

ANTICIPATING and MANAGING RESTRUCTURING: 27 NATIONAL SEMINARS

VC/0667/08

NATIONAL SEMINAR'S MINUTES

Hungary

Introduction

The minutes intends to provide the information on the implementation of the no. 7 event that has taken place in **Budapest on 13th – 14th October 2009**. The Seminar started in the afternoon 13th October and ended up on 14th October (early afternoon). The purpose is to highlight the key finding issues and the main results of the debate.

1. Background

The National seminar aimed to present and discuss the most important measures and tools for anticipating, preparing and managing restructuring and its effectiveness and transferability.

The NBP was developed taking into consideration the need to identify and describe the relevant existing measures and tools at national and regional level, as well as significant company practices.

2. Participants

The selection of the participants has taken into consideration the need of ensuring an high level profile of the representatives of the Public Authorities and Social partners at national and regional level **32 participants** attended the seminar coming from the following Organizations/Institutions:

- Government (**no. 10**);
- Regional Authorities (**no.2**);
- Trade Unions (**no. 9**);
- Employers' Organizations (**no.2**);
- Testimonial from company (**no. 1**);
- Sectoral Social Dialogue Committee (**no.1**);
- Research Institutes (**no.7**)

Representatives from the DG EMPL (**no. 2**) , .Eurofound (**no. 1**) have joined the seminar.

3. Activities carried out

The National Seminar has developed the contents and the methods according to the model design of the Agenda .

The first part of the seminars was focused on:

1. the presentation of the EU main policies and programmes on restructuring,

2. the introduction of the overall aims of the project and the objectives of the National seminar.

3.1 Results NBP

After the opening session, the key finding issues coming from the NBP were presented by the National expert. The key elements of the presentation were the following:

- Main characteristics of the economy and Employment in Hungary.
- Features of the existing Restructuring framework.
- Transformation of the economic and occupational system (recent data and indicators).
- Legal framework related to Restructuring in Hungary.
- Different aspects of the anticipation process and response strategies to the current economic downturn
- Managing restructuring process (phase, procedures, role of social partners, including main challenges) was described in the afternoon session.
- The existing types of measures/tools for managing restructuring were analyzed with a specific focus on the analysis of the strengths and weaknesses.

All the presentations delivered by the representatives from the EC , National Expert and testimonials from companies can be downloaded from the website of the project in the [Country section - HUNGARY](#).

3.2 Debate

According to the need of stimulating the discussion among the participants on the effectiveness and utility of the existing measures/tools a mix of approaches and methods was applied. In particular , the participatory sessions were structured into 4 main consequent steps:

- a) debate on specific topics,
- b) open discussion,
- c) brainstorming session
- d) group work sessions (no. 2)
- e) assessment of effectiveness and transferability of the referred measures and tools.

3.2.1 Round table session (afternoon 1st day)

After the ice-breaking exercise the debate was facilitated during the Round Table session with the aim to discuss more in depth the following issue : TO WHAT EXTENT EXISISTING MEASURES AND TOOLS ARE SUFFICIENT AND USEFUL TO ANTICIPATE RESTRUCTURING IN THE CURRENT ECONOMIC CRISIS?

The panel discussion was organized in a first debate around three key questions outlined by the ITC-ILO , presented by the moderator and subsequently followed by the active participation of all the attendants to the discussion on the effectiveness of the existing measures for anticipating restructuring. The main results of this first debate are summarized as follows:

- ***Existing forecasting surveys on economic changes and skills gaps***

In the framework of the Regional and employment development policies, medium term forecasting study was carried out recently. A new philosophy is now introduced, but it is not easy to know what to do for preparing for changes. Now the philosophy says that the impact of new technologies in the companies is strategic. In terms of employment, new skills are required in some sectors and branches and changes in terms of competencies need to be anticipated and included. These figures are available and new skills designing has been developed in specific modules useful for companies and workers. Prognosis method is based on monitoring the implementation of these skills models. Sectoral and demographic changes were also taken into consideration as well as the interrelation between existing supply and demand. It is not possible to detect all the deficiencies in structural changes. Main problems: it is fundamental to see the trends in labour market but it is possible to carry out the analysis only at regional level not always at national level; another problem is that the economy depends by international and multinational companies. For this reason it is possible only to see the sub branches affected by challenges for which the Hungarian economy can offer an answer in terms of training, re training.

