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From Europe with love? An analysis of prevailing mechanisms of Hungarian voice and the impact of European Works Councils for Hungarian workers of UK-owned multinationals.

ABSTRACT: This study examines empirical evidence gathered from three case study organisations and analyses the impact of the Hungarian Labour Code (1992) and existing mechanisms of employee voice for Hungarian workers of UK-owned multinationals in the printing, chemical and food industries. Amid the emphasis on EU-led multi-level representation, the study explores the relationship between national systems of voice, such as works councils and trade unions, and European Works Councils (EWCs). The findings establish whether Hungarian representation within the EWC has strengthened employee voice at the local and the European level and outlines the key issues for those attempting to harness voice in Hungary.


Introduction

This paper analyses the role of prevailing systems of employee voice in Hungary, specifically works councils and trade unions, and assesses their capacity to influence voice within the European Works Council (EWCs). Moreover, it examines the impact of EWCs and establishes whether they have strengthened voice locally for Hungarian workers of UK-owned multinationals. The evidence shows that the Hungarian Labour Code (1992) and the introduction of a dual channel of representation has not strengthened voice, and despite more recent attempts at involvement in the EWC, European voice has done little to galvanise support from Hungarian workers and influence representation.

An empirically driven study, the paper provides qualitative case study evidence from three organisations from the printing, chemical and food industries. The data comprises of a series of semi-structured interviews, observational studies and archival records from Hungarian employee representatives of both the local works councils and EWCs, as well as Hungarian trade union delegates, local and central managers. In accepting that voice is weak, this paper explores the factors which contribute to its inadequacies, looking specifically at the problems of dual representation, along with the communist legacies that remain ingrained in management’s approach to employee relations. The study also examines the importance communication plays in developing links between local and European voice mechanisms, and how language and cultural differences, along with a perceived insignificance of the EWC agenda and a need for preserving national interests, all play their part in reducing the strength of employee voice.

The paper proceeds with an overview of the literature and Hungary’s industrial
relations history, from the establishment of the Labour Code (1992), to the influx of foreign investment and the membership of the European Union (EU). The section also includes key literature critiquing the impact and success of EWCS, largely from a Western European perspective.

**Background to study**

At the end of the Cold War Hungary, along with a number of the other Central and Eastern European (CEE) countries, embarked on a transition process, moving from a communist towards a market economy. The period was predominantly marked by economic and political change and as part of the process, many countries adopted a ‘shock therapy’ approach (Sokol, 2001; Hughes, 1992). A sudden influx of political and economic change was believed to prevent political opposition and was accompanied by significant foreign investment from the West (Sachs, 1990). In contrast, the development of a market economy within Hungary took a more incremental approach (Hughes, 1992). This was partly owing to Hungary’s unique history and experience of market forces and private enterprise during the communist era. Throughout that time, Hungary occupied an unusual geo-political position. Sharing its border with Austria, Hungary had always been regarded as the gateway to the East and had operated a pseudo-market economy well before the fall of the regime (Lado, 2001).

Prior to the transition, a programme of spontaneous privatisation took place and by the late 1980s a number of Hungarian managers had become part-owners of private businesses (Neumann, 2005; Galgoczi, 2003; Lado, 2001; Flanagan, 1998). As a consequence, Hungary managed to attract significant interest from foreign-owned multinational organisations during the early 1990s (Neumann, 2005; Lado, 2001). However, in 1993 Hungary entered into a period of recession, which remained with them until 1995. This plunged Hungary into an economic crisis and its effects were directly felt within the labour market. As one of the three highest developed transition economies, coupled with the most comprehensive pro-labour legislation in all of the CEE countries, the environment should have been conducive to mobilising an effective trade union movement (Frege, 2002). However, evidence suggests that a weak and fragmented trade union movement was the product of the transition, resulting in union pluralism and inter-confederation conflict (Marginson and Meardi, 2006; Neumann, 2006; Pollert, 2000, 1999; Toth, 1998; Hughes, 1992). Under state-socialism, Hungarian trade unions acted as a transmission belt between state central planners, management and the workforce (Frege, 2002). Whilst the aim of trade unions was to ensure production levels were met, they were also responsible for the distribution of social benefits to workers (Neumann, 2005; Flanagan, 1998). However, union density significantly dipped once Hungary underwent political transition and to this day membership has never fully recovered (Gennard, 2007; Aczel, 2005; Neumann, 2006; 2005; Frege, 2002; Toth, 1998). A combination of financial constraints, political differences, changes in worker attitudes and the emergence of a new grassroot union movement, prompted the decline in membership, causing union fragmentation.
and ultimately weakening the voice of workers (Aczel, 2005; Hayward, 2005; Flanagan, 1998).

Responding to the difficulties, the government introduced a new legislative framework in 1992. Formalising the use of collective agreements and paving the way for works councils, the Hungarian Labour Code (1992) largely reflected the German model of dual representation. However, whilst the intention of works councils was to increase participation, extend voice to non-union workers and counterbalance the rise in the market economy, the legal weight of the works council was limited in comparison to the German model, since it offered limited scope for codetermination (Neumann, 2005; Vaughan-Whitehead, 2003; Toth, 1998). However, in 1999 the Labour Code was amended, allowing for works councils to conclude workplace level agreements with management and replace collective agreements in union-free companies. This symbolised further marginalisation of the trade union movement and created increasing concern amongst employee groups (Neumann, 2005; Galgoczi, 2003; Vickerstaff and Thirkell, 2000). Although the Labour Code (1992) regulates employment within a largely unregulated market, the approach has created minimal labour standards and most workers have become reliant upon the development of local agreements at company level (Frege and Toth, 1999). With the rise in foreign direct investment, many multinationals have opted to install union-free policies, particularly amongst brown- and greenfield investment sites and union mobilisation of these companies has, and continues to be, an ongoing problem (Benyo, Neumann and Kelemen, 2006; Neumann, 2005; Galgoczi, 2003; Lado, 2001).

