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Hungary ¹

Industrial relations in the postal sector — Hungary

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This is the Hungarian contribution to the comparative analytical report on Industrial relations in the postal sector

Background

The objective of this comparative study is to investigate the structure and main features of industrial relations in the postal sector in Europe, with a particular emphasis on the challenges faced by social partners in front of the liberalisation and privatisation processes affecting core postal activities.

The postal sector— together with energy and telecommunications – is one of those sectors providing services of general interest (SGI) of an economic nature. In the European Union post offices have always been noted for providing crucial service to the more isolated districts and more disadvantaged people in society. Until recently, in all member States, with few exceptions, the service used to be provided by a single public sector operator, which enjoyed a monopoly over the crucial postal activities, thus assuring a universal service ([EU9812136F](#)). Over the last two decades, however, the organisation and delivery of postal services have undergone considerable change, as a result of both new consumer demands and the restrictions imposed on public expenditure by a new economic and political environment. Change, which was largely facilitated by technological innovation, led first to a certain degree of liberalisation in relation to some aspects of the delivery of postal services. Thus an increasing number of private providers were able to emerge and secure a significant share of the high value-added services market not covered by the post office monopoly. At the same time, post offices expanded considerably the range of their activities, which currently may include financial, insurance as well as other services along with the more traditional postal ones. At present the postal sector is characterised by a varying presence of both public and private operators, providing a broad range of services and products.

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Since the late 90s, after the enactment of the December 1997 EU Directive on postal services, an extensive process of corporate restructuring – and sometimes of privatisation – was initiated by the national postal companies. It aimed at removing barriers to change and better achieving the goals of increased efficiency, augmented productivity and cost containment necessary to survive and consolidate in a more competitive environment. To be noted is that the European Directive, in view of the crucial social functions performed traditionally by post offices, required all Member States to guarantee a universal postal service covering at least the collection, classification, transport and distribution of postal items of up to two kilos and parcels of up to 10 kilos, as well as registered mail and insured-value mail. However, it allowed Member States to reserve specific parts of domestic, urgent or ordinary correspondence, as well as other mail services, for commercial operators if considered necessary for the efficient operation of the service. In other terms, it called for the substantial retention of a strong universal postal service, within the context of liberalisation. Changes which occurred included the structural reorganisation and legal transformation of previously state-owned postal companies; the closure of unprofitable branches and transfer of their activities to subcontractors; the reduction in the number of post offices, sometimes replaced by post counters situated in local businesses already providing some other service; a massive process of application of new technologies to post offices and sorting centres. The impact – both quantitative and qualitative – on employment was substantial, with a considerable number of jobs lost, and considerable changes in terms and conditions of employment.

Significantly, in response to the new challenges, the EU-level social partners in postal services signed in October 1998 a framework agreement on the promotion of employment in the sector, aiming to improve working conditions, enhance consultative arrangements and ensure that employees are able to adapt to technological developments ([EU9812136F](#)). More recently, in November 2005, the Universal Postal Union – a United Nations specialised agency acting as a forum for cooperation between postal services – and Union Network International – a global union with 2.5 million members employed in the postal sector – signed a cooperation agreement aimed at promoting social dialogue between the two organisations ([EU0512202N](#)). More specifically, they made a commitment to establish joint actions that focus on the employment impact of developments in the postal sector, with particular attention to health and safety of workers and the improvement and development of the skills of postal workers.

On the other hand, new concern arose among most trade unions representing postal workers in Europe when a draft Directive– known as the ‘Bolkestein Directive’ after the name of the Internal Market Commissioner who submitted the proposal – was proposed in 2004. The draft directive, which covers also services of general interest if they are of an economic nature, as is the case of postal services, aimed at removing legal and administrative barriers to the development of a free market for services in the EU; but it met with strong opposition by the majority of the trade unions fearing that it would lead to social dumping ([EU0407206F](#)). One may conclude that developments in the postal services sector reveal a mixed picture in rapid evolution, characterised by a search for cooperation and social dialogue between the social partners and by the enhancement of competition between the service providers.

