

# Industrial relations developments in the commerce sector in Europe

## Country report: Hungary

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## Background and economic importance of the commerce sector

### Broad state of the sector

The commerce sector in Hungary<sup>1</sup> has changed substantially since the mid-1990s. These changes have resulted mainly from the various forms of privatisation that have been implemented, as well as foreign investment and also smaller-scale domestic investments. Parallel with the transformation of the commerce sector, domestic consumption rose gradually for almost a decade from the mid-1990s. After 2007, however, market conditions became less favourable and the situation worsened after the economic crisis at the end of 2008. This has contributed to increasing tensions in labour relations in the sector.

The commerce sector is crucial to the Hungarian economy; it is the second-largest sector both in terms of the number of enterprises and the number of employees. Wholesale and retail businesses made up roughly 19% of all enterprises nationwide in 2007. More than 98% of these enterprises were small and medium-sized businesses with fewer than 250 employees.

Table 1: *Overview of retail and wholesale, 2007*

2007	Retail sector	Wholesale sector
Employed people	266,266	156,596
Turnover in € million	28,902.39	24,529.21
GVA in € million	4,003	4,562
No. of enterprises	9,083	32,446

Source: *Central Statistical Office (KSH)*

The number of businesses in the commerce sector has, however, declined gradually in recent years. In 2007 there were 15,900 fewer businesses in the sector than in 2002. This fall of 10.9% within six years can be explained by various factors: first, multinational corporations are gaining ground in Hungary; secondly, purchasing power has decreased gradually (especially since the economic crisis), and last but not least, changes have been made in the regulatory framework (Act CLXIV of 2005 on Commerce) and in the tax regulations (including an increase in value added tax (VAT)).

The commerce sector contributed 11.6% to GDP in 2007. In 2008 the overall turnover of the retail sector was HUF 7,558 billion (approximately €28.5 billion at then current exchange rates), arising from 98,000 companies with a total of over 158,000 outlets. The turnover of retail companies increased continuously, however, with some seasonal volatility. The overall trend of increasing turnover began to slow down after 2006, however.

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<sup>1</sup> This report outlines the major characteristics and developments in companies in the commerce sector from 2002 to 2007. The effects of the economic crisis therefore are not reflected in the data; for this reason the impact of the crisis is summarised in a separate section towards the end of the report.

Some 84–87% of total retail turnover is generated by the food and food-related sector; in 2008 the turnover of businesses in this segment was HUF 6,347 billion. At the same time, the increase in turnover in this sector was lower than in retail as a whole. The share of grocery retail turnover within the total retail sector was 84% in 2008; 1.8 percentage points less than in 2002.

The retail sector is dominated by multinational chains, national large and medium-sized chains and independent retailers. Although the overall number of businesses in the sector started to fall in 2002, this decline was not spread evenly across retail and wholesale: the number of wholesale businesses increased slightly after 2002, so that by 2007 there were 1.5% more wholesale businesses than in 2002.

Typical Hungarian retail enterprises are small or medium-sized, often outsourced units of former state-owned networks (before the 1990s), or micro- and small enterprises that have generally been founded since the mid-1990s. Foreign businesses also have a broad geographic presence. Together with the retail and micro-enterprises that emerged in the privatisation process, typically with scarce capital resources, these companies are the main employers in the commerce sector. Among independent retailers, self-employment predominates, and there are very few employees.

The greatest increase was in the number of waste wholesale businesses, in line with the rising social importance of the environment and waste treatment. Within the wholesale subsector, ‘food, beverage and tobacco wholesale’ has stagnated, with the number of businesses declining by 1.5% (57 businesses) since 2003.

Among wholesale businesses, ‘wholesalers with sales agents’ suffered a similar loss to the ‘food, beverage and tobacco wholesalers’ in terms of numbers.

Retail businesses generally did worse than wholesalers both in terms of numbers of businesses and in their overall share of the commerce sector between 2002 and 2007. Within the period examined, the number of businesses fell in all branches of retail. Comparing the years 2007 and 2002, the most dramatic decline was in small businesses involved in the ‘repair of consumer products’ (-22%), ‘door-to-door sales’ (-20.7%), and ‘food, beverage and tobacco retail’ (-20.3%). There was no major decline in the number of ‘drugs, medical products and pharmaceuticals’ businesses; in 2007 their number was only 1.9% lower than in 2002. After a peak in 2001, the number of businesses engaged in food, beverage and tobacco retail decreased gradually. The economic crisis resulted in the closure of even more businesses.

The Hungarian business publication HVG has published a list of the 500 most profitable companies in Hungary (HVG, 1 January 2010). The ten wholesale companies with the largest profit were selected on the basis of this list (see Table 2). Of the ten largest wholesale companies, three are wholesalers of pharmaceutical and medical products. One wholesaler sells industrial equipment and production tools, and another is involved in the wholesale of agricultural products.

The majority of the largest wholesale companies are not only involved in wholesale activities, but they manufacture the products or parts of the products they sell, or commission the production of these goods; this is especially true for companies in the pharmaceutical wholesale business.

Table 2: The after-tax profit of the ten largest wholesale enterprises

Name of the company	EWC	Activity	After-tax profit (€ million)	
			2008	2007
VPC Overseas Holding	No	Machinery	114.84	124.87
Sanofi Aventis	Yes	Medicine	23.13	15.30
M.F.H.	No	Clothing	19.978	15.49
Humantrade/Teva	No	Pharmacy	19.87	129.08
Reckitt Benckiser	Yes	Chemical products	18.44	8.55
Sara Lee Hungary	Yes	Food	13.73	9.20
Alukönigstahl	No	Building materials	11.99	6.55
Panrusgáz Gázipari	No	Energy	11.17	2.97
Phoenix Pharma	Yes	Pharmacy	10.47	10.33
Glencore Grain Hungary	No	Agricultural products	10.21	0.54
<b>Total</b>			<b>253.887</b>	<b>322.92</b>

Source: HVG Survey <http://www.hvg.hu>

The after-tax profit of the ten largest wholesale enterprises was higher in 2008 than in 2007, with the exception of two companies: VPC Overseas Holding and Teva Hungary. The latter company in particular saw a sharp drop in after-tax profit.

