.

2.4 Characteristics of the Plants Surveyed

The 1994 survey was carried out in the same plants as the 1984 survey: the 'Television Factory' (TV Factory) in the Audio Company and the 'Light-Source Plant'.

In the last ten years the legal and organisational relations between these plants and the firms have been changed greatly. For example, the TV Factory has gained an independent legal status in the form of limited company and its relations with the firm's headquarters are currently based upon market business relations. The legal status of the Light-Source Plant did not change with privatisation and its activities are controlled from the firm's headquarters.

Drastic changes in the economic environment have had a strong impact upon the everyday life of both plants investigated. For example, the TV Factory once held 50% of the Hungarian television set market but nowadays its market share has shrunk to about 10%. Light Source Company mainly manufactures light source products, 90% of which are exported and the remaining 10% represent around 85% of the Hungarian market. Table 3 illustrates the changing structure of activities in both plants.

Table 3 *Selected Indicators of the Plants Investigated*

	Audio Co.		Light Source Co.	
Plant's characteristics	1984	1994	1984	1994
Number of plant employees	5,329	519	1,313	1,604
Share of blue collar workers among workforce	82.0 %	61.0 %	83.3 %	96.2 %
Supervisors as percentage of workforce	2.6 %	3.7 %	1.4 %	1.9 %
Adm. employees as % of workforce	11.1 %	19.0 %	10.0 %	3.8 %
R and D personal	2.3 %	0.0 %	2.1 %	0.2 %
Middle and top managers as % of workforce	2.0 %	4.0 %	3.2 %	1.1 %
No. of unions operating in the plant	1	1	1	2
No. of union members	4,296	310	1,274	1,126
Unionisation rate	81.0 %	60 %	97 %	70 %

The unequal fortunes of the firms in their respective product markets are closely reflected in the changing level of employment. Although the number of employees has fallen dramatically in the TV Factory (to just 10% of the 1984 level), the level of employment increased more than one fifth (22.2%) in the Light Source Company plant. Other characteristics of the plants clearly show further differences in addition to their respective market positions. These differences include variations in work organisation, management and manpower utilisation. The proportion of blue collar workers in the TV Factory declined by 20% whereas in the Light-Source Plant it increased by 13%.

In the TV Factory 'bureaucratic' or 'administrative' control remains dominant, while in the Light-Source Plant the 'managerial ratio' is lower and the necessary co-ordination and control in the plant may be achieved by 'professional' regulation. This is well reflected in the following trends: in the TV Factory the proportion of administrative employees and managers almost doubled (from 11.6% to 26.7%) in the last ten years, while in the Light-Source Plant it declined by 50%. In the latter case the decline in administrative employees and managers is a result of the Human Resource Policy in the Light Source Company Corporation designed to reduce the size of the 'white collar' group. At present, white collar employees constitute 1,700 of the 10,000 employees of the Light Source Company. According to company management this level of 'white collar' staff is still unnecessarily high.

In spite of such differences we could identify the following similar tendency in both firms, namely reduction in Research and Development capacity. This cut clearly corresponds with a national tendency. 57 % of firms do not participate in R and D activities or do not make use of such services in Hungary (Figyelõ, 1995:42). To evaluate the significance of the decline in 'R&D' activities in Hungarian industry, it is necessary to set it in the context of international trends. In the OECD countries, expenditure devoted to R&D increased from 1.6 to 2.9% of GDP in the second half of the 1980s, and in the majority of OECD countries the increase in R&D expenditures grew more rapidly than the growth of GDP. In Hungary the reverse was the case. Until the second half of the 1980s, R&D expenditure in Hungary comprised over 2% of GDP. But this figure declined between 1987 and 1991, such that in the period between 1991 and 1993 it represented only 1% of GDP.

