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# Environmental Sustainability in Collective Agreements and Other Policies in Hungarian Practice

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## Abstract

This paper presents Hungary's current situation regarding the inclusion of environmental questions in collective agreements and negotiations between employers and trade unions. It draws on data from interviews with social partners and professionals, analysing agreements and exploring the possibilities permitted by law. The paper places emphasis on the nature and general content of different types of agreements in order to identify the main focus of trade unions as well as understand the different approaches of employers. Suggestions are put forward to deal with flaws, along with some good practices.

*Keywords:* Collective Bargaining; Environmental Sustainability; Employer Trends;

## 1. Opening Remarks

This paper discusses sustainability regarding labour and environmental issues in Hungary and mainly focuses on this question from the perspective of the “average” social partners<sup>2</sup>. Since the European Union

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<sup>2</sup> I. Szabó, *Hungary: Inertia of the Old Actors, Constrained Innovation from the New*, in *Innovative Union Practices in Central-Eastern Europe* ed. M. Bernaciak, M. Kahancová, et al., Brussels, 2017, pp. 91-109.

places emphasis on this subject<sup>3</sup>, some legislation in force and other regulations reflect such emphasis, though in practice this is not always the case in Hungary. Although trade unions prioritise fighting for fair labour standards in general<sup>4</sup>, not many of them seem to have the opportunity and/or possess the means to move further than the basic questions.

This study takes Hungary's energy sector<sup>5</sup> into consideration. However, in order to be able to present the situation more accurately, it places more emphasis on sectors like public transportation<sup>6</sup> and food processing<sup>7</sup>. The main reason is that these sectors are also known to have a relatively significant impact on the environment but are usually not monitored closely by the state in relation to the energy policies of their respective companies (as opposed to those that are operating within the energy sector).

In spite of being a member of the European Union, Hungary shall not neglect the directions of labour and environmental policies of the European Community, and trade unions are rarely given an active role in this respect. Although some of the employers' representative bodies are supportive of environmental actions, those representing employees are mostly focusing on labour-related questions, holding off dealing with environmental protection. When asked directly, they give a positive response regarding its importance, but in practice they rarely (if never) include it in negotiations.

## 2. Information Regarding Collective Agreements Reviewed and Partners Interviewed

There is no normative obstacle set up by any legal regulation that would deny trade unions and employers the possibility to include norms or regulations on environmental protection, environmental consciousness and sustainability in their respective collective agreements. In order to

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<sup>3</sup> As well summarized by T. Novitz, *The Paradigm of Sustainability in a European Social Context: Collective Participation in Protection of Future Interests?* in *International Journal of Comparative Labour Law and Industrial Relations* Volume 31, Issue 3, 2015 pp. 243-262.

<sup>4</sup> Sz. P. Szmrecsányi, *Amit a bértárgyalásokról tudni kell*, 2<sup>nd</sup> Edition, VDSZ, 2003, p. 12.

<sup>5</sup> F. Sáfián, *Modelling the Hungarian energy system – The first step towards sustainable energy planning*, in *Energy*, Volume 69, May 2014, Elsevier, pp. 58-66.

<sup>6</sup> A. Buzási, M. Csete, *Sustainability Indicators in Assessing Urban Transport Systems*, in *Periodica Polytechnica Transportation Engineering*, 43(3), pp. 138-145.

<sup>7</sup> Cs. Szűcs, G. Vanó, and F. Korsós-Schlesser, *Agricultural and Food Production in Hungary: On the Road to Sustainability*, in *Visegrad Journal on Bioeconomy and Sustainable Development*, Volume 6: Issue 2, Sciendo, 2017, pp. 59-63.

understand the trends followed by trade unions and employers during their negotiation processes and the agreements they execute, 103 collective bargaining agreements<sup>8</sup> were analysed.

Regarding methodology, the aim was to cover the entire country with the inclusion of as many sectors as possible, avoiding showing an untrue result for the average level of country in relation to the topic researched. There is one factor that also hindered the analysis and that is the willingness of trade unions to share the text and contents of their collective agreements.