Four of the ten largest retail enterprises operate in the grocery and related retail segment; two operate in the building material and DIY retail business. An overview of the top ten retailers in the food sector is given in Table A1 in the Annex.

Seven of the ten largest retail companies managed to increase their after-tax profit between 2007 and 2008; OBI's after-tax profit almost doubled. Three retail companies, on the other hand, experienced falls in their after-tax profit, especially Tesco, where it dropped by almost 25%.

Five of the ten largest food companies in the commerce sector are retailers and five are wholesalers. On the basis of after-tax profit, the top five in the list are foreign-owned companies. There are only four Hungarian-owned businesses in the top ten list.

Table 3: *The after-tax profit of the ten largest retail enterprises*

Name of the company	EWC	Activity	After-tax profit (€ million)	
			2008	2007
Tesco-Global	No	Mixed-food retail	38.94	52.87
Penny Market	No	Mixed-food retail	14.51	14.08
Praktiker Magyarország	No	Building materials	10.03	7.80
IKEA	Yes	Home improvement	9.40	9.09
		Furniture		
DM-Drogerie Markt	No	Chemical products	9.18	7.86
OBI Hungary Retail	No	Building materials	7.88	3.70
		Home improvement		
Fotex-Ofotért	No	Optician	7.55	6.77
Magyar Hipermarket (CORA)	No	Mixed-food retail	5.76	5.54
Deichmann	Yes	Shoes	4.90	5.42
Reál Hungária	No	Food and chemical goods	4.53	5.03
<b>Total</b>			<b>112.71</b>	<b>118.21</b>

Source: HVG Survey <http://www.hvg.hu>

### Employment in the sector

Some 86.7% of wholesale and retail businesses employed fewer than four people in 2007; this proportion had been 2.3% higher in 2002. The number of businesses with less than four employees fell by 13.2%, while the proportion with 5–9 employees increased by 8.6%, and similarly there was an increase of 8.3% in the category of businesses with 10–19 employees.

The composition of wholesale businesses according to their size did not show major changes in the survey period. Within the wholesale sector, however, there was a fall in the number of food, beverage and tobacco wholesale businesses with fewer than four employees. The number of businesses with 5–9 employees increased slightly, and the number of larger businesses did not change.<sup>2</sup>

Between 2002 and 2007 there was a decline of 17,000 in the number of retail businesses with fewer than four employees. On the other hand, the number of business with 5–9 employees and 10–19 employees rose by 8% and 10% respectively. These changes did not, however, substantially influence the structure of retail businesses.

The largest decrease in the number of retail businesses was among food, beverage and tobacco retailers with fewer than four employees. Within the survey period, 1,796 food, beverage and tobacco retail businesses either closed down or took on more employees. The number of businesses with 5–9 employees decreased from the mid-1990s until 2004, then started to increase again until 2007, when the number of businesses in this category began to fall again. The number of food, beverage and tobacco retail businesses with more than 20 employees also declined.

<sup>2</sup> See tables in the Annex to this report.

The wholesale and retail sector employed a total of 422,900 workers in 2006. From 2002 to 2007 the number of employees increased by 27,300 or 6.9%. The largest increase in workforce within the survey period was among large enterprises with more than 250 employees. In this category the number of employees was 23.5% higher than in 2002, which translated to an increase of 16,200 workers. A significant increase was also observed in retail businesses with 20–49 employees; the number of employees increased by 3,800. The smallest increase in workforce among commerce companies was in businesses with fewer than nine employees; in the survey period the number of employees in this category of firms increased by just 1.8%.

Within the commerce sector, the total number of employees in wholesale companies was 156,600 in 2006, 5.8% higher than in 2002. The highest rises in employee numbers were in wholesale businesses with more than 250 employees. In 2006, the proportion of this category of companies in the overall workforce for the sector was 24.7% higher than in 2002. Businesses with 50–249 employees also saw a substantial increase in the size of their workforces, as the number of employees in this business category rose by 11.6% in the survey period. The number of employees in businesses with 10–49 workers increased to a smaller extent than that of larger businesses. Gender proportion in the sector is approximately 45% male, 55% female.<sup>3</sup>

Although the number of the smallest wholesale businesses did not substantially change in the survey period, the number of the workers they employed decreased by 2.7%.

Within the wholesale subsector, the food, beverage and tobacco wholesale businesses counted 34,600 employees in 2009; 9.9% less than in 2002. Unlike in wholesale businesses in general, in the food, beverage and tobacco wholesale branch it was not the largest businesses that increased their workforce, but the small and medium-sized enterprises. The workforce of businesses with 20–49 employees increased by 17.7%, while that of businesses with fewer than nine workers rose by 13.3%. The workforce of businesses with 10–19 employees did not change in the survey period.

The total number of employees in the retail sector was 266,300 in 2006; 7.6% more than in 2002. The strong increase in the workforce is also visible among the larger businesses in the retail sector, as in the survey period the number of employees increased by 12,400 or 23.2%. The numbers of employees of retail businesses with 10–49 employees rose by more than 9% in the survey period. In 2006 there were 116,900 people in all working in retail businesses with fewer than nine employees. Their number had increased by 2.2% since 2002. The number of medium-sized enterprises with 50–249 employees decreased by 2.1% in the same period, however.

During the economic crisis unemployment in the retail sector rose, especially among shop assistants. There were more than 40,000 registered jobseekers in the sector at the end of 2008.

Within the retail sector, food, beverage and tobacco retail businesses employed 13,500 employees in 2006, 12.4% less than in 2002. The workforce declined in businesses of all categories. The strongest decline was among businesses with 10–19 employees, which saw a 17.4% drop in employment levels compared with 2002. There was a similar fall in the workforce among food, beverage and tobacco businesses with 50–250 employees. Only businesses with 20–49 employees increased the size of their workforce.