3. Flexibility, Job Mobility and the Use of Human Resources

3.1 Contradictory Tendencies: Job Enrichment and the Decline in R&D

The overwhelming majority of employees interviewed were blue collar workers (nearly 90%), so that the following data strongly reflects their opinions. With only a few exceptions, the present group of blue collar workers started their work careers as blue collar workers (95.6%) and are still working in this job category. Compared with ten years ago there are now fewer administrative employees who used to be blue collar workers.

During the 1984 survey, we found no female managers in the Hungarian plants we investigated. This situation visibly changed by 1994. In the 1994 survey women were present especially among first level and middle managers, although not in great numbers. On the other hand, there has been a decline in the number of women working in technical jobs. In 1984 more than a half of the

technical employees were women, but by 1994 this proportion had diminished to only one fifth.

Another extremely interesting change occurred in the promotion system. In 1985 a relatively high proportion of managers started their careers as managers. For instance, 15.6% of male managers started their work in the firms surveyed as managers. In the present survey (1994), we could not find anybody in a managerial position who started their working career as a manager. For example, 53.3% of the supervisors were employed as blue collar workers in their first job, 26.7% started work as engineers and 20% were technicians at the beginning of their working careers.

The final important change apparent is the shift from the practice of over-specialisation and fragmentation in job structures towards job enrichment or functional flexibility. Hence there is a growing number of employees whose range of tasks has been enlarged. Besides their basic tasks they perform other tasks, too. This tendency toward multivalent production has become especially visible among first line supervisors and technical employees, but it is also present among blue collar workers. Table 4 indicates the extent of global changes in the task-structure of employees during the last decade.

Table 4 ***Trend of Changes in Task Structure - Aggregated Data (%)***

	1984			1994		
Types of Tasks (selected)	Audio Co.	Light Source Co.	Together	AC	LSC	Together
A. Quality Control	7.1	4.0	5.5	15.3	31.3	23.7
B. Programming	1.1	0.0	0.5	2.8	2.6	2.7
C. Product development	7.1	5.0	6.1	10.2	3.1	6.4
D. Organisation of the production process	5.7	9.0	7.3	6.8	10.2	8.6

The most important change has been in the task structure of technical employees: a trend toward 'job-enrichment'. For instance a relatively significant number of technical employees participate in production and maintenance activities. In 1984, only 1.5% of them carried out such activities as machine operating or assembly tasks and 3% carried out maintenance related tasks. Ten years later, one seventh of the technicians and nearly one fourth of engineers are engaged in maintenance related tasks. Another considerable change in the task structure is the growth in the share of such tasks as those related to quality control, programming, and the organisation of production processes.

The following modification is apparent in the composition of managerial tasks: ten years ago, only an insignificant minority of managers (2%) carried out production-related tasks like machine operation, assembly, and maintenance. In

1994, 20% of male supervisors deal with some sort of assembly and machine operating tasks and 40% carry out maintenance. Ten years ago, only 1% of them dealt with quality control, but nowadays one third are responsible for quality related tasks.

An important shift has taken place in the division of tasks amongst managers. For instance, in 1994, while middle and top managers concentrate their work on the tasks related to product development and sales, first line supervisors are mainly responsible for production related tasks like programming, organisation of production and quality control.

Finally, we have to call attention to a decline in 'product-development' activities in both firms surveyed. For instance, among the employees who were engaged in product development ten years ago, only 48.3% participate now in this kind of work. The majority of the former 'product-developers' are now carrying out tasks related to maintenance, the organisation of production processes and quality control. Their professions have been degraded. The decline of product development is a result of the growing importance of production co-operation with foreign firms, in the form of 'job processing'. For example, Audio Company has discontinued its 'in house' product development policy which characterised the firm during the 1980's. Instead of relying upon its own product development, the firm is developing technical co-operation, buying licenses (for instance from the French company Thompson) and depending on job processing contracts (for example with ITT, NOKIA, Philips, etc.).