The role of forecasting is supportive, providing information: there is a project recently started on prognosis system. Maximum time span is 5 years , more is not feasible in forecasting.

Sustainability of the surveys is crucial, as well dissemination of the results. It is important to facilitate access to social partners to this forecasting system.

Stakeholders do not receive information on existing projects carried out by researches in forecasting: it is a big problem. Employers have own studies and probably the data are always similar. Lack of coordination is still a problem.

Social interests are not the same for family, young people, companies. There some few examples for innovative measures concerning new career paths.

Education is the base for anticipating changes.

Vocational training is conceived not as an academic path.

The critical issue is the methodological framework for forecasting in public domain.

- ***Industrial policies, economic and fiscal incentives, subsidies.***

SMEs' are facing many problems in anticipating changes. Multinational are used to respond to change in a way that it is completely different from the SMEs' reaction. Industrial structure is a different issue: in some areas people low qualified are more in demand, it is important know that there are two categories s of companies that have different advocacy.

• **Industrial relations.**

Social dialogue really can promote anticipation It is necessary to educate unionists, representatives from Government to better know the social dialogue proper procedures.

Social dialogue is not widespread implemented.

Pro active management is essential for an efficient social dialogue mechanism. What is the Lack?. Competencies in Industrial relations. There is some dissatisfaction on anticipating, but Anticipating is possible: some interesting examples are available. During the crisis it is more difficult to anticipate. New quality for Social Dialogue mechanism need to be enhanced.

During the debate opened to all the participants the following Strengths and Weaknesses points have been raised:

Round table no. 1

Strengths	Weaknesses
Few examples for innovative measures concerning new career paths.	Sustainability of forecasting surveys and access to data and information.
	Lack of coordination amongst surveys
	Social dialogue is not widespread implemented

3.2.2 GROUP WORK Session (n° 1 – 1st day afternoon)

The objective of the Group work session was to obtain information on the selected measures an tools described briefly in the National Background paper, in order to reach a common understanding and consensus on their efficient and positive effect for anticipating or managing restructuring and mitigating the social impact.

For reaching this objective, a number of selected **case studies** was briefly introduced as an example of experimented measures and tools –also at company level –

The participants were divided into small groups (maximum no.5 for each session). Materials and information concerning the case studies selected (fact sheets, PPT presentation, testimonials from companies) summing up the basic data available on the experience presented were illustrated, as well as the instructions for managing the discussion within the Group.

Specific questions were proposed to each Group in order to better understanding the objective of the discussion and to define the context of the analysis to be carried out

The results of this session are summarized in the following table:

Case study	Success factors	Main problems	Areas of improvement
<p>POST State company</p>	<p>New technologies introduced for improving quality of services Transformation in a profit making company. Privatisation of 1 thousand post offices. Mobile post offices were introduced in 2002. Management skills for workers. Outplacement support for redundant workers. Postmen cultural background: they were convinced to undertake a new task. New jobs created, business plan developed. Future vision and strategy</p>	<ul style="list-style-type: none"> • Problems in matching new job description with previous cultural background. • Underpaid workers received part time schemes. 	
<p>Territorial Employment pact</p>	<p>SMEs', employers, civil society, trade unions, experts, public Authorities partnership: key factor. Vocational training and education were used to find an answer to absorbs redundant workers in several industries. How to change vocational training offer? Labour relations help to anticipate change but in training structure need to be well adapted. Career guidance and development is a key factor also for social dialogue. TEP is the most important tool for anticipating restructuring. All stakeholders have a good communication . Social partnership has influenced local employment</p>	<ul style="list-style-type: none"> • Companies are not so keen in exchanging experiences and challenges. 	<p>TEP can be used in the future for good labour relations</p>

3.2.3 Round Table session (morning 2nd day).

The second day the Round Table session aimed to discuss more in depth the following issue : MANAGING RESTRUCTURING IN Hungary: LESSONS LEARNT FROM THE PAST EXPERIENCE AND FUTURE PERSPECTIVES

The panel discussion was organized in a first debate around five key questions outlined by ITC-ILO , presented by the moderator and subsequently followed by the active participation of all the attendants to the discussion on the effectiveness of the existing measures for managing restructuring. The main results of this first debate are summarized as follows:

- ***Among the existing ALM policies: training, counselling, sectoral funds, joint bodies, observatories, how do you assess this set of measures? Which is more effective?***

ALM policies, originally launched in order to preserve employability during redundancy periods, didn't work in the past. Long term unemployed people grew up. Now there is a support for inactive people to enter into the Labour market. The cost for training services is covered by State for inactive people, for assisting entering in the LM after maternity leave, but there are not data, no regular statistics.