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<sup>3</sup> Source: KSH and author's own calculations.

*The EBOE book*

The employee’s book for occasional employment (EBOE book) was introduced during 1997 (Act LXXIV of 1997) primarily to facilitate the legal employment of unemployed people, but it can be used today by any Hungarian citizen above the age of 16. Certain elements are similar to the ‘mini-job’ initiative in Germany.

The EBOE book is mostly used by agricultural seasonal workers, all types of unskilled workers and waiters. With certain limitations, employment with an EBOE book can entitle the employee to jobseekers’ subsidies and enable them to accumulate employment periods for pension purposes. It provides eligibility for accident benefit and sick pay for occupational accidents within the scope of social insurance benefits, but the occasional worker can only gain access to other medical care when the health contribution is paid on the basis of the minimum wage.

In 2008, 460,600 EBOE books were opened at labour offices countrywide, which was a 7.9% increase compared with 2007.

The EBOE and the public contribution stamps cease to exist after 1 April 2010 and will be replaced by a mandatory simplified work contract. Under this contract the employer has to notify the tax authority (APEH) electronically before the job commences.

According to data from the National Employment Service, employment with the occasional employment booklet was less typical in commerce than in other sectors; this was particularly true of the wholesale subsector.

Table 4: *Number of days worked with occasional employment book 2008*

	Number of employees	% of employed	Certified days worked (persons)	% of certified days worked
<b>Wholesale and retail total (NACE 51+52)</b>	313,511	11,3	453,049	4,3
<b>Wholesale (NACE=51)</b>	123,802	4,5	139,927	1,3
<b>Retail (NACE=52)</b>	189,709	6,9	313,122	3,0

Source: *Employment and Social Office (FSZH), Hungary, 2008.*

After the change of the political system in the 1990s, there was a rapid growth in the number of retail outlets, particularly shops with small floor areas. The need to pay off loans taken out to buy an outlet used up the surplus resources of small enterprises for years, and made it difficult for them to modernise and update, which affected their competitiveness. This is one reason why the number of retail outlets stopped rising, and even started to fall after 2005. The number of food stores, however, declined gradually over the whole survey period.

Unlike retail outlets, wholesale outlets increased substantially in number in the survey period. At the end of 2006, there were 33.9% more wholesale stores than at the end of 2002. The increase in the number of outlets in the food, beverage and tobacco wholesale branch was much less dramatic, at 17.1%.

**Major trends in the commerce sector**

The Hungarian retail sector shows great diversity, with multinational chains, national large and medium-sized chains and independent retailers; the quality of outlets varies from ‘garage stores’ to state-of-the-art hypermarkets. Multinational retail enterprises emerged in Hungary in the early 1990s. The retail sector became more concentrated and experience has shown that the process has not yet been completed. This can also be seen by the fact that the turnover of the 12 largest chains in the food, beverage and grocery articles segment made up 65–70% of the total in 2007. The concentration is also evident in the fact that the number of multinational enterprises is no longer growing, but the multinationals already



in the Hungarian market are still expanding. The changes in the structure of the retail sector are similar to the structural changes of commerce globally, except that in Hungary there are more small and medium-sized enterprises than the EU average.

Some retail enterprises have established procurement and/or sales associations – network alliances formed on the basis of market forces or international experiences. The Hungarian retail chain CBA is an example of such a sales association, which was established by ten private retailers coming together. Such associations and networks are often initiated or organised by wholesalers. Another example is HONIKER, founded by the Napsugár chain. Larger associations go beyond joint procurement, focusing on joint sales and a uniform ‘chain-like’ image. The franchise system is also a popular form of association in Hungary, of which Fornetti is a typical example.

The large foreign-owned and capital-rich chains play a decisive role, particularly in retail. Most organisations have mixed ownership; foreign chains acquire existing networks, modernise the outlets quickly, or introduce their own well-established and developed logistic and marketing systems through greenfield investments. Operating at much higher efficiency rates than national market actors they increase their market share continuously. In contrast with traditional commerce activities, their system is more developed and more cost-efficient, mainly on account of the lower procurement and sales prices that guarantee multinational networks a major competitive advantage.

The most important change in the structure of Hungarian-owned commercial outlets was the emergence of hypermarkets, specialised stores and discounters operated by foreign chains, and the opening of shopping malls that combined the benefits of large sales floors and high-quality shops. Such malls have been built in every larger city.

### *E-commerce*

Besides concentration, other factors have had a strong impact on the position of domestic market players, one of which is the emergence of electronic commerce. This development offers new market possibilities for smaller businesses as well as larger ones. The increasing popularity of e-commerce is due to its speed and efficiency, therefore it is helping improve the efficiency and competitiveness of the commerce sector as a whole.

In the first half of 2009 there were more than 2,400 retail stores that offered internet ordering. Parallel with the increase in the number of internet users, the scope of online buyers is expanding continuously. By the end of 2008, the number of customers who had made at least one online purchase the year before was almost 750,000. Online retail had a turnover of 63 billion forints, i.e. 1% of the total retail turnover.

In spite of its upward trend, domestic e-commerce still plays a very small role in the commerce processes, although there are no appropriate statistics in this area yet. According to a survey, 60% of the total turnover is generated from B2C businesses, i.e. the selling process between businesses and consumers, and the rest (the share above the previous values) comes from B2B businesses, i.e. commerce between businesses.

The share of e-commerce in total turnover stood at 2.4% in 2007, which is relatively modest compared to EU figures of 4.2% (see Eurostat). This is a reflection of the very low internet penetration among the Hungarian population. According to the Central Office of Statistics there were 2.6 million internet subscriptions in 2009, and 47% of the population was using the internet at least once a week.