In the case of Light Source Company the decline in product development activities is the result of more complex and contradictory processes. On the one hand, the integration of development activities into the other foreign units of the US multinational would naturally result in the general shrinking of the development-related activities. On the other hand, there is increased productivity in the R&D function. For example, in the last five years, in spite of major cuts in R&D staff, the number of new products launched annually onto the market increased 3-4.5 times.

3.2 Emergence of Heterogeneous Labour Contracts

One of the most important structural changes in the employment policy and practice of the firms investigated is the increasing segmentation of the internal labour market as a result of the emergence of a wider range of 'labour contracts'. Of course, the structure of employment was not previously homogeneous (for example, with regard to the task-structure of men and women). The new tendency, however, is characterised by a rapid increase in time limited contracts, for 'employment for a definite period' at the expense of the 'employment for an indefinite period (see Table 5, page 200).

Table 5 *Changing Forms of Employment in the Firm Surveyed (%)*

Forms of employment	1984	1994
Full time employees	95.6	91.9
Part time employees	2.0	1.2
Employees with 'contracts for a definite period'	0.2	6.9
No answer	3.9	0.0

The majority of those hired on the basis of 'labour contracts of a definite period' were maintenance workers. In the 1994 survey we found 13.4% of the employees at the Light Source Company on 'labour contracts of a definite period'. At the Audio Company, on the other hand, almost all the employees are working based on 'employment for an indefinite period' and almost all of them are 'full-time' employees. The employment policy of foreign firms operating in Hungary involves an increasing use of short term contracts.

The greatest number of those employed on the basis of 'labour contracts of a definite period' are found in the following categories: machine operators, assembly workers. The majority of such workers are young, but older employees are also to be found. For instance, 50% are under the age of 30, but 15% are between of 45 and 49. There are no important differences between male and female 7.4% of male and 6.0% of female employees are employed on this form of labour contract. It is also worth noting that the unmarried (10%) cope more easily with the risk of this employment form than the married (6.8%). This form of employment has grown rapidly in recent years. At Audio Company only 78.6% of employees with two years length of service and only 6.8% of newly recruited employees are employed on indefinite period contracts. At Light Source Company the majority of newly hired employees are recruited on indefinite contracts.

The obvious advantage of this form of labour contract for employers consists in its flexibility: it is not necessary to give severance pay in the case of dismissal. In the long run, however, the identity (or loyalty) of employees with the firm is likely to suffer.

From the point of view of firm level labour relations, there are other negative impacts arising from the use of 'labour contracts of a definite period' as a tool of employment policy. With regard to participation in training in the firms investigated, 56.4% of respondents did not attend any training course, and 82.1% of respondents with 'labour contracts of a definite period' were excluded from training. In relation to trade union membership, 75% of employees with indefinite contracts are union members, while less than one third of those with limited period are union members. It is not by chance that, after wage related issues, labour contracts are raised as the most important issue on the list of collective bargaining items at Light Source Company (Heimer, 1994:92).

This reflects an international trend toward part time and flexible work. The largest employer in the US used to be GM - it is now Manpower International, the temporary worker agency, which has an office in Budapest, too.

3.3 Employees' Commitment to Their Firm

There is a considerable difference between the two plants surveyed in terms of the level of employees' identification with their firms. The transformation of business organisation associated with the privatisation process and the shift in market produced radical changes in the life of each factory and had a strong impact on employees' attitudes toward their firms.

For example, redundancies occurred in both firms, but there was a remarkable difference between them regarding the 'management' of this critical situation. The US multinational, the buyer of the Light Source Company, had much more extensive experience in handling redundancies and had access to much better financial resources than Audio Company. Moreover, the American company assigned a top manager of Hungarian origin to elaborate - with the help of an international consulting firm - a complex program for handling redundancy. Besides the reduction in employment, the management introduced new performance assessment techniques. Some elements of these new approaches of the American management (for example, publishing work group performance in the 'wall newspaper') remind us of the well known practice of 'Socialist brigades'. Social tensions caused by large scale dismissals still influence morale in the plant, but the increased attention paid by management to employees inside the firm and the unfavourable labour market situation outside, have together produced a higher level of employee identification at Light Source Company than at Audio Company, displayed in Table 6.