Without these tools unemployed can not be reduced.

Companies hires new workers also without State subsidies. ALM should be a tool for providing support for finding a job, instead of offering benefits.

- ***Wage Guarantee Fund: Strengths and weaknesses. Should it be reformed?***

Unfortunately there are not data available so far on the utilization and effectiveness of this measure. WG fund is handled by Public Employment services.

- ***In the current economic and financial crisis to what extent could the role of the collective bargaining change ?***

Trade Unions have a special role in restructuring processes. New collective agreement procedures has been adopted in other countries. Not in Hungary. There is the need for a reform.

Delocalization of companies has a negative impact,. In very few areas there is a collective agreement. This situation is creating a problem. It is indispensable to create a common strategy. Trade Unions have less problem with multinational companies.

An example of an important result of collective agreement is the working time flexible scheme.

Industry sector is an other example of success collective bargaining.

- ***Micro and Macro business . Continuous Vocational Training in companies:***
HUMAN CAPITAL

No special State support for SMEs despite that SMES contribute a lot in the economy. All efforts done for compensating lack of State subsidies for tackling the structural crisis in Hungary are not sufficient

Today the EU funds allocated for local authorities and companies have not been accumulated for Human capital. In agricultural several surveys were conducted for setting up micro companies through microcredit. All schemes for job preservation are only for medium large scale companies. Training Institutions provide services accredited with high standards.

During the crisis re training measures are the key element. Within large scale companies the development of human resources is essential. So far there is more attention to increase productivity instead of improving human capital. Training is left behind.

Rates of secondary school diploma are behind the EU average. Companies are facing problems of skilled workers through Vocational training Associations, with proper resources and funds. Continuous training is undertaken by companies: management restructuring is contradictory because funds are not always available for the training system. Companies have to pay a contribution to the National Fund Integration for a better access to funds. Variety of new programmes in Lifelong Learning scheme is offered by companies.

- ***Regional Development strategies***

Recent surveys show that the skills and ability of workforce have less value. For this reason it is important to invest in LLL.

Companies have to invest in better skilled workers. Is there a regional attitude? In the case of development policies, regional policies are very important because it is the arena for the analysis of real need perceived by companies and workers. This is a new type of economic development because local development is considered a key factor for creating regional development and labour force can be prepared for this context.

Partnerships set up among Universities, local authorities and social partners for creating economic clusters. Major weakness is that information is not provided at territorial level on what is happening in terms of studies, training offer. Vulnerable small regions need structural changes. How to create jobs and economy in regions is a big challenge.

Round table no. 2

Strengths
Working time flexible tool is a good example of collective agreement.
Role of regional pacts

Weaknesses
Lack of resources from central budget for human capital investment.
Shortage of skilled workers , reluctance to demand training.
No data, no regular statistics on ALM policies implementation
Collective agreement procedure are not updated
All schemes for job preservation are only for medium large scale companies.
Lack of information at regional level on trends and future needs.

3.2.4. GROUP WORK (n.º 2 – 2nd day morning)

During the second day two case studies were analysed . There results of the Group work session are the following:

	Strengths	Weakness	Areas of improvement
Steel foundation	<ul style="list-style-type: none"> • Guidance scheme. • Training services • Support for entrepreneurial skills programme • Grants for small companies set up, with flexible modalities • Involvement of Trade Unions and researchers. • Effective collective negotiations • 400 people benefited the grant • Corporate cultural. • Effective tool for preventing lay off workforce. • It is relatively cheap for the state. • Benefits for workers are evident. • It is a model 	<ul style="list-style-type: none"> • The contract for funding was signed by an Agency not by the Foundation, because it is not eligible. • Some people has been re employed by the Agency as self employed worker. • Timeframe it is critical • Economic scheme is vulnerable. 	<ul style="list-style-type: none"> • HR capacity needs to be improved. • Local partnership needs to be strengthened for transfer knowledge and experience
OPA	<ul style="list-style-type: none"> • For National public employment foundation (tripartite) to manage possible crisis is the statutory mandate. 	<ul style="list-style-type: none"> • SMES not experienced in schemes for reducing working time. 	<ul style="list-style-type: none"> • To enlarge the access to scheme also to