The study

This study aims to gather information on industrial relations in the postal sector in the EU, acceding and candidate countries and Norway, paying particular attention to the impact of liberalisation and restructuring processes on employment, terms and conditions and the relationships between the social partners over the past decade.

Currently the postal sector is characterised by a varied presence of both public and private operators, providing a broad range of services and products. After a brief overview of the main features of the sector in its broadest sense, the study will focus on the developments regarding the mail services sector. In particular it will gather:

- information on the present structure of the mail service sector;
- data on industrial relations in the mail service sector.

1. The postal sector in general: basic data and trends

Keeping in mind the postal sector in its more general and inclusive definition (that is including any kind of services provided by postal operators, such as financial or insurance services), please indicate:

a) Current structure and services in the sector

1. The current structure of the sector in its broader definition: which is the range of services provided by postal operators? Has some kind of functional specialisation between providers been introduced?

Act CI of 2003 on the Post includes the following definitions:

Universal services:

- Services related to domestic and international items of correspondence and direct mail of weight not exceeding one hundred grams (provided that the fee for the services is less than three times the fee for the item of correspondence in the first weight step of the fastest standard category within the frame of the universal range of services)
- Postal services related to official documents unless otherwise provided by law or government decree

Activities under competitive conditions:

- Issuing stamps
- Post parcels: domestic parcels, international parcels
- Financial services: Savings (deposit, insurance, etc.), money transfer services (domestic and international)
- POSTAMAT (credit card acceptance)
- Delivery time-guaranteed services: parcels, international express postal services
- Post World Express
- Logistic Activity
- International Activity
- Post Shops: lotteries, stamps and equipment for collectors, official forms, cards, newspapers etc.

2. The number and characteristics of companies operating in the sector at large, distinguishing them according to their size, legal and property status (state-owned/ public limited/ private companies, etc.), the kind of services provided, their market share.

Number of companies and employees in the sector in 2005.

	Total		5-19 employees		20-99 employees		300-499 employees		More than 5000 employees	
	Number of employees									
64.11 National Post Activities	38,768	1	-	-	-	-	-	-	38,768	1
64.12 Courier Activities other than national post activities	1,316	86	345	69	554	16	317	1	-	-
64.1 Post and courier activities	40,084	87	345	69	554	16	317	1	38,768	1

Source: Hungarian Central Statistical Office (Központi Statisztikai Hivatal, [KSH](#))

The Hungarian Post ([Magyar Posta](#)) is a huge state-owned company, while the rest of the companies in courier activities other than national post activities are characteristically privately owned SMEs, including well-known multinational companies such as TNT, DHL and UPS. The rest of this study mainly describes trends and development of the Hungarian Post, which is still the main actor of the postal market in Hungary and the single one in universal services.

b) Trends and development in the sector since 1980s

In the recent years the number of companies has grown, partly due to the legislative changes. In 2002 there were 18 postal operators registered, in 2003 and 2004 there were 43 and 58 ones, respectively. (Source: National Communication Authority (Nemzeti Hírközlési Hatóság, [NHH](#)))

3. If and when there have been legislative reforms affecting the traditional postal services sector since the 1980s and the main impact of these changes.

- 1990: The predecessor of the Hungarian Post (bearing the same name), which previously had provided telecommunication, postal and broadcasting services, was split up into three separate companies in charge of the above-mentioned three sectors. The Hungarian Post was established as a 100 % state-owned company.
- 1992: The Act XLV of 1992 allowed that basic postal services (universal services, such as postal consignments not exceeding 2 kg and money orders) can be provided by companies winning concession tenders and/or permissions, parallel with the operation of state Hungarian Post. Although the law envisaged opening the market, eventually the Hungarian Post remained in a monopoly position.
- 2001: The Act of XL of 2001 regulated postal and telecommunication activities together and overruled the previous Postal Act. This regulation included the transposition of 97/67 EC Directive in order to ensure provision of universal services, and at the same time, establish the frame of safe and gradual transition towards liberalisation. After the act came into effect the number of actors in the sector duplicated within a year, however, all new market entrants provided activities beyond the range of universal services. (In the latter field Hungarian Post remained the single service provider.)
- 2003: Act CI of 2003 on the Post, the currently valid regulation, separates the fields of telecommunication and postal services again. The new law meets the requirements of the EU Directives. Universal services remained unaltered however, even though significant changes occurred in the structure and the way of meeting the obligation of service provision. On one hand, the new regulation allows the establishment of the so-