## Relevant sector actors

### The trade unions

The Trade Union of Commerce Workers (KASZ) is the largest trade union organisation in the country. It was established as the legal successor of the Trade Union of Commerce, Finance and Catering Workers (KPVDSZ) by the amalgamation of five independent member organisations in 1993. More than 18,000 workers are paid-up members of KASZ. Although this makes KASZ the second-largest organisation of the Confederation of Hungarian Trade Union Organisations (MSZOSZ), its sectoral organisation rate – considering the number of employers with more than five employees – is one of the lowest, at just 10–13%. It has 350 branches at the workplace level, but many individual members, especially in small companies, do not have a workplace union branch.

KASZ has managed to stop the decline in its membership with effective recruitment activities, and it now has workplace organisations in most of the greenfield multinational companies as well as domestic ones. It is very proud to have 2,500 members at Tesco, and is present at the ICT Jackpot and Auchan (1,000 members) but has failed to enter IKEA and CORA. Its workplace organisations are typically found in the traditional, privatised commercial medium and large companies (such as SPAR Hungary and MATCH-Louis DELHAIZE group), and at the ÁFÉSZ stores. The average organisational rate in companies where KASZ is present is 40%. In SPAR the union has 3,000 members and in Match 1,200 (2009 figures).

KASZ is affiliated to ETUC through its membership in MSZOSZ and is directly affiliated to UNI. Some 80% of KASZ members are women.

KASZ has entered a cooperation alliance with HVDSZ 2000, a trade union organisation of workers mainly in the public sector. From 2008 to 2010 they were involved in an EU-financed programme aimed at improving the effectiveness of Hungarian trade unions.

The three other trade union organisations in the sector were established fairly recently and each of them has only a few hundred members. The largest among them is the Independent Trade Union of Commerce Workers (KDFSZ), which organises mainly among Tesco employees. It has around 600 members and anticipates further growth. The union organises from among KASZ members, but there are some who are members of both unions. KDFSZ is a member of the Liga confederation (one of the six Hungarian confederations) and through this it is affiliated to the ETUC.

The Trade Union of Multinational Companies (MCDSz) and the Federation of Commerce Workers for the Protection of Interests (KÉSZ) are the two smallest organisations in the sector, and their membership lags far behind that of KDFSZ. MCDSz was established at a car parts manufacturing company (Bosch) in 2008. Its membership in the commercial sector is very modest. KÉSZ was established at OBI, but its legitimacy is challenged by KASZ because it was established by the managers of the store and the members are mainly store managers, too.

### The employers' side

There are four employers' organisations in the sector, the National Federation of General Consumption Cooperatives (ÁFEOSZ), the Federation for the Representation of Interest of Commerce and Catering (KISOSZ), the National Commerce Federation (OKSZ) and the National Federation of Entrepreneurs and Employers (VOSZ).

ÁFEOSZ was established in 1990. It directly covers 1,255 cooperatives, business associations and private entrepreneurs and 62 school cooperative groups, with a total of 2,000 units in the Coop chain (Coop Üzletlánc), another 5,000

independent outlets and rental catering units. The ÁFÉSZ<sup>4</sup> units and their business associations have a 12–14% share in food commerce and 6–8% of the total turnover of the commerce sector (2002 figures). The local ÁFÉSZ businesses are also members of the county and national organisations. With regard to their labour relations, the ÁFÉSZ businesses make up a very special segment in commerce. The cooperatives provide stable employment in small villages and have settled labour relations. In the first half of 2007, there were 154 ÁFÉSZ businesses, 131 economic associations, 5 regional joint procurement PRO-COOP/FÜSZÉRT units and 4 other associations, the Co-op Hungary Zrt and thousands of franchise businesses within the frame of the ÁFÉSZ/Coop group.

The current organisational structure of KISOSZ goes back to 1991: the federation represents 22 legally independent member organisations (19 counties, 2 Budapest and 1 association for direct sales) and coordinates their activities. KISOSZ has around 35,000 members, of whom 85% are private entrepreneurs, typically in family-owned partnerships. The organisation has a nationwide network, with about 70 branches. Its offices offer certificates in numerous jobs in commerce that are a prerequisite for opening an outlet. The main message of the organisation in sectoral negotiations is that the private entrepreneur is an employer and an employee at the same time and so labour relations in these companies have a personal touch that might not be present in large companies.

The National Commerce Federation (OKSZ) was established in 1990 within the frame of the Hungarian Chamber of Economy of the time, and is a member organisation of MGYOSZ (Hungarian Industrialists Federation). It mainly represents large and medium-sized companies, but among its 214 members there are some Afészs and some small retailers. The majority of multinational companies are represented in this organisation. Member companies employ around 170,000 people. As an interest representation organisation its main task is to monitor legislation and market developments and to lobby on some business-related issues (e.g. commercial legislation, regulation by public agencies, terms and conditions for opening and operating stores, consumer protection). According to its statutes, members of the organisation have to express their views on the collective agreement before it is signed. The general assembly has the right to approve the collective agreement with a two-thirds majority of votes, which will then apply to all members. Should any of the member companies not wish to apply the collective agreement, they will leave the organisation.

The National Federation of Entrepreneurs and Employers (VOSZ) is the fourth federation in the sector and has the lowest membership. The Federation was established in 1988 by private companies with majority Hungarian ownership as a national economic interest representation organisation. The VOSZ was established after citizens were given the opportunity to set up private businesses starting in the early 1980s.

For the first ten years of its existence the Federation consisted mainly of small and medium-sized companies and at first it represented the interests of Hungarian industrialists as well (its original name was the 'Industrialists' National Federation'). VOSZ was set up as a national centrally operating federation without local (county-level or regional) organisations and due to the lack of assets it was financed exclusively by members.

Thus, the four employers' representative organisations represent different economic organisations and subsectors. KISOSZ and ÁFEOSZ represent retail companies, while OKSZ and VOSZ have members in both subsectors. There is a clear distinction between representation of the three types of commerce companies: cooperatives, family businesses and large companies. The differences between the representative organisations is fortunate in one sense, as it means that they are not competing with one another for members. In another sense, however, it might also lead to conflict if competition between represented companies in turn generates conflict between the representative organisations.