Table 6 ***Employees' Commitment to the Firm (%)***

	Audio Co.		Light Source Co.	
Feelings towards the company:	1984	1994	1984	1994
I give my best efforts for the company's success	31.6	24.7	24.0	31.6
I give as much effort as the company rewards me for	52.8	60.1	51.3	54.5
I do not have much feeling for the company / I am indifferent to any matters concerning the company	14.6	15.1	23.0	13.9
No answer	1.0	0.1	1.7	0.0

The higher level of employee commitment at Light Source Company could be explained by its strong position in the market and, as a result of its economic strength, its ability to offer future employment security for employees. The lower

level of commitment in Audio Company could be attributed to the long and ur certain transformation process of the former state owned company which lost it previous strong market position. This loss of market position and collective de sire for survival increased employee eagerness for co-operation in the firm bu strictly on the basis of a short-term economic rationale.

4. Changing Patterns of Interest Representation

4.1 Unionisation and Participation in Union Activities

Trade union representativeness can be measured by several indicators. One of the most simple indicators is the union membership or unionisation rate. In the plants in our investigation the unionisation rate was much higher (60-70%) than the national one (30-40%) (Ladó and Tóth, 1995:29). Among the countries surveyed, the rate of unionisation in Hungary can be compared with neighbouring Slovakia and the Czech Republic. From the viewpoint of unionisation rate, trade unions seem to be representing employees in both plants. At the plants investigated in 1994, the rate of the trade union membership was 21% lower than in 1984, but in both plants union members were over-represented in the sample, since the survey was carried out mainly among blue collar workers whose unionisation rate is traditionally the highest.

There is a significant difference between the two plants regarding the representative bodies for employees' interests. In Audio Company there are two trade unions and in Light Source Company only one union. But at the firm level, the situation is much more complicated. In Audio Company 20 trade unions are functioning, but at Light Source Company it is impossible to obtain reliable information concerning the number of trade unions. Among blue collar workers the unionisation rate declined by only 15.5%, while among technicians and engineers it declined by 59.2% in the last decade. In 1994, there is no significant difference (5%) in the unionisation rate between technicians and engineers. But there is a visible difference in unionisation rate between managerial strata. For example, the unionisation rate amongst supervisors is even higher (+ 2.5%) than amongst blue collar workers, while less than a half (42.9%) of middle and higher managers are unionised.

Another important indicator of trade union representativeness is the 'mobilisation rate'. In this respect, it is worth noting that the participation rate in local union activities - that is the 'mobilisation rate' - did not decline as much as the unionisation rate. Employees who remained trade union members in spite of social conflicts related to privatisation and its social effects (large scale reductions in employment, increasing employment instability, shrinking social welfare provisions, etc.) became more active in the union.

The strength of this relatively positive tendency varies between the two plants investigated. In the Audio Company plant the level of participation shows a strong decline compared to the situation in 1984. The majority of employees do not show any interest in participating in union activities. In this plant, the unionisation rate declined by only 14.4%, but the mobilisation rate recorded larger decline (by 28.3%). This happened in spite of the renewal of the trade union movement after the end of the 1980s. In this plant a genuinely independent and militant trade union was created, which does not belong to any national federation (see Table 7).

Table 7 ***Change of the Level of Participation in Union Activities at TV Factory (%)***

Intensity of participation	1984	1994	Difference
Whenever possible or often	35.3	13.1	-22.2
Sometimes	19.8	14.1	-5.7
Seldom or never	44.5	72.8	+28.3
No answer	0.4	0.0	-

In the Light Source Company plant, on the other hand, participation in union activities has increased to a significant degree, and declining union membership has been compensated by a higher level of local union mobilisation. This improvement in trade union activities could be attributed to the efforts of the local trade union belonging to the national confederation of the Democratic League of the Independent Union ('Liege' in the Hungarian abbreviation) (see Table 8).