called ‘mobile post offices’, i.e. universal services provided by special post-cars, but the basic service shall be provided in every settlement with a population of less than 600 inhabitants, and the post-car has to stay at least 2 hours in the given place. On the other hand, a traditional post office shall be maintained in every settlement with a population above 600 inhabitants, with at least 2 opening hours every day. Above 15,000 inhabitants service provision shall be ensured earlier than 8 a.m. and later than 17 p.m. as well. (The law also redefines universal services: the complete range of consignments not exceeding 20 kg and introduces stricter quality control demands.)

4. If and when the sector has been involved in liberalisation processes putting an end to monopoly positions since the 1980s and the main impact of these processes. The Act passed in 2001 successfully paved the way for liberalisation by resulting in numerous market entries.
5. The evolution of employment in the sector, globally and according to the main relevant subdivisions in which the sector is articulated, since the mid-90s and the expected future prospects
The data of point 3.a. shows that the major employer in the sector is still the Hungarian Post, where the number of employees has been shrinking slowly. Job creation is mainly connected to the new market entries in courier activities other than national post activities. (No statistical data available for the overall trends in the last 2 decades).
6. Any relevant other change affecting the industrial relations in the sector.

2. The mail services sector: structure and change

Focusing now on the core business of the postal sector (that is on the activities related to the collection, classification, transport and distribution of postal items, NACE 64.1, rev. 1.1 2002), NCs should provide a brief account of the present situation of the sector and of any recent changes which have affected it. In particular, please illustrate:

1. If and when the sector has been involved in privatisation processes or in the contractualisation of employment relationships (that is the shift from public law employment contracts to private law employment contracts and collective bargaining coverage) since the 1980s and the main impact of these processes.

Unfortunately, in Hungary it is difficult to separate the mail subsector from the postal sector as a whole, thus as it was already mentioned the current study shows mainly the experiences of the Hungarian Post.

The sector has not been privatised, the Hungarian Post is still a state-owned company. Here the Labour Code has regulated employment relationship since 1992. (It is a Hungarian peculiarity that employment contracts in private companies and in state-owned enterprises are regulated by the same law, but there are separate laws for civil servants and public service employees. Nonetheless, in this sense post service does not qualify as a public service.)

2. If and when the sector has been involved in restructuring processes (offices closures, automation, reorganisation of production, outsourcing and contracting out, etc.) since the 1980s and the main consequences of these processes on employment (redundancies, recourse to different kind of contracts, etc.) and on work organisation (changes in the skills levels required, training; recourse to functional flexibility, longer operating hours, shift work, etc.). Irrespectively of the above-mentioned legislative changes, a significant restructuring process was carried out at the Hungarian Post in 2002, in order to make the operation more effective. Instead of the former 8 regional headquarters, 3 regional headquarters were established with 3 functional layers: i.) strategic and administrative level; ii.) operative divisional level (mail,

logistics, international activity, etc.); iii.) service level (Human Resources Management, real-estate services, etc.)

At the post offices the restructuring process led to the following impacts:

- Setting up ‘mobile post offices’ in 950 settlements made the closure of many traditional post offices’ unavoidable. The company plans to close down further 1000 post offices out of the current 2841 ones until 2009. The restructuring is aimed at cost savings too: cuts in maintenance costs at the offices and reduction of the workforce. The restructuring also shifted the demand towards higher-educated employees.
- The replacement of the former railway-based transportation by road transport went hand in hand with creating a new logistics structure and using automation increasingly. These measures also resulted in changes of the structure of the workforce concerned.

Although the quality of the skill level of the workforce changed, the restructuring so far has not implied collective redundancies (except for the latest outsourcing of newspaper distribution). At Hungarian Post the number of the employees has been swaying between 38,000 and 40,000 in the last two decades, due to the labour intensive nature of postal activity, which is very expensive but not really profitable. The high labour cost at Hungarian Post is seen as a strong competitive advantage for its competitors, as in the case of the latter labour standards are arguably lower and they even may rely excessively on using undeclared work, an option practically ruled out at a huge state-owned company.