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<sup>4</sup> A food and non-food retail cooperative company with shops mainly in the countryside; not to be confused with the employers' association ÁFEOSZ.

## Levels, instruments and tools for collective bargaining in the commerce sector

The first sectoral collective framework agreement was developed in 1992 between the ÁFEOSZ and the legal predecessor of KASZ. The agreement included guidelines and recommendations and paid special attention to the annual average wage increases and minimum wages. The agreement was supplemented in the same year with an agreement on remuneration of employees. At the beginning of 1993 parties concluded a new collective agreement with a broader content that was put into force for four years until 31 December 1996. After this, bilateral agreements between ÁFEOSZ and the trade union organisation were no longer negotiated. Although the early agreements have not been formally terminated they have lost their effect, and thus there is no sectoral collective agreement in force today. The parties explain that this is because of significant differences between the interests within the sector, sometimes even within a single employer organisation, as well as large disparities in wages between different companies and different areas.

In spite of this, annual sectoral recommendations on wages were agreed between 1992 and 2005. Beginning in 2000 ÁFEOSZ and OKSZ were the signing parties on the employers' side. The KISOSZ joined them in 2001, when minimum wages were increased nationally in all sectors. The content of the wage agreement was adjusted according to recommendations on entrepreneurial average wages made by the National Reconciliation Council (OÉT) and the National Labour Council (OMT). However, the annual wage increases of the businesses concerned are usually higher than the level of the proposals. Furthermore, significant increases in minimum wages between 2000 and 2002 made those recommendations on wages and agreements on sectoral minimum wages useless, as automatic increases surpassed the level of realistic recommendations. Table 5 gives an overview of the levels of collective bargaining and the topics covered.

Table 5: *Levels of collective bargaining and topics covered*

Levels	Wages	Working time	Working conditions	Minimum wages
<b>National Level</b>	There is bargaining in the National Reconciliation Council (OÉT), without agreement, but information and consultation	There is bargaining in the National Reconciliation Council (OÉT), without agreement, but information and consultation	There is bargaining in the National Reconciliation Council (OÉT), without agreement, but information and consultation	There is bargaining in the National Reconciliation Council (OÉT), and yearly agreement
<b>Sectoral level</b>	There is bargaining in the Sectoral Social Dialogue Committee (ÁPB), without agreement, but information and consultation	There is discussion in the Sectoral Social Dialogue Committee (ÁPB), without agreement, but information and consultation	There is discussion in the Sectoral Social Dialogue Committee (ÁPB), without agreement, but information and consultation	Sectoral Social Dialogue Committee (ÁPB), without agreement, but information and consultation
<b>Regional level</b>	There is bargaining, without agreement	There is bargaining, without agreement	There is bargaining, without agreement	There is bargaining, without agreement
<b>Company level</b>	There is bargaining, with agreement	There is bargaining, with agreement	There is bargaining, with agreement	There is bargaining, with agreement

Source: *Solution4.org, 2010.*

The introduction of multilevel minimum wages beginning in 2006 created a new situation because the proportion of skilled labour was high in the sector. Since the national agreement and legislative changes made it possible to employ skilled labour at wages different from those stated in the sectoral collective agreement, the employers' side decided to begin talks on a wage minimum for skilled labour 10% lower than the average in the sector. The trade union would have accepted such a solution only if Sunday work was prohibited, but this was not acceptable to the employers. As a result, no sectoral recommendation on wages was agreed in 2006.

It is generally understood that retailers have no interest in a collective agreement as it brings no benefit for them, only additional costs. According to KISOSZ its members would interpret the application of a sectoral collective agreement as a breach of their entrepreneurial freedom.

OKSZ believes, however, that there has not been a chance for sectoral collective agreement so far. However, a number of companies belonging to the National Commerce Federation have a collective agreement at the level of the company. Some managers understand that a pleasant working atmosphere helps in retaining workers, and that the trade union organisation might help in handling conflicts or other matters.

In effect, collective agreements at the workplace level are far more relevant to the Hungarian system of industrial relations than collective agreements.

Table 6: *Collective agreements at the company level*

Coverage of collective agreements 2005	Employees in the sector covered by collective agreements	Employees in the sector	(%)
Wholesale NACE 51	8,179	110,029	7.43
Retail NACE 52	28,054	167,709	16.72
<b>Total</b>	<b>36,233</b>	<b>277,738</b>	<b>13.04</b>

Source: *Ministry of Labour and Social Affairs and KSH*

Collective agreements at the company level (Table 6) are in force mainly at traditional (i.e. those privatised after 1990) medium-sized and large companies and are especially popular with ÁFÉSZs and their succession companies.

As all the employees are members, the relationship between managers and workers is more direct and personal. According to estimates 90% of the ÁFÉSZ businesses are covered by a collective agreement. In hypermarkets, which are the newest area for KASZ's union organising activities, it is difficult to reach a collective agreement. For example, negotiations have been underway with Tesco for three years but a collective agreement has not yet been signed.

As mentioned above, in Hungary there is no collective bargaining agreement (CBA) covering the whole sector or part of it. The only level of agreements is the company level, and these agreements are divided into two parts: agreements between the union and a single employer, and agreements between the union and a multi-employer (these are mainly cooperatives, but also franchise companies).

Table 7: *Number of employees covered by wage agreements in the commerce sector (NACE 51-52)*

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Company level	43,867	17,889	26,822	21,514	24,189	21,335	14,249	15,446	9,544	6,580
Multi-employer	130	1,000	612	265	202	71	1,758	1,758	1,462	1,462

Source: *Ministry of Labour and Social Affairs, Collective Agreement Database*

According to the available data the number of employees covered by companies' wage agreements is constantly declining. The number of employees covered by a collective agreement valid for more than one workplace (multi-employer) is very low. Changes might occur from one year to the next because a company had been sold, because two companies merged, or for a number of other reasons. It is therefore difficult to draw wider conclusions from these figures. Error! Reference source not found. in the Annex shows also a detailed list of the most important CBAs for the commerce sector.