At present, organisations which employ a minimum of fifty staff members, required to set up a works council, providing workers and managers with the opportunity to consult and inform on a bi-annual basis. The agenda is based loosely around economic and business-related issues and employers are obliged to consult with staff, prior to any planned formal action, over issues relating to organisational change, transfer of ownership, changes in HR policy, holidays, new working methods, privatisation, mergers and collective redundancies (Aczel, 2005; Neumann, 2005; Toth and Ghellab, 2003). However, the creation of a dual system has been criticised for duplicating workplace representation and the reality is that many of those involved in consultation are unsure of the boundaries between trade union and works council roles, creating further confusion (Neumann, 2006; 2005, Draus, 2000). Over 30% of trade union representatives work within works councils. This means that some trade unions potentially have the capacity to influence works council proceedings (Benyo, Neumann and Kelemen, 2006). However, relations between union and non-union works council members have caused further issues, and internal feuding between members has strengthened management control (Frege and Toth, 1999; Toth, 1998). In recent times, amendments to the Labour Code (1992) have been made in response to the economic crisis and worker protection has been ‘relaxed’ at the request of the employers. With the arrival of a new centre-right government in Hungary, further changes are anticipated, with strike action, maternity leave and working time all affected (Eironline, 2010, 2009).
The success and influence of foreign direct investment within the region has received a mixed response. Whilst some take a relatively optimistic stance on its overall impact (Galgoczi, 2003; Lado, 2001), others believe it has hindered economic growth and employment stability (Sengenberger, 2002; Pollert, 1999). In recent times, Hungary has experienced first-hand the severe effects of the economic downturn, as multinationals look to drive down costs (Eironline, 2009). However, its impact should not be undermined. Until 2008, Hungary was the region’s leader per capital in foreign enterprises and around 25% of workers were directly employed by multinational organisations (Lado, 2001). In turn, foreign employers have developed a diverse approach to dealing with worker issues, with some adopting a more positive stance than others (Toth, 1998; Neumann, 1993). Certainly membership of the EU has significantly influenced the way multinational organisations are able to operate. In 2004, Hungary was granted accession to the EU, along with another nine CEE countries, prompting transposition of the existing EU Directive on the establishment of EWCs (94/45/EC).

Introduced in the early 1990s, EWCs were established to counterbalance the deregulated European markets and prevent social dumping (Falkner, 1998; Delors, 1992). Affecting multinational companies with operations in two or more European states, they provide minimum standards in employee participation and consultation, creating multi-level voice mechanisms across the EU (Marginson and Sisson, 2006). With no explicit role for trade union involvement in the establishment and maintenance of EWCs, and no real process for ensuring companies adhere to the Directive, the evidence varies in terms of their success (Marginson and Sisson, 2006; Hall and Marginson, 2005; Timming, 2006; Waddington, 2005; Com, 2004; Carley, 2001; Wills, 2000, 1999; Whittall, 2000; Hanckle, 2000; ETUC, 1999; Lecher and Rub, 1999; Royle, 1999; Ramsay, 1997; Streeck, 1997; Barrie and Milne, 1996; Schulten, 1996). Whilst the EU Commission (2004) report that EWCs have been well received, others view their establishment with concern, dubbing the mechanism a ‘human resource regime’, created for managers, not workers, and aimed at undermining existing trade union channels of representation (Streeck, 1997). Moreover, Lecher et al’s (2001) typology highlights variations in the capabilities and strength of EWCs, demonstrating that a wide range, in terms of the depth and level of consultation, exists amongst the forums.

In 2009, the EWC Directive was recast (09/28/EC) and whilst it aimed to strengthen the existing framework, its revisions were not extended to existing EWCs arrangements. This means that those EWCs included within the study remain unaffected by the changes to the legislation, continuing to operate as normal, yet there continues to remain genuine concern on the effectiveness of the EWC forum (Whittall et al, 2007; Waddington, 2005; Wills, 2000; Royle, 1999; Ramsay, 1997). However, there is limited evidence to date on the affects of EWCs within CEE. Whilst earlier studies have examined EWCs within a Polish context (Meardi, 2004), others have opted to provide a much broader overview of EWCs across all new EU member states (Voss, 2006). In response, this paper attempts to provide an in-depth and empirical analysis on the influence of EWCs
within Hungary and more importantly examines the effectiveness of existing national voice mechanisms and their relationship with multi-level participation.

**Research Methodology**

Using a qualitative approach, the findings centre on three case study organisations – PrintCo, ChemCo and FoodCo. Empirical evidence was gathered through a series of semi-structured interviews, from the UK and Hungary and further information was obtained from archival and observational records. A total of 60 interviews were carried out across the case study sites. Participants were directly or indirectly involved in the European or local works councils and comprised of approximately equal numbers of central and local managers, workers and worker representatives and trade union officials. The findings are taken from a much wider study, which analyses the effectiveness of EWCs through a five-themed framework. In this paper, the findings primarily focus on key aspects of the framework, examining the strength of existing Hungarian voice mechanisms and their relationship with the EWC.

One of the major challenges to conducting the study was the language barrier. Whilst most Hungarian managers were fluent in English, employee representatives and local trade unionists were not able to converse directly and required an interpreter to be present. Communication through a third party is a complex process however, measures were installed to minimise misunderstanding and increase the overall accuracy of the data. Some key participants were questioned on more than one occasion, whilst the same interpreter, well versed in Hungarian industrial relations, was actively involved throughout the study. The following section provides some background to the case study organisations.

**Overview of Case Study Organisations**

The case study organisations represent three UK-owned multinational companies from the printing, chemical and food industries. All have a minimum of one site based in Hungary and acquired these operations during Hungary's transition period.