	<ul style="list-style-type: none"> • Measures and tools for mitigation impact of crisis for redundant are put in place. • Companies not in bankruptcy, only companies that can survive after the crisis are the target beneficiary. • 4-5 measures are available for. • job existing perseveration, • job creation, • supplementary wages, • training, • working time. • 7 billion Hungarian funds by OPA plus 10 billion by different sources are put in place. • 1400 applications to OPA and 3000 to Employment Agencies. • Regional employment agencies involvement. • Social dialogue, Board committee is active and effective • Results: 500 job preserved., 5 thousand trained people. • Very complex system: positive outcomes of the application schemes 	<ul style="list-style-type: none"> • Assessment of companies not sufficient. • Temporary basis support: sustainability ? • Companies with serious problems are not targeted by this scheme. • Not independent monitoring body. 	<p>companies with serious problems.</p> <ul style="list-style-type: none"> • Additional schemes.
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3.3 Brainstorming session: lesson learnt and good practice

At the end of the seminar the last brainstorming session was focused on the identification of at least one Good practice and one lesson learnt amongst the measures/tools and case studies discussed during the seminar. The aim of this session was to bring together additional information and to compare the results of the last session with the main conclusions came out after the debate during the round table session.

The results included in the following boxes reveals that the comments and questions raised during the debate are confirmed by the final brainstorming exercise. In fact, the role of regional pacts is considered an interesting example of measure put in place while Collective agreements need to be enhanced in order to be more oriented to provisions on the support for redundant labour force.

Good Practice

1. The role of regional pacts (all concrete examples, e.g. Dunaferri, OFA, etc. have been very useful.
2. Local (small regional) pacts → local problems can be solved through local cooperation, partnership.
3. Dunaferri Steel Foundation for Employment (mentioned eight times)
4. Hungarian Post
5. Case studies about companies
6. Application of careful dismissal procedures in the case of SMEs and micro companies
7. Tripartism
8. Restructuring at the Hungarian Post

Lessons learnt

1. Trends should be analyzed locally and strategy should also be elaborated at local level.
2. Due to the integration to the economy of the European Union it is important to analyze the situation from the point of view of the EU.
3. It is important to find mutual benefits which are the basis of development.
4. As a result of the seminar and other events we got to know the operational experiences of a relatively long period. It would be useful if we could overcome the weaknesses and correct the deficiencies – in a short period of time.
5. Importance of anticipation and planning.
6. If there are no signs of the necessity of change, it is difficult to anticipate the preparatory methods and strategic trends along which the procedure of implementation can be elaborated.
7. It is difficult to proceed and develop without the cooperation and partnership of market actors.
8. Collective agreements could and should contain provisions on the support for redundant labour force. Employees should not get to the open labour market immediately after their dismissal.
9. Importance of anticipation and preparation and co-thinking of partners.
10. Social benefits.
11. Elaboration of strategies with the involvement of trade unions.

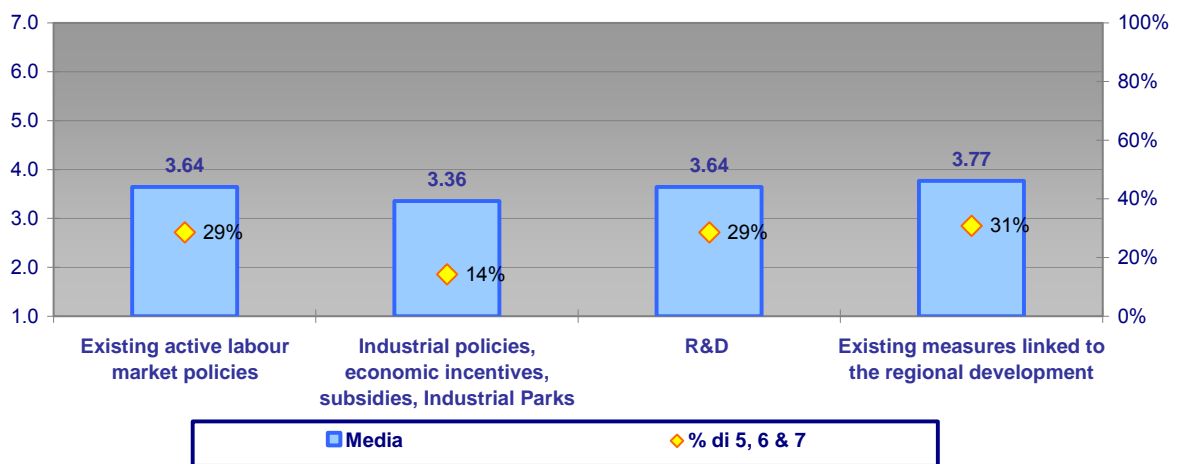
3.4 Evaluation session on effectiveness and transferability of measures/tools for Anticipating – Managing Restructuring