In Hungary, there are differences between general collective agreements, which are agreements about labour conditions, working time, information/consultation, and union rights, and wage agreements, which are mostly additional agreements (to the general CBA) signed by the social partners, regulating only wage and benefits issues. According to figures from the year 2005, a total of 36,228 employees in the sector were covered by a collective agreement (it is highly likely that they also had a wage agreement). According to a research project dating from the same year the total number of employees covered by a collective agreement was 36,228 (8,174 wholesale and 28,054 retail). This means that approximately 5.2% of employees in wholesale and 11% in retail are covered by such an agreement. These are among the lowest figures for any sector in Hungary. According to research carried out in 2006, the most common topics regulated in a CBA are the following: termination of the CBA, extraordinary individual dismissal, probationary period, education and training, liability, and trade union rights.

### Typical commerce sector topics and instruments dealt with by the social partners

In Hungary there are two levels of collective bargaining and collective agreements. One is the branch level: branch agreements can be negotiated and signed by representative employers' associations on the one side and trade unions on the other side. In Hungary, these correlate more or less with the sectors and branches. There are nine different employers' associations, some of which are organised in branch associations. In the industrial sector, the relevant trade union for the industrial branch concerned negotiates with the employer's association. Since 2003, so-called Sectoral Social Dialogue Committees (SDC) have been established. Currently the social partners have established or signed an agreement or made a declaration to establish such a body in about 29 sectors (or subsectors). These committees have the right to negotiate collective agreements and other agreements for the relevant sector, but in reality only a few sectoral collective agreements have been signed: in Agriculture, Hotel, Catering, Tourism, Bakery, Chemistry and the Electrical energy sectors. The sectoral agreements must be registered at the Ministry of Employment and Labour. Some of the agreements apply to the whole branch; others are only valid for the companies affiliated to the employers' association concerned. A sectoral committee for the commerce sector was established in 2003 with the above-mentioned social partners. Most of the topics under discussion, such as working time and sectoral CBA, are subject to consultation between the social partners in the SDC meetings.<sup>5</sup>

Some other issues are:

- Regulation of food security and its implications for workers in the commerce sector
- Consumer protection
- New legislation on public advertising and the impact on the commerce sector

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<sup>5</sup> No distinction is made in the SDC between retail and wholesale.

Table 8: *Main topics covered by collective agreements in the sector, 2006* <sup>6</sup>

Topics	% of collective agreements in the commerce sector	% of collective agreements in the road transport sector
Limited-term collective agreement	6	10
Non-terminated collective agreement	94	90
CBA termination differs from the labour code	47	63
Trade union rights	52	71
Redundancy	18	24
Dispute settlement	40	68
Strike regulation	9	36
Probationary period less than in Labour Code	13	8
Probationary period more than in Labour Code	62	69
Education, training	90	90
Liability	62	88
Social welfare	42	63
Extraordinary dismissal	80	83
Severance payment	26	75
	<b>Number of agreements =163</b>	<b>Number of agreements =59</b>

Source: *Ministry of Labour and Social Affairs, Collective Agreement Database*

## Examples of recent activities/debates/projects/agreements

### *Closing time for retail stores on 24 December*

The three employers' organisations set up the Hungarian Commerce Council (MKT) in January 2001 with the objective of developing and representing common views on commerce-related issues and to share responsibilities on joint decisions. In 2003 the MKT entered jointly the first sectoral Social Dialogue Committee. The SDC has already achieved substantial results, e.g. it was agreed that all companies affiliated to the employers' organisations that are members of the SDC would close at 2 p.m. on 24 December. This was an important achievement because Tesco formerly closed at 5 p.m. on Christmas Eve; therefore the supermarket chain claimed to suffer a significant loss in its revenues by early closing. This agreement was incorporated in the new act on commerce activities in 2004, and is therefore obligatory for all retail stores.

### *Collective sectoral agreement*

As described above, the question of reaching a collective sectoral agreement is important to the unions, but there are too many obstructions from the employers' side, so although regular negotiations have been taking place in the SDC no substantial progress has been made since 2005.

### *Workers' qualifications*

There is a general consensus between the social partners in the sector that employees should have professional qualifications for jobs involving customer contact. Both parties are lobbying to ensure that the Act on Commerce Activities regulates this countrywide. The employee representatives' interest is to provide better jobs and ensure that people with qualifications gain better access to the labour market in this sector. The employers' organisations know that better-qualified employees increase the quality of services, which would generate a competitive advantage. On the other

hand, they perceive a disadvantage for individual employers that implement such qualifications without raising the requirement for qualifications to national law.

### *The battle over Sunday opening*

For at least five years KASZ has been campaigning for a general work-free Sunday. They have joined the Europe-wide 'Protect the Work-Free Sunday' campaign. Within the regional 'Visegrad group' (a loose network of trade unions in the commerce sector in Slovakia, the Czech Republic, Hungary and Poland within the pan-European union Uni-Europe) a number of actions have been taken to achieve a prohibition – or at least restriction – of Sunday work in the sector.

## **The impact of the financial crisis on employment in the sector**

The rise in the unemployment rate is one of the most dramatic consequences, and at the same time, a clear indicator of the seriousness of the economic crisis. According to the statistics of the State Employment Services, the number of registered jobseekers has been rising since 2008. The number of registered jobseekers rose rapidly from the start of the crisis until the middle of 2009 when it saw a small seasonal drop before increasing again, albeit at a slower rate.

For example, KSH figures show that the number of shop assistants seeking a job was 22,336 in 2002, rising to 31,628 in 2008 and 40,984 in 2009. The 2009 figure represented a rise of over 45% compared with 2002.