**PrintCo:** Supplies print media to a predominantly European market. Employing over 5,000 staff across nine sites, eight in the UK and one production site in Hungary. In 1998, PrintCo was formed through a merger of two existing businesses and at that time had operations in Spain. However, since then PrintCo has seen a downturn in productivity, which has forced a programme of downsizing and the loss of the Spanish site. In Hungary, PrintCo operates a production site, employing around 350 workers, and in 2001, the workforce set about introducing a company-led works council. However, this received fierce opposition from local management and took a further two years to establish. In 2004, PrintCo set up a EWC under an Article 6 agreement and a Hungarian employee representative was elected to the forum which currently has a total of nine employee representatives.
ChemCo: A UK-owned public limited company and a global market leader in chemical based products. ChemCo employs over 100,000 people across 117 countries, with over 1000 staff employed within their biological site and small sales office in Hungary. Since taking over operations in Hungary, a local works council and a trade union have been established within the factory, but there is no forum set up for members of the sales office. ChemCo formed the current EWC agreement under Article 13 in 2004 and currently 31 employee representatives meet with management on an annual basis. Hungary has one EWC representative who also represents a small number of workers in Slovenia.

FoodCo: A world supplier of tobacco products, FoodCo is UK-owned and employs 55,000 staff in 52 factories in 44 countries. In recent years, growth of the business has taken place outside the UK, where changes to tobacco legislation have been made. As a result FoodCo have undergone a major restructuring programme, particularly within its factories, with relocation of production to sites in Romania and Hungary. There exist three sites in Hungary, the primary site is production based, whilst there is also a distribution centre and commercial office. Each site has a works council and there is a recognised trade union based at the factory. FoodCo’s EWC was formed under an Article 13 agreement in 2000 and currently has 32 employee representatives. At this time, Hungary has two EWC representatives: one from production and one from the commercial site.

Whilst the three case study organisations provide the focus for this assessment of Hungarian and European voice structures, the next section outlines the key factors which impact upon the strength of worker voice in Hungary.

Empirical Findings

Given the existing debates surrounding the dual system of representation and within the wider context, some of the criticisms faced by EWCs (Whittall et al, 2007; Aczel, 2005; Timming, 2006: Neumann, 2005; Waddington, 2005; Galgoczi, 2003; Vaughan-Whitehead, 2003; Frege, 2002; Wills, 2000, 1999; Whittall, 2000; Hancke, 2000; Lecher and Rub, 1999; Royle, 1999; Flanagan, 1998; Toth, 1998; Ramsay, 1997; Streeck, 1997; Barrie and Milne, 1996; Schulten, 1996), it is perhaps unsurprising that the local mechanisms examined within this study confirm, to a greater or lesser extent, the weakness of works councils and trade unions, in providing voice for Hungarian workers. Moreover, the case study evidence confirms that the relationship between European and local level representation is limited and that neither have facilitated in strengthening voice at the local or the European level. In accepting this, the aim of the paper is to understand why local works councils and trade unions, along with EWCs, have been restricted in their capacity to provide employee voice. With this in mind, this section provides a critical analysis of the findings, outlining the key factors that have contributed to the weakness of representation at both local and European level. One significant challenge for establishing employee voice is the lack of synergy between local and European level mechanisms. Despite the EU’s attempt at creating multi-level systems, through such initiatives as the EWC Directive (94/45/EC) and more recently the Directive establishing national
information and consultation forums (Directive 02/14/EC), a fundamental issue is the apparent lack of association between EWCs and local level forums. A number of senior managers and worker representatives from across the case study organisations failed to understand the relevance and importance of linking local and European voice networks and as a consequence, the EWCs examined operated in isolation of other voice mechanisms. Any relationship between the mechanisms was a result of dual roles held by some EWC delegates, who worked both as local and European representatives, or had some involvement with the trade union. In essence, informal adhockery and coincidence were the only drivers linking local and European mechanisms and this proved to be a key obstacle in creating coherent multi-level representation. However, before examining in further detail the relationship between local and European voice, the following sections assess the structure and strength of the works councils and trade unions in operation at local level within the case study organisations.

**Prevailing structures of Hungarian voice mechanisms**

The dual channel approach was evident across the case study organisations. Within PrintCo, both a works council and trade union were in operation, with the vast majority of works council representatives also union members. In this instance, the works council president represents Hungarian employees at the EWC and is also an active trade unionist. At ChemCo, whilst the EWC representative is a union member, they do not have a role within the works council. However the EWC representative has a strong and well-established relationship with the works council president and, as a consequence, is regularly updated on the local issues. Within FoodCo, the structure and composition of the local voice is more complex. Three works councils operate across three sites and each has a president. At this time, only the production site has a recognised trade union in place and a full-time union secretary is responsible for the negotiations. Currently, plans are underway to introduce a trade union at the distribution centre, where until recently, there was no works council. Changes to FoodCo employment policies prompted concerns amongst distribution workers and resulted in the establishment of the forum and their future plans for a union. In contrast, employees at the commercial site work in a union-free environment and the president of the works council is a member of the human resources team. Collectively, FoodCo has a central works council, comprising of delegates from across the sites, but in recent times this function has become redundant, with commercial staff particularly unwilling to help maintain local networks.

As previous studies demonstrate (Gennard, 2007; Mako, 2006; Azcel, 2005; Flannagan, 1998; Frege and Toth, 1999), union density within Hungary has declined since the end of the Communist regime and this is reflected in union membership across the case study organisations, with the exception of ChemCo, where a revival in union membership has taken place and union density has reached 70% of the workforce. This has largely been prompted by the work of a very committed works council president and trade union branch, however it is the mature blue-collar worker that traditionally makes up the union demographic. In summary, the emergence of works councils has therefore provided an additional voice mechanism for Hungarian workers, who
increasingly face low union densities. However, despite the prominence of works councils, Hungarian voice remains weak and the next section examines the key factors which inhibit voice.

The institutional framework and the role of works councils and trade unions

Evidence from across the case studies indicates that both worker representatives and the trade unions officials consider the Labour Code (1992) to be a key issue in the attempt to strengthen voice. According to a senior figure in the Hungarian Printing Union, NDSz, the law surrounding works councils and trade unions does not provide workers with the necessary framework to engage in meaningful consultation with management. The Code is described as ‘vague’ and ‘restrictive’ by worker representatives and is believed to favour management over worker needs. Moreover, the current economic climate and change in Hungarian government have recently prompted further relaxation in the law, in order to provide flexibility to employers and generate economic recovery. However, this is at the cost of the workers, and concerns from within NDSz, and other trade union groups, is growing over the impact of these changes. Presently, the framework offers minimal standards in information and consultation to workers and it is anticipated that the legal amendment is likely to weaken voice further. As the law stands, there is no obligation for employers to formally recognise trade unions and should managers obstruct the establishment of works councils, there is no mechanism for ensuring that employers are brought to account. As the head of the NDSz union points out:

“The labour law in Hungary is not the best... it just says there should be trade unions... the obligations of the management to recognise it are all very vague... the law is unlikely to change soon.”