Table 8 ***Change in the Level of Participation in Union Activities at Light Source Plant (%)***

Intensity of participation:	1984	1994	Difference
Whenever possible or often	18.9	22.7	+3.8
Sometimes	14.9	16.1	+1.2
Seldom or never:	65.2	61.3	-3.9
No answer	1.0	0.0	-

The unionisation rate in itself does not reveal much about the functioning of a trade union and the participation in union activities concerns only the members of a given trade union. The reflection of employee's opinions - both members and non- members of trade unions - in union decision making is another important indicator of union representativeness.

In the 1984 survey, the opinions of employees were represented by plant management slightly better than by local trade unions. Ten years later local trade union decisions reflect employees' interests better, and there is no longer any significant difference between management and the union in respect to representing employees' views. In the Light Source Plant identification with plant manage-

ment decisions increase in the period, but the degree of ambivalence towards both management and the union did not change substantially. In the TV Factory, there has been a shift of employees' views in favour of the local trade union (66.2% compared with 56.1%) and a slightly weakening identification with plant management decisions (49.3% instead of 60.7%).

4.2 Changing Roles of the Trade Union

There is an important shift in the roles of Hungarian trade unions in accordance with political and economic changes since the end of the 1980s. In relation to the new social-institutional context of labour relations, the following are the major developments.

New independent trade unions appeared in the political arena after December 1988. Firstly, the Democratic League of Independent Trade Unions (Liege) emerged. Then, in 1989, two other independent trade unions were established: the Worker's Councils and the Worker's Solidarity. These newly founded organisations produced a serious challenge to the traditional monist type union (MSZOSZ). The latter transformed itself to acquire new functions in the changing environment (Makó, 1995). The key dimensions of their changing structure and activities were:

(a) Pluralisation of the trade union movement and the renewal of the former union confederation (National Confederation of the Hungarian Trade Unions: MSZOSZ) with its weakening but still dominant functions.

(b) A new organisational principle appeared in union organisation: unions rely exclusively on their members' support with the introduction of democratic organisational principles: bottom-up instead of top-down principle.

(c) Trade unions got rid of their dual function and focused on their basic task: interest representation of their members.

(d) Instead of a single industrial branch structure, a range of different types of organisational principles have been adopted, such as occupational, regional and branch principles.

In the 1984 and the 1994 surveys, the following question relating to the functions of trade unions was given in the two plants investigated: 'Which aspects of union policy should receive priority?'. Respondents were requested to choose three from the possible answers listed.

It is worth noting that in both 1984 and 1994 the same first two priorities in trade union roles were listed: wage increase and employment security. There is, however, an important change in the third place. In 1994 the third place was occupied by 'employment creation', which took only fifteenth place in 1984. Retaining social welfare facilities is still the fourth priority, but this issue attracts less votes than in 1984 (-11.2%).

Other important shifts in the role of trade unions are as follows. Ten years ago 'participation in management' was rated in the fourth place, but has fallen to the 12th place. The importance of 'increasing influence over management policy' has declined from the 6th place to the 8th place. But several cases were rather similar in 1984 and in 1994: for instance 'amounts of work and work methods' and 'education and training'. Detailed data are displayed in Table 9.