Some institutions, either operating in the public sector (such as institutions of healthcare and education) or which are among the leading companies in their respective industries, share their collective agreements openly by uploading them on their websites and making them easily accessible not only to their own employees, but to the public as well, although this is not the situation in most cases. Even after reaching out to local-level trade unions directly and explaining the purpose of the research and also promising not to disclose the texts to third parties, they would still not share them, making reference to regulations regarding business confidentiality and trade secrets.<sup>9</sup> This mentality is common regardless of the sectors or profiles within the private sector, even though it is required by law to register a new collective agreement together with relevant amendments and termination details<sup>10</sup>.

Some trade unions seemed really motivated and interested in participating and even offered to contact other trade unions they work closely with, asking them to participate as well. This resulted in 103 collective agreements made available for review. Interestingly enough, the trend of not sending the most recent version of the agreements is widespread. As a result, after reviewing all available collective agreements, many of them could not be used. Some agreements made available are still in force solely because they were concluded for an indefinite period years ago (in certain

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<sup>8</sup> Some collective bargaining agreements are available to the public, but most are only shared by their members. Professional as well as personal connections are needed with smaller (local) trade unions in order for them to trust a third party (be it a researcher or another entity) with the text of their agreements in force.

<sup>9</sup> During the research phase of a project done by the Democratic League of Independent Trade Unions (or “Liga” for short) in 2015, experts faced a similar problem. The solution to it was that the trade union confederations were asked to talk to their member trade unions and convince them to share the texts of their collective agreements with the experts conducting the research.

<sup>10</sup> FMM (Ministry of Employment and Labour) Decree No. 2 of 2004 on the Arrangements for the Notification and Registration of Collective Agreements.

cases decades ago) and in some cases one or both the signing parties have changed in part or in full, without indications of such change in the collective agreement. Yet the inclusion of these agreements still serves a purpose regarding the current research questions, namely if they contain any environmental clause that would have implications to the external environment either directly or indirectly.

Table 1 shows the number of collective bargaining agreements reviewed by sector on a local level, while Table 2 shows statistics regarding the sectoral level agreements reviewed in different sectors. It should be noted that it is common to conclude an agreement in Hungary to bind a sub-sector only or multiple companies in a given sector, but not all of them. These agreements are still considered to be sectorial ones.

**Table 1 – Number of Local Level Collective Agreements Reviewed by Sector of Operation or Profile**

Sector or Profile	Number of Agreements Reviewed
Archives	1
Construction	3
Education	17
Electricity-, Gas-, Steam Supply and Air Conditioning	7
Food-, Drink- and Tobacco Production	2
Healthcare	5
Information Technology and Communication	3
Manufacture of Chemicals and Chemical Products	1
Manufacture of Computer, Electronic and Optical Products	1
Manufacture of Electrical Equipment	2
Manufacture of Machinery and Equipment N.E.C.	5
Manufacture of Rubber and Plastic Products, and Other Non-metallic Mineral Products	2
Manufacture of Transport Equipment	1
Manufacturing Basic Metals and Fabricated Metal Products	1
Mining and Quarrying	1
National Defence Activities and Law Enforcement	6
Postal Services	1
Science	1
Transport, Storage	18
Water Supply; Sewerage, Waste Management and Remediation Activities	5
Total	83

**Table 2. Number of Sectoral Level Collective Agreements Reviewed by Sector of Operation**

<b>Sector</b>	<b>Number of Agreements Reviewed</b>
<b>Agriculture</b>	<b>1</b>
<b>Construction</b>	<b>5</b>
<b>Electricity-, Gas-, Steam Supply and Air Conditioning</b>	<b>4</b>
<b>Forestry and Logging</b>	<b>1</b>
<b>Hotels, Catering and Tourism</b>	<b>2</b>
<b>Leather Industry</b>	<b>1</b>
<b>Private Security</b>	<b>1</b>
<b>Sugar Industry</b>	<b>1</b>
<b>Transportation</b>	<b>2</b>
<b>Water Supply</b>	<b>2</b>
<b>Total</b>	<b>20</b>