The vagueness of the legislation and development of a dual system of representation has created confusion, particularly amongst workers, as to the specific roles and remits of the works council and trade union. For many, the responsibilities of each are indistinguishable and as a consequence, the boundaries between the two functions are blurred. Managers within all three organisations confirmed that the only role for trade unions was to negotiate collective bargaining agreements, whilst works councils were responsible for meeting with management to discuss a variety of employee-related issues. Despite the separation of these functions, most workers regarded the dual system as a duplication of roles and further confusion was added by works council members already being active trade unionists. Management saw the takeover of the works council by union members as a deliberate strategy to influence the works council and they too were confused by what the dual system had achieved, particularly within PrintCo. However, there was evidence that management benefited from the establishment of a dual channel, who largely considered the works council as a softer ‘alternative’ to the trade union. Management largely favoured discussions with the works council, rather than the trade union, in a bid to push through more quickly changes to working conditions. Management denied these claims, but evidence from across the case
studies suggested that management consulted as and when it felt necessary. One senior HR figure for FoodCo commented:

“Ultimately managers have the negotiating powers to do what they need to without the works council, so they are only really as powerful as we’ll let them be.”

And within PrintCo, management involvement was kept to a minimum. According to the HR manager “we consult within the law and when we are obliged to.” The debate over the roles of both works councils and trade unions in Hungary prompts the need for a more focused look at the strength of both functions. The following section therefore addresses how successful both works councils and trade unions have been in managing worker relations within the case study organisations.

The strength of dual representation in Hungary

So far, the outlook for both mechanisms has appeared weak. Whilst the role of works councils is to provide all employees with a mode which to engage, it has largely been regarded by workers as an attempt by management to sideline the trade unions. However, the trade unions have attempted to influence the system by occupying works council posts and encouraging union mobilization. At ChemCo, the trade union has proved to be a catalyst for developing and strengthening representation. After the takeover of operations in Hungary by the UK-owned business, local management actively promoted a union-free environment, claiming that jobs were secure and embracing a mutual gains approach to working. Sensing a change in management attitudes, a small number of workers decided to take action and attempted to organise a union at company level. However, management initially failed to recognise their efforts and in response union members took the decision to stand for election at the works council elections. In the end, the existing works council members were replaced by candidates from the trade union and, with an increasing union density, management were eventually forced to take account of worker wishes and relent to pressure. However, this story has not been replicated within the other case study organisations. At FoodCo, the strength of union influence has subsided, where non-unionised delegates have more recently come to dominate the works councils. The president of the manufacturing site’s works council, who heads up the union branch, lost his seat to a non-union member and workers suggest this occurred because workers have been frustrated by the lack of progress the union has made in recent disputes over pay and conditions. Four years ago, the site experienced a number of redundancies and trade union involvement in the process was kept to a minimum. In the end, the union was unable to prevent the losses and their input was considered unsatisfactory, when attempting to negotiate the terms of the redundancy package.

Division amongst union and non-unionised members does little to harness employee voice. Although the previous FoodCo works council president was considered by many workers to appease management, his departure has caused conflict amongst union and non-unionised workers and worker representatives. According to a local manager the newly appointed president marks a sea of change for those engaged in the works council, since he is viewed as stronger
and tougher and has received significant support from some workers. One local manager commented:

“The new president has a much stronger personality and I think there are a significant number of employees who support him... it is very interesting from our [management] point of view to see how the dynamics will change... but whether he actually is tougher, is different.”

The new works council president wants clearer distinctions between union and non-union roles, but the power struggle which has ensued has created divide between union and non-unionised members and it is anticipated that this will hinder worker representation in the short-term. Conflict amongst union and non-unionised delegates is not unusual. Both sides hold a different view of what the works council is meant to achieve and how far it should tackle management. ChemCo’s trade union saw the benefits of capturing the works council for its own ends, rather than attempting to work with the existing non-unionised members, who were seen as anti-union in their views. However, fragmentation amongst worker representatives weakens employee voice further and prevents the works council and the trade union from achieving their overall ambitions and further efforts must be made to bring these parties together.

Within PrintCo, union members still occupy the majority of representative posts, but there is an increasing lack of support for the benefits unionisation provides and management have been instrumental in containing the influence of both the union and the works council. Although union mobilisation within ChemCo is on the rise and workers have responded positively towards it, a question hangs over their ability to bring about change within the organisation and there is little empirical evidence to suggest the union has improved working conditions. Nevertheless, of the two functions, trade unions have maintained the edge over works councils in their capacity to provide representation and this is demonstrated through management’s preference for consulting with the works council, rather than the trade unions.

Evidence from across the case studies illustrates a number of flaws within the works councils. For white-collar workers, the works council fulfills a legal requirement but its significance within the workplace is minimal. Works council representatives and managers at FoodCo’s commercial site were particularly aware of their legal obligation to have the forum, but remained unconvinced of its relevance and importance to office-based workers. This was demonstrated through their lack of meetings and their decision not to create a central works council. For the HR assistant responsible for the employee forum, coordinating the works council was simply regarded as an additional role of the job, whilst at ChemCo, no provision had been made for the sales office to have any involvement in the existing forum. Within PrintCo, there was substantial evidence that management had repeatedly undermined the work of the works council and implemented a u-turn on decision-making. Having received a pledge from management that they would receive enhanced pay for weekend working, the works council initially supported this decision. However, workers quickly learned that they were being paid the normally hourly rate for their extra hours
and when the works council challenged management, they were told that workers should be grateful for the opportunity to earn extra money and for having a job. On another occasion, a works council representative recalled that management often spoke to workers individually about changes to contracts, to avoid talks with the works council and the potential for collective opposition. One delegate summed-up the strength of the works council at PrintCo “…unserious and has no weight…”.