Table 9 ***Priorities in Union Activities (%)***

	1984		1994
01. Wage increase	74.7	01. Wage increase	87.8
02. Job security	40.8	02. Job security	54.5
03. Social welfare	38.7	15. Job creation	27.5
04. Partipation in management	21.4	03. Social welfare	27.5
05. Amount and method of work	17.3	05. Amount and method of work	16.8
06. Increasing influence over management	15.3	08. Education and training	15.3
07. Working environment	15.2	07. Working environment	9.5
08. Education and training	11.2	06. Increasing influence over management	8.8
09. Holidays / leaves	11.0	10. Working time reduction	7.5
10. Working time reduction	10.7	09. Holidays / leaves	7.5
11. Work hazards and occupational diseases	9.6	04. Participation in management	6.8
12. Work organisation	8.0	11. Work hazards and occupational diseases	6.6
13. Other	7.0	16. New technology / job transfer	3.2
14. Cultural and sport facilities	6.4	14. Cultural and sport facilities	1.9
15. Job creation	6.1	12. Work organisation	1.2
16. New technology / job transfer	5.7	13. Other	-

Finally, during the survey the following question concerning the factors influencing the efficiency of union activities was asked: 'What should be done to increase the effectiveness of unions?'. Respondents were requested to choose two from the possible answers listed.

The results are as follows. Two thirds of employees chose the answer 'Improve the rights of the union' (65.5%) in the 1994 survey, an increase of 22.5% compared with the 1984 results. An extremely important factor in improving the efficiency of interest representation by unions is 'the creation of consensus among unions'. One fifth of respondents wish for better co-operation among trade unions in the 1994 survey, while ten years ago this factor had no social relevance: only 0.4% of respondents failed to mention it at all. Ten years ago, 'increasing democracy within the union' was an important factor to improve the ability of the union (26.4%), but nowadays only 6.8% of employees raised this issue. Finally, 'more political autonomy for the union' was regarded as a

condition for more efficient interest representation by 21.5% of respondents i 1984, while in 1994 this answer had only half that proportion: 12.9%.

It is necessary to indicate the changing nature of labour disputes in Hun gary, as shown in Table 10.

Table 10 ***Topics of Labour Disputes before and after 1990 (by number)***

Topics	Before 1990	After 1990
Firm reorganisation	96	117
Privatisation	30	114
Employees' ownership	24	109
Employment stability	85	175
Wage	245	213
Fringe benefit	196	158
Work-shift	84	54
Working time	84	64
Compensation for dismissal	39	122

Source: Ishikawa, A., et al., (1995), *Industrial Relations in Hungary: Their Development in De-Socialism*, Hungarian, (Tokyo: Japan Institute of Labour).

As the table shows, in addition to the still important question of wages, we find that privatisation, reorganisation of companies and, in connection with these, employment protection (included here are redundancy procedures and the circumstances of redundancy) have moved to the centre of labour disputes.

The dominant feature of Hungarian labour relations between 1990 and 1994 was the mutual search for co-operation at the firm level by trade unions, although this could be upset by such things as cuts in the workforce. For example, only a minority of trade unions affiliated to the National Confederation of the Hungarian Trade Unions (MSZOSZ) rejected any cutback in the workforce, while the majority have accepted them and a significant minority have tacitly supported employment cuts. Even the newly created independent trade unions like the Democratic Trade Union National Confederation (Liege) and others demonstrated acquiescent or even supportive attitudes towards job cuts.

5. Concluding Remarks for Union Policy Formation

Comparing the results of the 1984 and the 1994 surveys, we can identify several major new tendencies with important long-term consequences for labour relations at the firm level. These changes are the followings:

1. In the field of manpower use, increased 'internal' (or functional) and 'external' (labour market) flexibility. The range of tasks performed by an employee has been enlarged. This tendency for 'job enlargement' is visible mostly among technical employees and supervisors, but even among blue collar workers.

For instance, ten years ago only a tiny minority (1.3%) of technicians carried out such tasks as machine operating or assembling, and very few of them (3%) performed maintenance related tasks. Ten years later, one seventh of technicians and nearly one fourth of engineers are carrying out maintenance besides their basic (assigned) tasks. Within the totality of the tasks, the share of tasks related to quality control, programming and the organisation of production has increased in the last decade. The same tendency of 'job enlargement' is prevailing among supervisors and also - less significantly - among blue collar workers. This shift has increased the workload of the employees concerned. The trade unions have to pay attention not only to conventional wage-bargaining, but also to functional flexibility and the related efforts: bargaining in the firm coping with the problems created by the continuous adaptation of management to market driven changes. The lesson, perhaps, is that unions should not necessarily fight to develop strict and rigid job classifications.

