EMCC case studies

Corporate social responsibility in Matáv

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The European Foundation for the Improvement of Living and Working Conditions has produced 12 case studies of enterprises in four European countries, which set out to analyse the extent and practice of corporate social responsibility (CSR). The project aims to reveal in what way European companies are developing models of best practice around the issue of working and employment conditions. In Hungary the enterprises examined were Matáv (telecommunications) and Mol (petrochemicals).

**About Matáv**

Matáv is the leading telecommunication firm in Hungary. Its creation goes back to 1990, to the separation of the telecommunication branch from its mother firm, the Hungarian Post. The separated though still public firm was first transformed in 1993 into a joint stock company owned exclusively by the state. At the end of 1993 Deutsche Telekom and the American Ameritech International obtained, through their joint firm, MagyarCom, a 30% share in Matáv.

In 1995 the German-American owners increased their share to 67%, which diminished to 59.5% in 1997. In 1999, the state sold its part with the exception of the decisive “golden share”. In 2000 the Americans withdrew from MagyarCom. Since then the 59.49% of Matáv belongs only to the exclusive owner of MagyarCom, which is Deutsche Telekom AG.

Matáv has a monopolistic position in traditional telephone services after obtaining concession rights from the state. Through this type of service Matáv covers 72% of the population. One third of its turnover however derives from the competitive markets of mobile phones and other telecommunication services.

Following the privatisation and considerable capital investments, the firm went through a dynamic technological development. The problem of a shortage of telephone lines disappeared within a few years. Also, the telecommunication system became automated and almost 80% of the centres are now digital.

**Employment and human resource strategy**

Since the transformation and establishment of Matáv, employment has been reduced and rationalised. In 1995 the firm had more than 17 thousand employees. This number has been reduced by some 30% to 12 thousand in 2000. Since then the personnel has been further diminished by another 20% to the current number of 9,200. At the same time, the number of employees in the subsidiary companies remained unchanged, at around 4,500 between 1996 and 2002.

During this process, not only the number of unskilled and semi-skilled employees was reduced, but their share within the firms’ labour force has also been reduced. The majority of the employees have high or middle level education. At the same time the average age of the Matáv employees is rather low, only 37 years. However the average time spent by employees in Matáv’s employment is 11 years, which demonstrates a rather high stability of employment relations after the radical restructuring. While overall employment was reduced, especially in operative tasks and internal services, the share of marketing employees increased.
Table: Change in the number and structure of employees at Matáv

<table>
<thead>
<tr>
<th>Field of activity</th>
<th>1996</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td>5,879</td>
<td>9,298</td>
</tr>
<tr>
<td>Fields of activity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing</td>
<td>429</td>
<td>936</td>
</tr>
<tr>
<td>Main technological units</td>
<td>8,041</td>
<td>5,000</td>
</tr>
<tr>
<td>Operators</td>
<td>2,100</td>
<td>861</td>
</tr>
<tr>
<td>Supportive services</td>
<td>5,300</td>
<td>2,500</td>
</tr>
</tbody>
</table>

While reducing employment figures drastically, though without sharp and public conflicts, Matáv assures wages above the national average. In 1995 half of the employees had lower wages than the national average. In 1999 those earning under this level represented only 10% of Matáv’s employees. The share of those who were under the company average has also decreased from 70% in 1995 to 66% in 1999. The upward move of wages is based on an individual evaluation system that goes beyond the job categories.

The firm has a developed system of internal training and retraining which it offers to employees affected by organizational and technological changes. The collective agreement laid down the rule that new jobs opened within the firm should be offered to former or current employees of the firm.

**Outsourcing strategy at Matáv**

Outsourcing is the main instrument of reducing and rationalising employment at the firm. Their aim is to transfer supportive services to subcontractors and guard the main technological areas. The main steps of outsourcing were the following:

Transfer of activities to subcontractors:

- 1996 construction of the telephone network
- 1997 central maintenance of building and equipment
- 1998 car drivers
- 1999 real estate of the firm
- 2000 PC maintenance
- 2001 call centres and maintenance of old centres.

The contracts between Matáv and the subcontracting company taking over the personnel assure the validity of the Matáv collective agreement for one year, or three in some cases. The employees have the right in their new firms to the same wage increase as at Matáv. The subcontracting firms and the subsidiaries may also use the social infrastructure of Matáv, but they (together with employees) often prefer to pay social provisions in cash.