Although ChemCo and FoodCo’s works councils received a less hostile reaction from management, there was little evidence that the works council had achieved much for its workers. For the majority, the works council was a forum geared towards providing information to staff, using a top-down approach. The opportunity to engage in consultation was minimal and there was no sign that its representatives had achieved its aims. However, some of the weaknesses hinge on the attitudes displayed by both management and workers and the case studies demonstrate how restricting attitudes, particularly those emanating from past socio-political ideologies, can be towards worker representation. The next section therefore provides a summary of the key problems associated with management and worker attitudes and their impact on voice mechanisms.

Colliding ideologies: the impact of communist legacies in a post communist era

One of the underlying issues, prevalent across the case studies’ organisations, is the existence of communist legacies amongst both the managers and workforce. Described by one representative of PrintCo as acting like ‘little gods’, management have come under particular scrutiny and criticism by workers for maintaining a management style that reflects the legacies of their political past. A significant number of senior Hungarian managers have witnessed their organisation move from state-ownership to private enterprise and in some cases the change in private ownership has occurred on more than one occasion (see PrintCo and ChemCo). Naturally, the transition towards a market economy has brought about changes to the way Hungarian sites operate and with all three organisations now managed remotely in the UK, this has prompted new challenges for those organising labour markets. The managing director of PrintCo in Hungary has overseen operations for over twenty years, but representatives were critical of his autocratic leadership style. Some workers believed that the managing director still lived in the past and conducted employee relations in the same way he had done so under state-ownership. One representative commented:

“…management is from old Soviet times and they are not willing to and perhaps cannot change. Between 1994 and 1997 it was ok here. We had a guy who came over from London who was part of the senior management team and he spoke Hungarian. He really made an effort to get involved in our discussions. He talked to workers and we opened up to him. Then he left and since 1997 things have only got worse.”

These legacies were reflected lower down the ranks. Taking an authoritarian approach to managing operations, many workers and managers, frequently felt the wrath of the managing director and this has created an environment of fear
and insecurity. One PrintCo representative explained that “...middle management are afraid of senior managers, who in turn are afraid of the managing director.” Indeed, even the HR manager was fearful of the managing director. At the end of the interview she commented, “…I have probably told you a lot of things I shouldn’t have said and I will get in trouble...”. Similar management styles were adopted at FoodCo’s, where many workers had seemingly been ‘groomed’ by management to take part in the study. Fear of management recrimination amongst the workforce was particularly prevalent amongst the factory sites and was largely induced by management attitudes. When questioned about management’s response to the works council, views amongst representatives were diverse. Some participants claimed that FoodCo’s managers were excellent and always engaged and discussed matters with workers, whilst other worker representatives refused to pass comment on management’s behaviour towards them. A small number offered a more candid account of management attitudes and it soon became apparent that some representatives had been ‘persuaded’ by management to provide a positive image of the Company when participating in the research. The study provides many other examples of fear amongst workers. At PrintCo, the works council president attempted to mobilise workers over the state of the printing machines, but despite recognising the health and safety issues, many workers backed down and refused to get involved. The works council president explained:

“I am working at a machine that is smoking and it has been like this for over two years. We talked to the management about it as it is illegal however, nothing has happened because the repair will cost about £5,000…. We are still breathing in the smoke and it is bad for our eyes. About sixteen people work on this machine and I suggested we write a joint letter to the management and tell them to sort it within a month or we’ll stop working. Out of the sixteen people only five were prepared to sign. This is how sad it is that people, even at the expense of their own health, are too afraid and do not want to loose their jobs.”

Workers commented that it is not appropriate to complain to management because “...you don’t bite the hand that feeds you.” The anticipation of loosing employment is a worry for most factory workers at PrintCo and FoodCo, but less of an issue for those at ChemCo. At FoodCo, when workers complained the HR Director reminds them that if they demand better pay and conditions, it is likely to force the early closure of the plant in Hungary. The threat of job cuts and closure of the site is a real one that continually hangs in the balance. Many workers recognise the devastation closure would cause in the region and are happy to accept changes to their working conditions, on the basis it defers the closure. However, the threat appears to often be used as a weapon by management to deter workers from seeking better terms and whilst there is a genuine risk of closure, findings from central managers indicate that the site is unlikely to close soon. At PrintCo, one of the reasons cited amongst representatives for workers not speaking out is the underlying threat of being labeled by management as a ‘problem worker’. However, management refutes these claims, insisting that worker fears are unfounded. Moreover, management suggest that the works council has used this ‘myth’ to scare workers and
manipulate their view of management. But works council members were adamant in their views that management are keen to silence employee voices.

Is it fear or has employee apathy stifled worker voice in Hungary? The case studies show that managers have often misinterpreted fear amongst workers for apathy, but there is evidence that workers have not helped themselves when it comes to strengthening voice. Across the organisations, works council seats have been unopposed at election and in some cases left vacant. Whilst works council candidates are not always the first or even second choice of representative for workers. Apathy is particularly prevalent amongst white-collar workers and despite an increase in union density and voters amongst ChemCo workers, FoodCo and PrintCo have both experienced a decline in works council votes over the years. At PrintCo, voting has steadily decreased over three years from 75% to 62% and management blame this on a lack of worker interest, one PrintCo manager commented:

“... in three years the works council hasn’t really achieve very much and people are disappointed in it and not interested anymore...”

Indeed, at the last PrintCo election, the vast majority of works council representatives stepped down from their roles, but frustration appears to have been the cause. Most representatives admit that their efforts seem in vain and that the barriers created by management have prevented them from achieving any real change. Whilst representatives feel frustrated, workers feel disheartened and, as a consequence, have lost interest in the forum. Apathy is therefore the product of disappointment and frustration, rather than a lack of interest. In addition, the general lack of willingness to confront issues head on is regarded as typically characteristic of Hungarian workers and is once again associated with the communist legacies. Historically, Hungarians have been unwilling to engage in strike action (Mako, 2006) and whilst attitudes are changing, workers across the case studies remain inhibited by their past behaviours and experiences, as well as their future fears surrounding job insecurity. Political and economic transition has brought Hungarian membership of the EU. As a consequence, participation in the EWC forum should have provided a new voice platform and have helped reinforce voice in Hungary, but the findings from the study show that involvement at a European level has not eradicated the problems or reshaped local representation. In light of this, the next section identifies some of the key constraints in developing and strengthening relations between the local and European voice mechanisms. In particular, it focuses on the issue of communication and the importance of creating a European focus within the forum.