2. In addition to this functional flexibility, a new approach towards employment policy has been introduced, mainly by multinational firms in Hungary. The prevailing method of 'employment for a definite period of time' represents a form of 'external flexibility' (or labour market flexibility). This practice of 'heterogeneous labour contracts' started to develop in Hungary after 1990. In 1984, the share of 'employment for a definite period' represented less than 1% of all types of labour contracts in the firms investigated; ten years later the proportion reached 7%. This form of labour contracts has been growing fast in recent years. 78.6% of employees with 2 years service or less have fixed term contracts and only 6.8% of the newly hired employees succeeded in getting indefinite contracts. For employers, this kind of labour contract has the obvious advantage of greater flexibility; when fixed term contracts expire employers do not give severance pay and can hire new workers for changing (fluctuating) production requirements. Another advantage for employers is its cost saving character; for example, the participation rate in training courses in the firms surveyed was 43.6% among employees with permanent labour contracts, and only 20% among employees with limited term contracts.

Another important consequence of the heterogeneity in labour contracts is an emerging 'heterogeneous labour relations' at the firm level. The unionisation rate in the plants as a whole is 75%, but among employees with 'labour contracts of a definite period' less than one third is unionised. This new phenomenon means - the differentiation in labour contracts - will almost inevitably result in inequalities in interest representation: the 'core' group of employees is characterised by stable labour contracts and trade union support, but the 'peripheral' group of employees with unstable labour contracts is less supported by the trade union. The interest representative organisations have to diversify their policy of recruiting members and try to enlarge the coverage of collective bargaining to include employees with short-term labour contracts. A shift from the traditional labour

contract toward limited term contracts in Hungary is especially interesting because it is evidence of convergence with the Western model. Multinationals place a greater importance on labour market flexibility than employees' loyalty for the firm. Multinationals pay a certain premium - about 20% depending on the sector - over average domestic wages, and this is presumably part of the price of this flexibility. Unions, on the other hand, have been struggling for the equality between new comers and others by fighting to eliminate such non-permanent contracts as far as possible. German unions have been fighting for maintaining structural solidarity at all costs.

3. Concerning labour relations at the firm level, there have been remarkable changes between 1984 and 1994. For instance, the unionisation rate is decreasing in general in Hungary, but in the plants investigated, the unionisation rate is still rather high (71.3%) - compared to other countries participating in our international research. Among the various jobholders, unionisation rate is the highest amongst blue collar workers (75.3%) and supervisors (77.8%), and the lowest amongst technical employees (30-35%).

The mobilisation rate - which is another important indicator of union representativeness changed in a dramatic and unequal way. In the TV Factory it has declined sharply (-22.2%), but in the Light Source Plant increased (+3.8%) compared to the situation ten years ago. These differences could hardly be explained by the weakening of union activities at the firm level, because in both plants new and genuinely independent trade unions have emerged to struggle for representing employees' interests. The decline of the mobilisation rate in the TV Factory could be attributed to a declining market position of the products manufactured in the TV Factory with the unpredictability of the firm's economic future.

Finally, it is necessary to stress the changing pattern of labour disputes following the 1990's changes in Hungary's political-economic system. According to empirical evidence, in the mid 1990s there are, besides the still important question of wages, disputed issues related to privatisation, re-organisation of companies and, in connection with these issues, employment protection which has moved to the centre of disputes. The increasing importance of questions of ownership and the changing pattern of work organisation require trade unions to rely systematically on co-operation with outside consulting services for controlling successfully the above mentioned processes.

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