Until 2004 the 8 regional headquarters of the Hungarian Post had autonomous right to exercise employers’ rights. There was only one collective agreement in effect at the Hungarian Post, but every regional unit had a separate appendix reflecting the different local labour market conditions, and there was no common HRM policy. These shortcomings could cause some anomaly in the day-to-day operation of the nation-wide company, and the restructuring efforts from 2004 onward envisaged finding remedies for this problem too. Important tasks were the establishment of the new IT system (to harmonize front and back office activities in the post offices as well as in the central administration), setting up the call centre and professional customer service.

In January 2007 the newspaper division was outsourced, which meant the collective redundancy of approximately 1,000 employees.

3. The current structure of the mail services sector: the number and characteristics of companies operating in the sector, distinguishing them according to their size, legal and property status (state-owned/ public limited/ private companies, etc.), the kind of services provided, their market share.

See data in Section 3.a.

The only company in the mail is the state-owned Hungarian Post. See its activity in Section 1. There is no data available about market shares in the mail sector, however based on management representatives’ estimates, at Hungarian Post 60 % of the revenue comes from activities in the competitive market, and only 40 % from the activities in which the company maintained its monopoly. Nonetheless, the share of revenue from the competitive market is continuously growing.

4. The sectoral employment levels and developments (possibly broken down by gender, education and skill level) since the mid-90s.

Unfortunately, there is no data available on gender and skill related employment.

5. The legal status of employees

There was no change in the legal status in the last 15 years. See: 2.1.

6. The sectoral pay levels and developments compared to national averages, inflation and productivity growth (distinguishing between public and private operators) since the mid-90s. At Hungarian Post the average monthly salary is HUF 137,750 (EUR 550), which is 20 % below the national average. No data is available on pay at other companies.

7. The presence of any regulatory authorities or agencies with a brief explanation of their entitlements (price setting, issue of licenses, etc.).

NHH conducts the licensing and notification procedures related to entering the market of the postal service providers and keeps their register and performs the market surveillance.

8. The involvement of the social partners in the sectoral regulatory framework (social partners' representatives sitting in observatories, committees which oversee the management and developments of public utilities, etc).

Trade unions, especially the Postal Trade Union, are regularly consulted; in recent years such consultation has taken place in the Postal Sector's Social Dialogue Committee.

Any other feature important to seize the peculiarities and the main problems to be solved in the sector.

3. Industrial relations in the mail service sector

Continuing to concentrate on the core businesses of the postal sector (NACE 64.1, rev. 1.1 2002), NCs should provide an overview of industrial relations in the mail service sector. In particular, please indicate:

Possible limitations or peculiarities with respect to the right to association, collective bargaining and strike.

There is not any kind of limitation with respect to the right to association or collective bargaining.

The structure of trade union representation: number and characteristics of the unions which operate in the sector, union density. In particular: is union representation fragmented? Are there rivalries between the trade unions? Are there differences between public and private? Altogether there are 8 trade unions in the postal sector in Hungary, all had candidates in the latest works council election in 2004.

The most significant union is Postal Trade Union (Postások Szakszervezete, [PSZ](#)). Their representatives are present in the sectoral social dialogue committees at national and European level. At national level the union is affiliated to the National Association of Hungarian Trade Unions (Magyar Szakszervezetek Országos Szövetsége, [MSZOSZ](#)) confederation. This union has approximately 20,000 members, which amounts to about 50% unionization.

The second largest union is the Independent Trade Union of Post Workers (Postások Független Szakszervezete, POFÜSZ). It represents 4,400 employees and is also present in the sectoral social dialogue committee. This union belongs to the National Federation of Workers' Councils (Munkástanácsok Országos Szövetsége, [MOSZ](#))

Rivalry between the unions is present to a certain extent, especially between those belonging to different confederations. As a rule conflicts are sharper in the period of works council elections, otherwise cooperation is more characteristic between the unions.