Multi-level voice structures and communication networks

Communication plays an important role in employee voice, both at a European and at a local level and it is an integral part of its success. Earlier in the study, a lack of synergy was identified between the EWC and local voice mechanisms and communication is as a key factor in the development of this multi-level relationship. The findings show that communication between central and local
managers and European and local employee representatives is relatively poor across the case study organisations, despite the fact that many EWC representatives have roles within their local works council and/or trade union. There was a sense amongst participants that what took place at a European level was not relevant to workers at site level, yet within the organisations many of the decisions made centrally had significant implications for those working in Hungary.

From a managerial perspective, there was little or no evidence that central managers involved in the EWC relayed information to local managers. In turn, this had left local management feeling disenfranchised and uninterested in European level issues. At PrintCo, the managing director was particularly disappointed by central management’s lack of communication and interest in the Hungarian site. He commented:

“Managers in the UK keep their eyes on our figures... They aren’t bothered too much with our operations and our people”.

This was a common response amongst local managers who felt uninformed and isolated from the decision-making process and as a consequence, local managers were unsupportive of those attending the EWC meeting. However, the evidence does not suggest that this was a deliberate strategy employed by central management to marginalise local managers. On the contrary, central managers were simply unable to recognise the importance of creating a communication network and informing local managers. But the evidence highlights an underlying issue that overall, central management are not convinced by the importance and relevance of the EWC enough to prompt them to involve local management. In response, local management also considered the EWC as irrelevant to Hungarian workers and therefore were not overtly concerned with the outcomes the EWC produced.

EWC representatives from Hungary were equally poor at relaying information about the European forum to local worker representatives and trade union members. Moreover, there was limited evidence that they canvassed local opinion on issues prior to attending the EWC meeting. The exception to this was ChemCo, where the EWC representative had a very close working relationship with the head of the trade union and works council president. Their twenty-year working history prompted a more cohesive and effective relationship between the EWC and the local level representatives. At the end of every annual EWC event, the Hungarian representative arranges for the translation of the minutes and forwards a copy to the HR department and the works council. At the works council meeting, time is put aside to allow her to present information to her colleagues and it is the responsibility of local representatives to forward this information to the wider workforce. The process is well-managed but there was no evidence that it had increased awareness of the EWC amongst workers and further improvement was required for the EWC to have any influence on the local agenda. Within FoodCo and PrintCo no attempt was made by the EWC representatives to convey European related business back to the site. The EWC
delegate for FoodCo, who is the trade union secretary and former president of the local works council admits:

“Probably two or three percent of the workforce know about what goes on at the EWC. Whose fault is that? Probably mine. I don’t really go back directly and inform them what’s going on but the workers don’t really take that much interest either.”

Having established that employee apathy is an ongoing concern for representatives, there is an argument that without knowledge and understanding of the EWC, workers are unable to actively contribute to ensuring their voice is heard. Therefore, without the formal provision to cascade information, using either a top-down or a bottom-up approach, a silo effect is created, as voice mechanisms across the organisation operate in isolation. Indeed, despite the efforts of ChemCo’s EWC representative to promote awareness of the EWC at local level, the EWC secretary and chair for employee representatives in the UK was unaware that workers in Hungary had an existing works council and trade union. Thus was the extent of multi-level communication within the organisation.

However, one of the biggest obstacles to ensuring communication networks were in place was the language barrier. Perhaps this is an obvious concern, no less so given the practical restrictions it places on participation. But what was more worrying was the attention (or lack of) that had been paid to the issue by management. Across the EWC forums, there was no satisfactory provision made for the translation of documents or interpretation at the meetings. As a leading global chemicals company, ChemCo apparently ‘couldn’t find’ a Hungarian interpreter to be present at the meetings. Consequently no support was provided by central management and there was no evidence to suggest that management were looking to rectify the issue. Although PrintCo provided an interpreter, they were not qualified to carry out the role and instead of recruiting the services of a professional, had opted to ask a fellow Hungarian member of staff (who had recently been earmarked for redundancy) to accompany the EWC representative to the meeting. Whilst at the EWC event, no provision was made by management to ensure the acting interpreter had the right equipment and as a consequence, was forced to translate the meeting by whispering to the Hungarian delegate during the proceedings. Many of representatives considered the arrangements to be unsatisfactory, commenting that it was impossible for the Hungarian representative to make a valuable contribution to the meeting because he was constantly behind in the proceedings. One UK representative commented:

“How is the interpreter able to really give a full picture of what is going on? How is she able to decipher what we’re all saying? I can’t understand what is going on half of the time. Not all of what we say translates word for word and so whilst they might have an answer, the interpreter is not able to put it across in the right context.”
Two Hungarian representatives attend the EWC meeting at FoodCo and one member has a moderate level of English. However, the non-English speaking representative has become over reliant on the other member to translate during the meeting and this makes participation difficult. Moreover, the language issue transcends the EWC meeting and creates added complications for those attempting to reach out and maintain links beyond the forum. One UK trade union official who attends the EWC on behalf of PrintCo’s workforce believed that the language issue was a significant barrier to engaging with Hungarian representatives on a regular basis. Efforts to contact delegates between EWC meetings quickly stalled when communication became a real issue for those involved. Despite the introduction of a software package at FoodCo to allow EWC members to communicate, representatives have been reticent to use the system, worried that central management are using the package to monitor employee views. Management deny that the software is some form of surveillance strategy and are eager to promote its use, but whilst it offers some opportunity for communicating, it is too expensive to allow members to translate and share complex and in-depth data on a regular basis.