The collective agreements available are mostly local level ones, because this is the dominant level for collective bargaining in Hungary. Most collective agreements executed on a sectoral level<sup>11</sup> are made widely available, which is why many of them were used in our review. However, it should be noted that the review ratio (4 to 1) regarding the level of negotiation is not representative of Hungarian practice. More than 50% of the sectoral level collective agreements reviewed are signed by multiple employers, but these do not bind all employees in a given sector, save for those who are employed by the employers signing the agreement. It should also be highlighted that out of 103 collective agreements reviewed, only 64 are currently in force, with the current version of the text being the one reviewed. 41% of the collective agreements investigated were

<sup>11</sup> Collective agreements that cover an entire sector are ones that have their scopes extended through a ministry decree as regulated by Act 74 of 2009 on Dialogue Committees at Sectoral Level and on Certain Issues of Intermediate Level Social Dialogue.

concluded during the previous 5 years, which is noteworthy as it is common practice in Hungary that a 5-year duration is placed to fixed-term collective agreements decided upon by the parties. Even though over 70% of the collective agreements analysed were signed by the parties for an indefinite time, this still means that most collective agreements are likely to be reviewed by the parties soon in order to decide whether to extend them or to conclude a new one. Though the data collected by analysing the collective agreements may not be considered as representative of the country's overall situation, they illustrate the usual trends followed by the employers and employees engaging in collective bargaining in Hungary, at least regarding the questions discussed and topics covered by collective agreements. The process of reviewing and analysing collective agreements was followed by 9 interviews, in order to better frame findings. These interviews were conducted with social partners from various fields and sectors in Hungary. Emphasis was placed on finding partners having different hierarchical status, as their opinions and experience may vary even in the same business sector.

In the case of the interviews, the methodology adopted when choosing partners was based on the sectors they represented. As mentioned above, focusing only on sectors that are legally required to place emphasis on environmental protection or other forms of regulations might have yielded better results in a numerical sense but would have been far from the current situation. This is why partners from sectors such as transportation, education and food processing were selected in higher numbers than those representing the energy sector itself. The interviewees include partners representing the following sectors:

On the trade unions' side:

- a trade union official within a branch of the Democratic League of Independent Trade Unions representing the following industrial branches (among others) throughout the country: Construction, Power, Agriculture, Transportation, IT;
- a representative of a local trade union in the Construction sector;
- a Member of the Presidential Board of the Workers Council and Federation of Workers' Councils representing the Transportation sector;
- a trade union partner working with representatives of the Power sector throughout the entire country; and
- a Member of Civil Workers' Council, representing the Education sector.

On the employers' side:

- an Industrial Relations Expert, Labour/ Employment Lawyer representing the employer in the Power sector;
- a Head of Personnel and Services Office covering the entire road transport of the country (Transportation sector);
- a CEO and a Human Resources Manager of a company in the Construction sector; and
- a Human Resources Manager working with employers' representatives of the meat (Food processing) industry.

### 3. Recent Changes in Legislation

Though the changes in regulation brought by the “new” Labour Code<sup>12</sup> affected the overall bargaining process of trade unions, some might say that with the amendments to the Labour Code, the rules governing the employment relationship have changed radically. This does not concern the topics covered by a collective bargaining agreement.

The “old” Labour Code directly authorized the parties to bargain over any matter that would determine or affect the employment relationship, the working conditions or the relations of the parties in the framework of a collective agreement. The “new” Labour Code does seem to take on a new approach. By substantially narrowing down the scope of these issues and indicating at the end of each chapter the issues the parties might derogate from, in what form and to what extent, as well as the general outcome (to be understood as the contents of the collective agreements signed), this version of the Code does not put forward drastic changes when compared to the “old” one.

There is one major difference which is worth mentioning when comparing the regulation set forth by the two version of the Labour Code. The “new” one allows derogations not only in collective agreements but also through works agreements (where applicable) and individual agreements between the employer and the employee. Furthermore, these derogations are mostly dispositive, i.e. they may be done in favour of both the employers and the employees. This naturally causes preoccupation among trade unions, though the reason is that the “new” Labour Code basically contains most of the language of the “old” one, which can be kept in force on a local level, should both parties

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<sup>12</sup> T. Gyulavári, G. Kártyás, *The Hungarian Labour Law Reform. The Great Leap Towards Full Employment?*, in *Dereito* Vol. 21, n°2, pp. 167-188.

decide that this is the most suitable solution for them<sup>13</sup>. This creates the strange situation of having to keep the legal regulation of an act already amended still in place, as in many cases these regulations serve as a base for collective agreements.