The aim of this exercise was to identify the priority themes according to the effectiveness and transferability criteria concerning the measures and tools discussed during the seminar.

The graphs show that amongst the Anticipatory measures/tools the most effective are the “*Regional development policies*”, while the “*R&D*” is considered the tool with an high level of transferability.

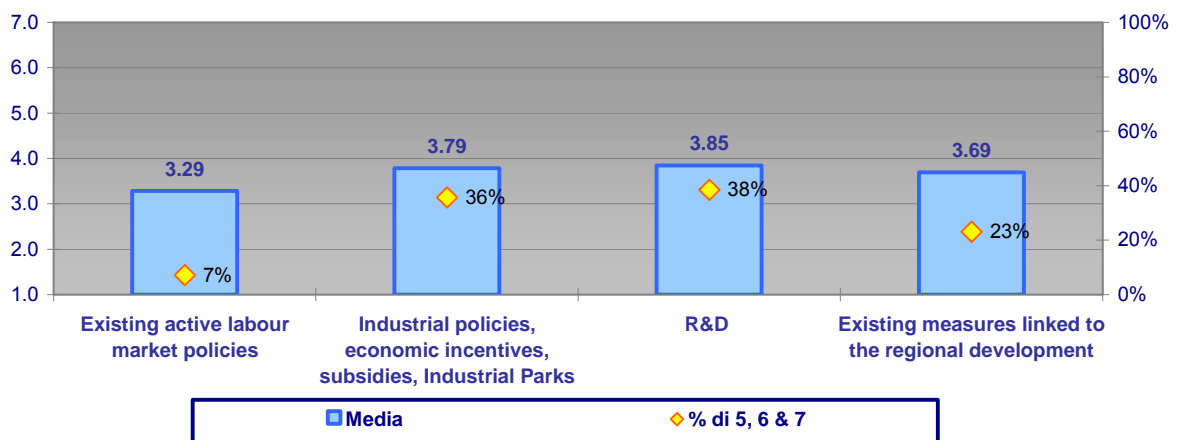
ANTICIPATING RESTRUCTURING

Effectiveness



ANTICIPATING RESTRUCTURING

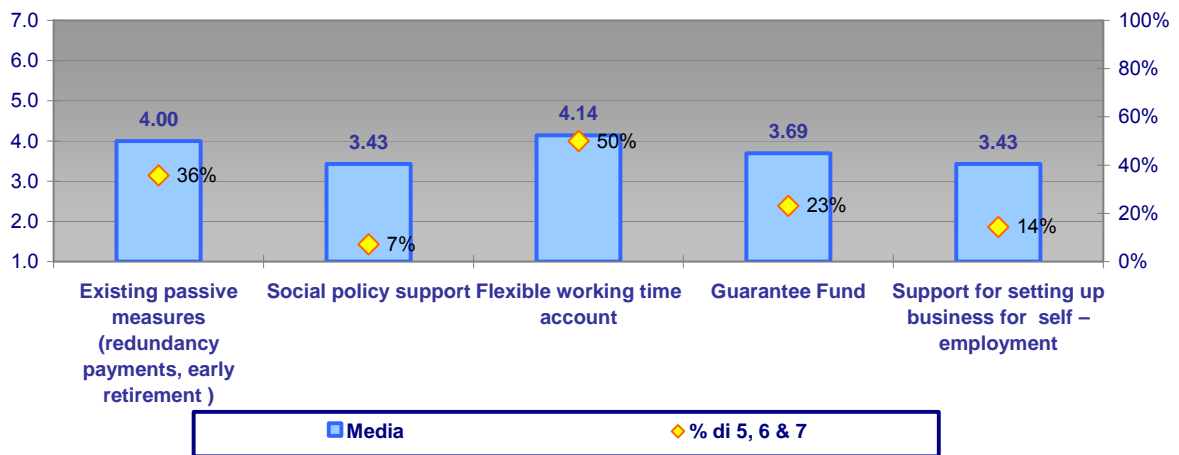
Transferability



Regarding Managing of restructuring the graphs show that the most effective measure/tool is the “ *Flexible working time account*”, that is also perceived as the measure with an high level of transferability.