Clearly language severely obstructs the potential for forging links between EWC representatives and between European and local level networks. However, representatives at both levels need to take a more proactive approach to ensuring information is passed between the works council and the EWC to ensure the relationship is fruitful. However, for this to happen, worker representatives and managers alike need to realise the relevance and significance of the EWC as a voice mechanism, since the evidence points towards a mutually held belief that the EWC is of little importance to those working and managing at the local level. With this in mind, the next section addresses the significance of European level voice and its relevance within the local trade unions and works councils.

The significance of multi-level voice mechanisms

Poor communication amongst EWC delegates is one aspect which has hindered the cultivation of a strong EWC identity across the case studies. However, multiculturalism within the forum has also stifled the formation of a EWC identity and these issues are interlinked with the problems associated with language. Without the ability for members to communicate effectively across the EWC, the tendency for cliques and sub-groups to form has increased and in turn, stereotypical and prejudiced attitudes amongst the members have come to the fore. One FoodCo representative recalls a UK colleague who asked if “Hungary was still freedom fighting?” Such remarks were commonplace amongst the delegates but they do little to create harmonious working relations and as a consequence, many of the Hungarian representatives felt outsiders and excluded from the group. All of the EWCS involved in the study displayed a very Anglo-centric approach to running the forum and this too reduced the capacity for nurturing solidarity. Cultural integration needs to be encouraged by central management if the group is to succeed in its role, and whilst there was some indication from ChemCo’s EWC that cultural training had been provided, since the expansion of the EWC to include CEE members this opportunity had ceased
to exist, with management citing cost and time implications as a major factor. Of course, the number of members representing each country is often uneven and plays it part in reducing voice for Hungarian workers. As UK-owned enterprises, EWC membership was largely skewed towards UK delegates, particularly in PrintCo, where there was only one non-UK member. EWC seats are proportionate to the number of workers based in one country and FoodCo was the only organisation to have two Hungarian delegates. As the works council representative of ChemCo pointed out “one EWC representative does not make an institution” and there were calls for Hungary to have a bigger presence within the forum, even as observers to the process, rather than as full members. This, local representatives believed, would bolster voice at the European level but also promote awareness at the local site.

Other factors also restricted the influence of the EWC and its impact at local level. One of the main concerns for EWC representatives was the lack of common issues on the agenda. Discussing mutual problems through the EWC is one way of helping to seal a bond between workers, yet there was little evidence that common issues existed. One UK representative from FoodCo commented that the only aspect that brought representatives together was the process rather than the output from the EWC meeting. Moreover, Hungarian delegates believed that the EWC agenda was not at all reflective of their own concerns. ChemCo’s EWC representative for Hungary explained:

“The UK representatives wanted to discuss the state of their canteen facilities at the EWC meeting, but it wasn’t deemed a European issue. A UK employee asked me what our canteen was like. I told him that in Hungary, we don’t have a canteen in the first place to complain about!”

This example was not unusual. Both ChemCo and FoodCo representatives complained that the issues faced in Hungary were much different to those faced by employees elsewhere. Consequently, participating in the meeting was further restricted by the irrelevance of the agenda and this perhaps explains why Hungarian representatives are not forthcoming in promoting the EWC within the local arena. Hungarian workers feel isolated from the rest of the organisation. They believe that central management are disinterested in their site and as a result, have maintained a very parochial view of their company. One local ChemCo manager explained that local workers do not consider themselves as part of a much bigger organisation and therefore cannot relate to something as broad and geographically out of reach as the EWC. The notion that the EWC is irrelevant makes using the EWC to bolster voice an alien concept for most Hungarian workers. Indeed, the perceived importance of the EWC over local mechanisms is a further factor which reduces the strength of European voice. Representatives from across Europe, who believe their local forum is more robust, consider the EWC as secondary to their local voice systems. For many, employment remains a local issue, which requires local attention and given that EWCs are still relatively new in comparison, and agreements are often concluded at minimal statutory levels, it seems logical that local forums are deemed to take precedence. However, there is an irony here. Amongst the case studies, it was generally purported that those delegates who had prior experience of working
within local voice forums, were better placed for being heard within the EWC. One FoodCo representative commented:

“Many of the representatives with a history of local level works councils are much more vociferous than I am. They definitely seem to get more from it than those who us who are inexperienced in the set up.”

With a history of works councils and dual representation, Hungary would surely be actively involved in the EWC? This was not so. Indeed, FoodCo’s central management agreed that participation from Hungarian representatives was at best ‘patchy’ and believed that they had not quite got the hang of participating at the meeting. This was also the view of ChemCo’s works council secretary and Hungarian representative, who considered that representatives from countries such as France and Germany were far better at taking control of the EWC forum. The findings therefore suggest that despite the wealth of experience many Hungarian EWC representatives have at local level, they are unable to use this to their advantage within the EWC setting. Moreover, when local worker representatives attempt to use the EWC to seek a solution to their issues, it is met with management hostility. On one occasion, the local works council at PrintCo were unsatisfied with the response they received from local management over an issue concerning working hours. In the end, they decided to approach central management members of the EWC, but this created further problems. The response from head office was that it was a local issue and they were unable to intervene. Central management then informed local managers in Hungary that the works council had been in contact and this prompted an attack from local management, who viewed the actions of the works council as undermining their own position. The situation exacerbated the existing poor relationship between managers and workers and works council representatives vowed never to approach central management again. In response, the local managing director later refused to allow the EWC representative to attend the annual meeting in the UK and this caused further hostility at the local level. The Hungarian representative was prevented from attending on at least two occasions and eventually the UK employee chair attempted to resolve the issue by writing to the Hungarian managing director. However, her hope of rectifying the issue were quickly dashed by central management, when they discovered the chair had intervened.