The crisis had an unequal impact on the different jobs in commerce. Although unemployment increased in all segments of employment in commerce, shop assistants suffered the most as they were dismissed in greatest numbers.

The monthly number of registered jobs in 2009 decreased more than 40% compared to the same period in 2008. The overall number of new posts registered did increase, but only because extra jobs were added in other categories.

It is well known while unemployment is high in some areas, there is also a high demand for specific occupations on the labour market. According to Hungarian regulations, businesses have to report any vacancies at the local offices of the regional labour centres. The changes in the number of reported vacancies between 2008 and 2009 reflect the deepening of the crisis as the average number of reported vacancies in the year 2009 on a monthly basis for all occupations in commerce decreased by 42.4% compared to 2008.

The crisis had a greater impact on the turnover of retail businesses than on the employees. The retail turnover as a whole suffered a major fall between 2008 and 2009 (KSH Information Database). The fall in retail turnover was continuous in 2009. The situation may improve as a result of the reduction in the personal income tax rate in 2010, but it is uncertain whether the rise in net real wages can counterbalance the shrinking availability of credit. Retail businesses were not hit equally hard by the crisis. The decrease in turnover in the food and grocery branch was smaller than in other areas, especially consumer goods.

### **Precarious employment and outsourcing in the commerce sector**

There are no relevant figures on the development of outsourced and contracted labour in the commerce sector, but in general the number of 'precarious' workers has increased dramatically in the past 15 to 20 years. The position in Hungary is different from that in the more developed western European EU countries. The countries in Central and Eastern Europe have been going through continuous structural changes for two decades, during which time workplace stability has decreased dramatically. State regulation and social responsibility have diminished and workers have had to adjust to a greater insecurity in working life. The level of precarious employment in the commerce sector may be higher than in other sectors because fewer workers have professional qualifications, and the number of female workers is higher in commerce. Both might be indicators that outsourcing is a problem in the sector, because in general jobs with lower



qualifications and jobs predominantly filled by women are more likely to be outsourced. Part-time work is not typical in the sector (and completely untypical in Hungary in general), but many commerce employees work in small shops (or even run their own businesses) and in these cases there may not always be regular work.

In 2009 the wage increase in the sector was a nominal 2.3%<sup>7</sup> for the whole sector, which is only slightly below the average wage increase in Hungary in the same period. Our conclusion is that there is no significant relation between the crisis and the sectoral wage development. As there are only company-level collective agreements in the commerce sector, it is not possible to refer to other collective agreements and use them as an indicator.

## Perspectives for the development of industrial relations in the commerce sector

From the point of view of the social partners the most pressing question for the future is the impact of the global economic crisis on the purchasing power of both consumers and the wholesale companies. Estimates differ, but it is predicted that Hungary's economic development in general has been knocked back by five to ten years. For the commerce sector, this means that the number of employees will not grow at the same rate as in recent years. But, because the commerce sector is less affected by the global and national crisis than some other sectors, it will become more important to the economy overall. Employee representatives are aware that employers will be more interested in a flexible workforce, so that the the number of fixed employment contracts might decline (or not grow at the same rate as the rate of increase of employed workers in the sector).

The victory for the conservative Fidesz party in the April 2010 general election was seen by the employees' organisations as a threat, as the new government is expected to reduce the scope of action for the social partners. The system of financing the SDC will change or will be reduced in scope, and the unions foresee a more liberal market and more hostile legislation from the point of view of employees. The employers' organisations also expect that the scope for social dialogue will be reduced. They are also hoping that the new government will strengthen the economic position of small and medium size companies (in retail and wholesale) which are owned by Hungarians. For the employers this would be a very welcome development, as it would mean an increased role for national players such as the National Federation of General Consumption Co-Operatives (ÁFEOSZ), the Federation for the Representation of Interest of Commerce and Catering (KISOSZ), the National Commerce Federation (OKSZ) and the National Federation of Entrepreneurs and Employers (VOSZ). (The transnational companies operating in Hungary do not belong to these representative employers' organisations.)

## Conclusions

Before the onset of the global economic crisis it was estimated that the Hungarian commerce sector would cease to be an emerging market within the following two years and become a developed, saturated market. The rise in the number and size of companies had started to slow down in 2008 (before the global crash). The crisis in Hungary has been more severe than in some other countries, because of factors specific to the country's economic history,<sup>8</sup> and it will take an estimated five to ten years for the situation to stabilise and for consumption and demand to begin rising again. The

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<sup>7</sup> Source: KSH (Central Statistical Office).

<sup>8</sup> At the end of 2007 Hungary's external debt already stood at about 97% of GDP. Investors shunned the Hungarian economy and the economic crisis hit domestic demand hard. In November 2008 the country was forced to take out a €12.3 billion emergency stand-by loan from the IMF to help it ease the stresses on the markets.

change of government in 2010 is likely to lead to changes in economic, fiscal and financial politics to a more liberal market-oriented approach. This might reduce the role of social dialogue in the economy and also increase the potential for social discontent. As it is highly likely that the influence of the tripartite consultation in the national conciliation council will decrease, it might be useful for the sectoral social partners to strengthen the dialogue in the sectoral social dialogue committees.

The union(s) face the challenge of mobilising workers to fight the potentially negative changes in the sector. There have been moves to reducing the wages of some commerce workers to the minimum wage. KASZ has been campaigning against this move, with the support of many non-unionised workers as well. This could lead to increased bargaining power on the part of the union.

Another issue that is high on the union's agenda, as stated above, is that of Sunday opening. While there is support in parliament for closing retail shops on Sundays, and 46% of the population is in favour of the move, there is conflict between the various employers' organisations on the subject. Those that represent mainly small and medium-sized companies, like the National Federation of General Consumer and Marketing Co-operatives (ÁFEOSZ) and the Free National Retailers Association (KISOSZ), support the 'free Sunday' initiative. Their members' businesses are often family-run and have fewer than ten employees, and they do not have the capacity to open them on Sunday. Employers with large shops are strongly against Sunday closing, however. A possible outcome of this dispute could be that the employers decide to agree CLAs subsectorally for parts of the sector, as a way of avoiding Sunday closure for larger shops. Those multinational companies that are not members of any employers' organisation could, under these circumstances, decide to join such organisations that are in favour of Sunday trading.