#### 4. Contents of Collective Agreements

It was made obvious during the analysis of the collective agreements that the parties usually aim to answer the most general questions regarding the employment relationships at a company level and use collective agreements as a way of enhancing the regulations set forth in the Labour Code. This means that some basic questions could be found in more than 90% of the collective agreements reviewed. These include the following: Relations between the contracting parties; Employment issues; Working hours; Rest periods; Remuneration of work, agreement regarding wages; Fringe benefits; Social benefits.

The questions covered by most agreements are basic and concern the relations between the parties to the collective bargaining agreement, including regulations regarding the possible amendment and termination of the agreement as well as trade union rights and employers' obligations. They tackle employment issues, generally focusing on hiring and probationary periods, working hours and rest periods, which in some cases only differ from the legal text of the Labour Code currently in force because the parties still refer to the previous Labour Code as the basis for regulation – in this aspect at least – and remuneration of work, including different fringe and social benefits.

Over 90% of the collective agreements reviewed include some regulation on the possible amendment of the collective agreement in the future, mentioning at least this possibility, as well as the means and applicable deadlines. In most cases, the in-depth regulation only exists to the extent that it requires agreement between the parties. Usually, the text of the Labour Code is not extended, but only repeated or partially rephrased. The right of amendment shall be held by the parties who originally signed the agreement as well as any trade union meeting the requirements set forth by the Labour Code in order to become an eligible party. It is commonly emphasized as a general rule that invitations to negotiate a collective bargaining agreement or its amendment may not be refused by

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<sup>13</sup> T. Gyulavári, G. Kártyás, *Effects of the New Hungarian Labour Code: The Most Flexible Labour Market in the World?*, in: *The Lawyer Quarterly* Vol 5, No 4, 2015, pp. 233-245.

the employer. This may seem unnecessary but the Labour Code empowers the collective agreements to include special regulations regarding legal disputes based on the text of the agreement itself. Rules applicable in the case of termination of the collective agreement are also common, even if these only set the exact deadlines already mentioned by the Labour Code. Unfortunately, few collective agreements (less than 10%) include regulation on the start of a new negotiation process upon termination of a collective agreement.

In some instances, the collective agreements included topics other than the ones listed above, but the trend seemed to be the same in this sense, too. The aim is to repeat the most important regulations of the Labour Code (in many cases using the same wording) and sometimes through some explanations to the legal text or changes to the numbers to better benefit one party or the other. The parties might argue that repeating the legal text might limit the power of the collective bargaining agreement, as many other aspects could be decided and agreed on in terms of content. Others see it differently, stating that the average employee never goes through the Labour Code to learn about his/ her rights. Therefore, providing a brief overview of the most important regulations affecting his/ her employment relationship can be beneficial.

### **5. Environment and Sustainability Aspects in Collective Agreements**

When it comes to the inclusion of environmental issues in collective bargaining agreements, the situation is far from ideal. Even though there is no normative or legislative obstacle that would deny the parties the right to include these regulations in their agreements, neither side seems to do so in practice. Out of the 103 collective bargaining agreements analysed, only 5 would include or even mention the environment or relating issues. These 5 collective agreements were all local level ones concluded in the following sectors: 1 agreement in the Construction Sector, 1 in the Transportation Sector, 1 in the Energy Sector and 2 agreements in the Education Sector.

Apart from the incredibly low number of occurrences, the reference to the aspects mentioned is far from satisfactory. 2 cases out of 5 are regulations that required active behaviour and cooperation on behalf of the parties. These collective agreements included the plan to set up covered bicycle storage areas on the employer's premises in order to promote commuting using a bicycle. Naturally, this concerns environmentally friendly transportation and contributes to decreasing the ecological footprint of the employees, but in both cases, it was a request

filed by the employees who already used the bike and found it hard to safely store it while at work. Plus, the trade union only voiced the request towards the employer who eventually approved the initiative. This means that even if the request can easily be linked to environmental issues, the original idea had little to do with environmental consciousness.