Even with these favourable conditions, employees are not enthusiastic about outsourcing. According to those interviewed, small firms are considered less stable than big ones. Even the firm’s management is reviewing its outsourcing strategy. “Cost efficiency is central to outsourcing and in certain activities subcontracting is becoming more expensive,” said the human resource manager during an interview.
A special outsourcing programme prepares the employees who receive training and consultative services through a subsidiary company (STAV Rt) of the firm. In three major cities this company assures individual labour market services to employees who are to be transferred.

**Social dialogue at Matáv**

At firm level bargaining, the employees are represented by the Matáv section of the Hungarian Telecommunication Branch Union (which, in 1995, integrated two unions belonging to two different federations). This unified union opposed the firms’ privatisation by foreign capital at first, but the dynamic development financed by external resources convinced them. Employment security and wage increases are continuously kept on their agenda. To assure employee participation according to the law, Matáv has set up works’ councils as well at all levels. Its Central Works’ Council is closely cooperating with the trade union. The unions’ membership is decreasing with the level of employment: 10 thousand when the number of employees was 17 thousand in 1995, and seven thousand in 2000 when the employment level was at 12 thousand. Currently union membership is still around 50%.

Keeping the current employment level has become one of the main demands of the unions at the firm during 2002. An agreement was concluded with the management that the personnel would not be reduced by more than 3% that year. The management would offer outsourcing possibilities to its employees if restructuring would endanger employment. Both unions and management consider telework as a possibility in order to keep employment level stable, at lower costs. In perspective, the unions consider the 35-hours working week as a solution against further lay-off. To avoid sharp conflicts in case of employment reductions, Matáv’s collective agreement assures high-level severance payment and good conditions for early retirement.

Unions and the Works’ Council had a leading role and a cooperative contribution in employment rationalisation. They participated in the working commissions dealing with the outsourcing of the different activities. They supported solutions with the lowest level of layoffs. In the cases of the call centres, for example, the unions rejected centralisation. Instead of one Budapest centre, three service centres were established, keeping more jobs, albeit in the “outsourced” form.

The union is playing an active part in introducing and widening telework at the company. At Matáv telework is considered as a means to maintain and even to create jobs while reducing their costs. In this field the Matáv union had consultations with the German DPG. This support was said to be useful, offering several practical proposals on how to organise and integrate telework in the company frameworks.

**The concept of CSR at Matáv**

The term “Corporate Social Responsibility” is not used at the firm. Managers associate it with the corporate welfare policy. In this field Matáv has a wide and complex social network.

The firm assures a higher level of several social benefits than regulated by the law. These include meals, travelling and housing support, resort possibilities, social aid, children’s education support, etc. But the most considerable part of social spending was on an insurance-based system in Matáv. A very interesting initiative of the firm was the creation of two insurance funds, the firm-based pension fund and a similar health fund since the early nineties.
These funds, called the Dimension Group, have grown to become important insurance institutions at national level too. The Group offers different insurance possibilities and services not only to the employees of Matáv, but also to external partners. Currently the Dimension Group has more than 80 thousand partnership contracts and some 60 employers are supporting their employees through these. The pension and health insurance services obtained through this institution - collecting employee and employer contributions - are popular among the employees.

The employees have set up a Voluntary Aid and Insurance Association to attract additional employee and employer resources. According to union representatives, this Association has contributed to a 7-10% decrease of union membership. The insurance system composed of Funds and Associations are considered responsible for diminishing solidarity and security through union activities and for emphasising individual and market-based solutions of security instead of collective forms.

The development of this social network is a long-term strategy of the firm’s management. They reject the ‘cafeteria system of provisions’ based on the choice of employees, and the in-cash provisions. The social infrastructure and the provisions should be established on a stable basis in their view. Individual choices of provisions, according to the management, hinder planning on this field and would destroy the regular functioning of a complex social infrastructure composed of canteens, resort houses, and training centres. Provisions in cash might seem to be advantageous to the employees at given moments, but the social and cultural infrastructure of the firm cannot function if it is dependent on short-term considerations.

**External social responsibilities of Matáv**

Community support and financial aid to different cultural, health, sport and other organisations reflect very visibly Matáv’s wider social responsibility. The firm spent some 60 millions Hfts in 2000 on charity programmes. In the same year Matáv supported the Hungarian Olympic team to the tune of 50 million Hfts. It also financed mass sport activities and young handicapped people’s sports. The firm has several foundations to support the education of telecommunication experts. Besides sponsoring large-scale events such as concerts and theatre, Matáv also supports smaller local cultural activities.

The wider social responsibility of the firm might have an impact on the customers of such a competitive market as that of telecommunications. In this sense, the sponsoring activities of Matáv can be considered as ‘social marketing’, which leads to similar ‘social marketing’ on the part of other players in the telecommunications field.