The quality of the social dialogue in Hungary in the near future will depend on the bargaining power of the social partners, as the new government will not be interested in strengthening the social partners by developing the legal framework. The social dialogue in the Hungarian commerce sector has developed considerably in the past ten years, as there are regular negotiations between the social partners. But because of the enormous economic problems the country faces, for the next few years social dialogue will take place under considerable political pressure.

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Interview partners	Organisation	Status
Zs. Szóke, Zoltán	ÁFEOSZ	Chairman
Antalfy, Gábor	KISOSZ	Chairman
Házi, Zoltán	OKSZ	Vice-President
Buday, Pálné	KASZ	Vice-President
Rózsáné Lupkóvics, Mariann	KASZ	Expert, Lawyer
Kalmár, Zsófia	Sectoral Social Dialogue Committee	Secretary

## Annex

Table A1: *The 10 largest players in food commerce*

Name of the company	Activity	Owner	After-tax profit (€ million)	
			2008	2007
Tesco-Global	Retail	Foreign	38.94	52.87
Penny Market	Retail	Foreign	14.51	14.08
Sara Lee Hungary	Wholesale	Foreign	13.73	9.20
Wrigley Hungaria	Wholesale	Foreign	10.14	12.85
Cora	Retail	Foreign	5.76	5.58
Reál Hungária	Retail	Hungarian	4.53	5.03
CBA Kereskedelmi	Retail	Hungarian	3.77	3.87
Kerekes Szállítási és Kereskedelmi	Wholesale	Hungarian	3.47	2.72
Global Meat	Wholesale	Foreign	3.40	2.19
Unió Coop	Retail	Hungarian	2.97	3.04
<b>Total</b>			<b>101.28</b>	<b>111.48</b>

Source: HVG <http://www.hvg.hu> – TOP 500, 2009

Table A2 shows that very few of the largest players (profit after tax) in wholesale and retail have collective agreements. In wholesale just two of the top ten have such an agreement. These are both signed on the union side by the Chemical Workers Union as the companies concerned are involved in the production of goods, not only in their wholesale. None of the largest players in retail has signed a collective bargaining agreement (CBA). Most of the valid CBAs in retail are signed at enterprises that were formerly cooperatives, or have recently become cooperatives (ÁFÉSZ, Coop). These businesses are small and are losing market/importance. Neither the large multinational companies nor the large number of small and medium-sized companies are negotiating and signing CBAs.

Table A2: The after-tax profit of the ten largest wholesale enterprises with EWC membership and collective agreement in law

Name of the company	EWC	Collective agreement	Activity
VPC Overseas Holding	No	No	Machinery
Sanofi Aventis	Yes	Yes	Medicine
M.F.H.	No	No	Clothing
Humantrade/Teva	No	No	Pharmacy
Reckitt Benckiser	Yes	No	Chemical products
Sara Lee Hungary	Yes	Yes	Food
Alukönigstahl	No	No	Building materials
Panrusgáz Gázipari	No	No	Energy
Phoenix Pharma	Yes	No	Pharmacy
Glencore Grain Hungary	No	No	Agricultural products

Source: EWC database (<http://www.etui.org>) and Ministry of Labour and Social Affairs, Collective Agreement Database

Table A3: EWC membership and collective agreement in law of the ten largest retail enterprises

Name of the company	EWC	CBA	Activity
Tesco-Global	No	No	Mixed-food retail
Penny Market	No	Yes	Mixed-food retail
Praktiker Magyarország	No	No	Building materials
IKEA	Yes	No	home improvement
			Furniture
DM-Drogerie Markt	No	No	Chemical products
OBI Hungary Retail	No	No	Building materials
			Home improvement
Fotex-Ofotért	No	No	Optician
Magyar Hipermarket (CORA)	No	No	Mixed-food retail
Deichmann	Yes	No	Shoes
Reál Hungária	No	No	Food and chemical goods

Source: EWC database (<http://www.etui.org>) and Ministry of Labour and Social Affairs, Collective Agreement Database

Table A4: *Collective agreements (CLA) – Hungary*

<b>SPAR</b>	<b>2007–2009-renewed</b>	Trade Union of Commerce Workers (KASZ) and Management	Company-level CLA in a multinational company	<b>Management:</b> Damages / stock-taking responsibility of employees  <b>Union:</b> Wage increase 5–6%	Wage increase: 4% in 2009  Premium: 1 month + / year.  Food voucher: HUF 5,000/month (approx. €20) or HUF 10,000/month (€40) only for hot food.  Some regulation of stock-taking responsibility of workers	Ca. 15,000
<b>Penny Market</b>	<b>2009-</b>	Trade Union of Commerce Workers (KASZ) and Management	Company-level CLA in a multinational company	<b>Management:</b> Working hours Working hours frame  <b>Union:</b> Wage increase at level of inflation Working hours Working hours frame Sunday opening hours (regulated by law)	Food voucher: 5,000 HUF/month (approx. €20)  School aid: HUF 15,000 /child/year  Premium HUF 10,000 /5 year and HUF 500,000 /10 year  Implementation of the renewed regulation of the labour law without any additional achievement	c. 3000
<b>Bódva-Coop Rt.</b> <sup>9</sup>	<b>2000-</b>	Trade Union of Commerce Workers (KASZ) and Management	Company-level CLA – a former Consumption Cooperative	<b>Management:</b> Damages Social benefits  <b>Union:</b> Social benefits (shopping voucher, working clothes)	Shopping voucher Working clothes Allowance for workers working with money  (Mainly repeat the text of the labour law without any extra benefits)	c. 100

<sup>9</sup> This company is cited to provide an example of the large number of CLAs in consumption cooperatives.