Less than 5% of the collective bargaining agreements investigated contain any reference to the environment and even in these cases they mostly concern other rules of procedures or internal regulations that are supposed to detail applicable standards relating to the environment. These include the following:

- Mentioning the topic of environmental protection in the appendices of the actual collective agreement that lists all company level regulations including the code of conduct, occupational health and safety protocols, dispute resolution and complaints, privacy policy. Most regulations, rules and standards only seem to repeat applicable legal standards.
- Mentioning the importance of environmental protection in a way that it requires trade union officials to promote active projects and tenders the company is participating in.

According to regulations in force regarding labour issues, the eligible trade union and the employer may cover basically any right and obligation arising out of or in connection with employment relationships. This can take place so long as these documents do not contain restrictions concerning the provisions regarding the employees' free will to join a trade union or disclosure of such information to the employer, as well as derogations regarding the basic regulations on industrial relations and works councils at the workplace. This means that there is no legal or normative regulation that would prevent the parties from including and discussing environmental protection and sustainability in their agreements. This points to the fact that the problem must be elsewhere.

## **6. Environment and Sustainability Aspects in Other Policies**

In consideration of the above, it would seem fitting to discuss these questions in works agreements rather than in collective bargaining agreements, especially since the “new” Labour Code significantly broadens the range of issues that can be regulated by works agreements. While under the “old” Labour Code, it was only possible to cover the rules of cooperation between the parties, costs of operation and the remuneration of the chairman, according to the “new” Labour Code it is possible to regulate all rights and obligations related to the employment relationship (with the exception of wages and protection). Since works

councils operate on the principle of cooperation, employers too should be able to feel more confident when sharing financial information regarding the company's investments and financial status. However, this would only be possible theoretically, as the Labour Code only authorizes the conclusion of works agreements if the employer is not subject to a collective agreement and if there is no trade union entitled to sign one at the employer's premises. It would be possible to change the current system into a dual channel process, which would utilize works councils and allow a company to have a collective bargaining agreement and a works agreement at the same time (though focusing on different topics). However, since the current regulations and possibilities regarding works councils (with special regard to enhancing works agreements) are still not welcome by most trade unions, this is not likely to happen any time soon.

### **7. The “Three Categories” of Companies Investing in Environmental Sustainability in Practice**

According to experts<sup>14</sup>, Hungary needs some time (one of them spoke of twenty more years, but another one said even more time is necessary) to catch up with “the western world” in order to focus on issues like environmental protection<sup>15</sup> through collective bargaining. An interviewee even mentioned fifty years as the time needed to develop a preferable “collective manner of thinking” that would be a base recommendation for these issues to be addressed effectively. Investments related to environmental protection, environmental consciousness and renewable energy may be divided into three categories, based on the goal of the investing company.

The first category includes the small group of companies with long-term goals, in which case the funds and subsidies are properly used and will have a longer lasting effect on the company, the region, and ideally, on the community (they are mostly overseas investors).

The second category consists of the broad group of companies engaged in so called “Showcase Activities”, according to which the only goal is to use the subsidies and other funds available and “show something” for them.

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<sup>14</sup> M. Antal, *How the Regime Hampered a Transition to Renewable Electricity In Hungary*, in Environmental Innovation and Societal Transitions Volume 33, November 2019, Elsevier, pp. 162-182.

<sup>15</sup> B. Szent-Iványi, Zs. Végh & S. Lightfoot, *Branding for business? Hungary and the sustainable development goals*, in Journal of International Relations and Development volume 23, 2020, pp. 190-209.

Finally, the third category is made up of “Thinkers” or “Survivors”, who make decisions based primarily on financial aspects but find a connection to “popular” issues like environmental consciousness or sustainability. They highlight the contact points with the actions already carried out, gaining profit by setting up actual marketing or PR policies around such actions and decisions, thus becoming “local heroes” in terms of corporate social responsibility.