9. The structure of employer representation: are there sectoral employer/trade associations? What is the number of companies affiliated to these associations, and the number of employees of the affiliated companies? Has there been any major reorganisation of employers' associations as a consequence of the changes affecting the sector?

There is no employer association in the postal sector. Hungarian Post, as the largest employer, participates in the sectoral social dialogue committee.

10. The structure of collective bargaining: at what level are collective agreements concluded? National/sectoral? Decentralised? Both, with different scope? Other? Are there differences between public and private operators?

Collective agreements are concluded at company level. Altogether there are three such agreements in the sector: at Hungarian Post and at two smaller regional newspaper distribution companies. Their coverage is more than 97% due to the fact that Hungarian Post makes up 97% of the sector in terms of employment. Thus the collective agreement of the Hungarian Post can be deemed as a quasi-sectoral agreement, though it is formally not extended by the Minister to the whole postal sector.

11. Issues dealt with in collective bargaining: working time, training and career developments, equal opportunities, performance-related pay, conciliation between work and personal life, others. Are there differences between public and private operators.

The contents of the Hungarian Post's agreement embraces the following fields:

- Basic rules of employment
- Industrial relations
- Working time, holidays, rest-time
- Conflict resolution procedures
- Wage-systems and performance norms
- In-kind benefits
- Basic principles of equal opportunity issues

12. The impact of outsourcing/contracting out on collective bargaining coverage and working conditions.

So far the coverage-rate has not shrunk substantially due to the structural changes, however, it is a general trend that smaller companies entering into the market are less willing to engage in collective bargaining, moreover, trade unions are not able to organise employees in these companies.

13. The recourse to industrial conflict: data on number of strikes, worker participation and day lost over the last decade. Has recourse to conflict intensified as a consequence of the changes affecting the sector? Are there conflict resolution practices specific to the sector or to individual companies? Are there differences between public and private operators?

There has not been any strike in the sector for the last two decades. However, unions at Hungarian Post staged a demonstration in 2003, in connection with the annual bargaining round on wage increase. (The wage offer set by the Ministry of Economy and Transport (Gazdasági és Közlekedési Minisztérium, [GKM](#)) was rejected by the unions, but finally they managed to conclude an agreement which was in line both with the productivity increase as well as the annual budget of the company.)

14. The presence of participatory practices at workplace level, either through the involvement of employees' representatives or trade unions, or the implementation of direct participation. Instances of financial participation (ESOP). Are there differences between public and private operators?

Mandatory Works Councils are at place, but there is no financial participation.

15. Any instances of social dialogue at sectoral level, like the conclusion of agreements or the presence of tri- bipartite bodies concerned with employment and labour relations issues.

The main topic on the agenda of the sectoral social dialogue committee is preparation for the liberalisation. The parties organised an international conference last year, with the participation of the Hungarian Government, the leaders of UNI and PostEurope and International Post Cooperation. Basically the social partners, especially the management of

Hungarian Post envisage following the model of restructuring of postal services in Greece or Portugal. The committee will organise study-tours to these countries in 2007.

16. The membership of national actors in European-level cross-industry and sectoral organisations.

PS is affiliated to UNI.

Hungarian Post is affiliated to PostEurope.

Commentary by the NC

It is particularly important that each NC gives its own comments on the issues covered by this study, paying particular attention on the consequences of the changes affecting the sector over the last decade and on the differences between public and private providers. Please provide any additional information that you consider important to better understand the current situation and recent developments in the sector covered by this study in your country.

Both the management of Hungarian Post and trade unions have misgivings about liberalisation. They seem to have an unconcealed intention to slow down or postpone the liberalisation process by all possible tools of asserting pressure. However, liberalisation is inevitable. High share of revenue of Hungarian Post comes from activities outside the range of universal services, though its competitiveness is relatively low. Raising the standard of services and improvement in efficiency make restructuring sufficient. Nonetheless the 'social cost' of restructuring connected with liberalisation is very high, it may result in mass-scale redundancy of low-qualified workers. In this process the Government's responsibility is of importance; the upcoming legislative changes should take into account forming a transparent and operable postal model primarily, and not particular interests only.