**Discussion**

The findings echo many of the problems described in the existing literature on dual representation in Hungary (Benyo, Neumann and Keleman, 2006; Aczel, 2005; Neumann, 2005; Galogoczi, 2003; Toth and Ghellab, 2003; Lado, 2001; Toth, 1998) and whilst there is a limited field of data detailing the success of EWCs from a Hungarian perspective, much of the data resonates with previous studies on the general impact of EWCs in Western Europe (Whittall et al, 2007; Marginson and Sisson, 2006; Voss, 2006; Wills, 2000; 1999; Whittall, 2000; Royle, 1999; Streeck, 1997). Management response to employee voice mechanisms at both levels has been one of the key challenges to strengthening multi-level voice within Hungary. Whilst workers and worker representatives have played their part in weakening voice, a combination of minimal labour
standards and poor management relations have taken their toll on trade union and works council efforts to harness voice and this has been an ongoing issue within Hungarian enterprises for some time (Frege and Toth, 1999). Although trade unions remain the more prominent voice structures, the dual system of representation has caused confusion and deterred workers from getting involved (Neumann, 2006; 2005; Draus, 2000). Whilst union and non-unionised representatives feud over the representation process, attention is swayed away from ensuring positive outcomes for workers. The division of roles and responsibilities between the works councils and the unions acts as a distraction from the bigger issues facing workers and prevents either party from achieving its aims. Frustration, fear and apathy amongst the workforce appear to be by-products and management have used this to their own advantage (Frege and Toth, 1999).

One of the overriding issues which emerged through the study is the extent to which local management and workers have been straitjacketed by their communist past, with both parties still engaged in power struggles associated with working under state-ownership. Whilst capitalism and democracy have moved in, communist attitudes still grip the workplace and only time will tell if managers and workers are capable of adapting to their new work regimes. At a European level, voice has failed to strengthen Hungarian representation and this is largely owing to a lack of emphasis on voice as a multi-level function. Few attempts have been made to cultivate relations between the EWC and local voice mechanisms, but a number of factors have contributed to its limitations. Communication, both inside and outside the EWC forum, has been an issue for those attempting to engage in participation, with language proving the biggest obstacle for Hungarian representatives. But perhaps one of the biggest hindrances is the lack of contact between central and local management. The lack of involvement by local managers at a European level has prompted negative attitudes and behaviour at the local level. Disenfranchised and isolated, local management feel undermined by central management’s decision-making and have reacted negatively towards the EWC and worker participation. Tackling this issue may result in more harmonious relations between managers and workers and help to break the stalemate that exists at the local level. Management ‘buy-in’ to the process may also help to unlock some of the ambiguities surrounding voice and breakdown some of the communist legacies.

Of course, worker representatives need to ‘buy-in’ to the EWC process too if European level voice is to influence local mechanisms. At this time, there is little evidence to suggest that Hungarian delegates across the EWCs believe in the EWC process. However, the lack of identity and solidarity within the EWC prevents any real sense of value. As Whittall et al (2007) explain, creating a European identity is key to shaping the future of the EWC. However, there is no evidence from the study that there is potential for a group dynamic to flourish and enhance worker voice and this is demonstrated through a lack of common agenda and the Anglo-centric focus. Similar evidence is presented by Voss (2006) in his study of EWCs in the new Members States. Within the case studies, proceedings are obscured by the lack of cultural integration amongst the members and the formation of sub-groups, whilst the strength of local
mechanisms has influenced the perceived value of the EWC and representatives with experience of local works councils are more vociferous in their approach. These findings reflect similar case study evidence in other multinational organisations (Wills, 2000; Hanckle, 2000). Yet, Hungarian experiences have not prepared delegates for a more active role within the forum, their parochial view of the organisations means that they are not fully engaged in European level matters and the perceived irrelevance of it all makes promoting the EWC at local level a particularly difficult task.

An imbalance of power, between both representatives and representatives and management, underlines many of the central issues. At the local level, union and non-unionised members struggle to take control of worker participation, whilst there are obvious tensions between local management and the workforce. At the European level, EWC representatives are engaged in a similar struggle amongst themselves, whilst there is an inequality between central management and EWC representatives as a whole. A lack of trust amongst delegates and management exists and this echoes similar issues outlined by Timming (2006). The struggle for ownership and management of employee relations at both levels has proved a real stumbling block in development of meaningful voice for Hungarian workers. Given the imbalance in power, it is understandable why some critics view these existing mechanisms as a HRM tool (Streeck, 1997), since the evidence shows that in marginalising the trade union movement, they largely play lip service to employee voice and are geared towards management prerogatives. The case studies demonstrate that management at both levels control the process and effectively have the final word on decision-making. So, although voice mechanisms can be found in plentiful supply, the capacity for employees use them constructively and effectively is not in such healthy abundance.

**Conclusion**

This paper has examined Hungary’s dual channel of representation, specifically evaluating the strength of works councils and trade unions, in providing meaningful voice to workers. It has also explored the impact of the EWC forum, as a mechanism for strengthening Hungarian voice and assessed the relationship between the European and local level. The study charted the success of these prevailing voice mechanisms through three case study organisations, taken from the printing, chemical and food industries and has examined the experiences of workers, worker representatives, trade union officials and local and central management, using a qualitative, empirical approach. At this time, the findings demonstrate that employee voice is weak and there is no evidence that participation in Europe has strengthened voice in Hungary. The issues surrounding voice are both varied and complex. At the local level, the Labour Code (1992) has inhibited the development of distinct and robust mechanisms, since its minimal standards have caused confusion, fragmentation and duplication in the roles of the union and works councils. In turn, workers have become frustrated and disappointed. The legacies of communism have also contributed to the problem, with local management unable to shake off their
former management styles and attitudes, creating a hostile tension within the workforce.

Whilst membership of the EU may have prompted the growth of foreign investors, the prospect for strengthening Hungarian voice has not been enhanced by participation in the EWC. Evidence shows that a limited number of those involved are unconvinced by its value and there is no direct alignment between these mechanisms. Language barriers and cultural differences both hinder communication, whilst a lack of common interests and preference for addressing local issues means that creating a European focus and solidarity amongst the members is difficult. In short, the study shows that whilst the Labour Code (1992) and the EWC Directive have attempted to provide labour regulation in an increasingly unregulated market, the growth of non-union mechanisms has marginalised the trade unions and increased management control of worker voice and with the impact of the economic crisis and relaxation of the labour laws yet to take full effect, it is unlikely that Hungarian voice will be strengthened in the future.
References


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