### **8. Situation Regarding Good Practices**

There are some good practices available but most of them revolve around economic decisions, i.e. one-sided decisions made by the employers, in some cases without prior consultations with the trade unions or even the works councils, especially in the third group of investors mentioned above. This should not be viewed negatively, also because the main reason for employers’ one-sided decision making is that he/she is responsible for financial aspects and in most cases trade unions do not have economic- and energy-efficiency experts to refer to in order to put forward better solutions. These decisions include:

- Providing separate waste collection by material (e.g. placing different coloured bins throughout company premises);
- Installing motion sensors in common areas in order to save energy that would be wasted otherwise, should employees fail to turn off the lights when they leave; and
- Reducing the use of paper by switching to electronic systems to be used for payrolls and accounting.

There are some examples of how cooperation between employers and employees’ representatives should work, but unfortunately sustainability and environmental protection is rarely considered. In some cases, these ideas include the need for governmental programs. There are also some employers who dedicate to implementing programs on their own that provide rewards for any employee engaged in an activity that is aimed at sustainability and/or environmental protection. Other employers however deliberately rely on trade unions and are only willing to adhere to their proposals offering rewards upon completion.

Not all employers support the idea of rewarding employees in order to develop an environmentally-friendly approach, as they should do so in their own interest. Other employers accept the fact that if the employees are required to do an activity unrelated to their jobs, something should always be offered as compensation for their time and effort. This

compensation should be proportionate to the action(s) and activities carried out and does not have to have economic character.

### 9. How Social Partners View the Situation

According to the employers interviewed<sup>16</sup>, sometimes trade union officials are not to be considered experts in the field of labour regulations. In some cases, trade unions want to include regulations in the collective agreement that would only hinder both parties instead of helping them. This includes the work pattern, for example. Once the work pattern becomes part of the collective agreement, it could only be amended through agreement of both parties, whereas originally this should solely be the right of the employer only when a good reason is supplied.

When it comes to collective agreements containing regulations that would bind the parties to have more obligations resulting from the agreement, the attitude of the parties seem to differ widely. Employers in general do not like to be limited, whereas the higher ranks of trade unions welcome the idea of taking up more responsibility. Local level trade union officials seem to be uninterested in and rather unconcerned with adding the topic of environmental protection to collective bargaining on a regular basis.

It is evident from the abovementioned disagreement regarding further responsibility that the system is unable to function properly. In many cases, it is unclear who is entitled to do what (e.g. the same person may be a chairman of the works council and a trade union official). This should be the first thing to clarify, as even the Labour Code seems to be vague on this point. Clarifying this aspect would also benefit the overall relationship between employees and employers, as receiving the right information from the right source should be the basis of cooperation.

It is important for employers to understand the needs of employees. Some good practices include the reduction of paper usage by switching to electronic systems for payrolls, accounting, leave and basically all labour related issues that could be accessed through an online interface. Some employees complained that they are used to paper forms and would not change if they were given the opportunity to do so. In a situation like this, the only effective way to settle the dispute is by ensuring open communication and adjusting company goals to reasonable employee demands.

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<sup>16</sup> Zsolt BESSENYEI (for example), Human Resources Manager at Pick Szeged Zrt. working with employers' representatives of the meat industry named Magyar Húsiparosok Szövetsége.

Some employers argue that the government should not interfere with the collective bargaining process, not even through strict policymaking. Others view it differently and maintain that local governments and municipalities are not supportive when it comes to discussions about innovation regarding environmental issues. If the state was really supportive, change would always start from the top<sup>17</sup>. Strictly following relating policies on a national level and placing more focus on the issue might be a possible solution to have the process started, but the current system has flaws and lacks important players. It would be possible for a local community to have a good idea which then could be passed on to sectoral committees, which would send it further to the top. Yet the current system is rigid and not suitable for this information flow.

### **10. Possible Solutions and Relating Dangers**

A possible way to implement a bottom-up approach is to change company culture and influence and, more importantly, motivate the employees to change, too. Whenever something new is requested from the employees which is not strictly in connection with their assignments, they should be rewarded in one way or another for their time and effort. It is important that the reward is proportionate to the task required of the employee. If the reward is small, they will lose interest soon. If the reward is big, it will cost too much to maintain the system.

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<sup>17</sup> I. Krén, *Hungary – Labour Relations and Social Dialogue* in. Regional Project on Labour Relations and Social Dialogue, Annual Review 2013, FES Publikation, Warsaw, 2017, pp. 3-7.



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