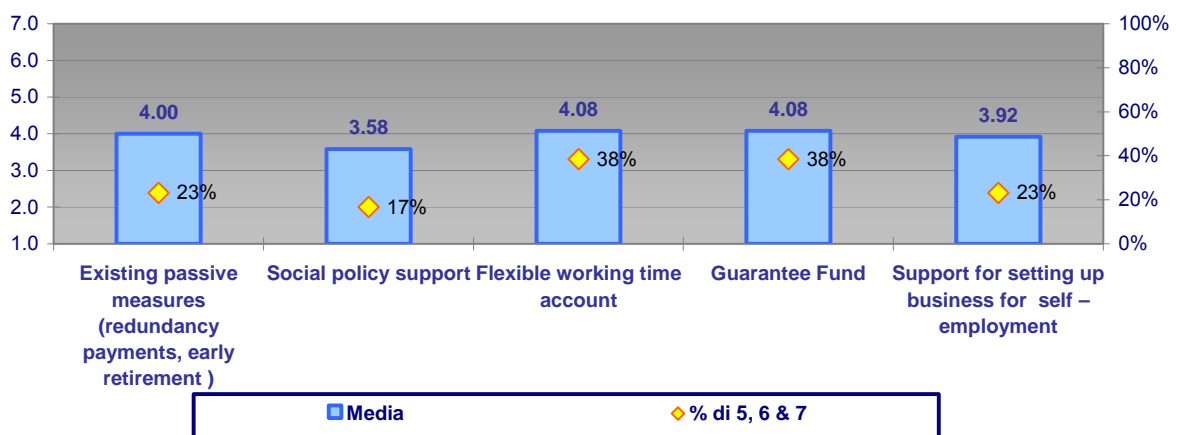
MANAGING RESTRUCTURING

Effectiveness



MANAGING RESTRUCTURING

Transferability



4. Conclusions of the debate

The two-day seminar has highlighted the different points of view and interpretations of the various participants about the effectiveness and transferability of the existing tools to anticipate and address restructuring in Hungary.

In particular, regarding the Anticipatory strategies, the main results of the debate are the following:

- in Hungary, it is difficult to talk about anticipation of change. One sign of this phenomenon is the absence of sectoral strategies (apart from the four strategic sectors, which were designated by the government in 2008, and to which recently action plans have been prepared). For a more remarkable industry policy, on the one hand, the employment and economic policy should be more harmonized; on the other hand, stronger designation of the perspective sectors is needed.
- To understand the nature of structural change in Hungary, not only the continuous change of the economy should be taken into account, but also the long lasting legacies of the transition period: the one million jobs still missing to the optimum level of employment, the persisting regional disparities and the lack of regions with actual territorial-administrative functions. Although the government recognized the current crisis the in time, however, it was unable to give an adequately rapid response.
- Medium-term employment forecasts, estimates of the expected sectoral weights and employment structures were made within the framework of the EU co-funded Social Renewal Operational Program (TÁMOP)
- EU supported training courses and the economy needs are not in harmony. More than half of the people trained for the most needed professions found jobs elsewhere. The reconciliation between interest of society and schools is not successful. There are problems with career orientation, for 80 % of the pupils do not choose the vocational training, instead, do want to obtain a high school final exam ('érettségi'). In trade unions opinions, there is a continuous change in the education system, but this means mainly a series of ad-hoc public interventions. A growing part of the skilled workers seeks jobs abroad, due to the significantly lower wages level in Hungary.
- The split of the economy makes anticipating changes even more difficult: beside the circle of competitive enterprises, consisting mainly of multinational corporations, there is a domestic-owned SME sector, too; the latter requires clearly a different method of forecasting, and special targeted responses would be adequate to address their problems. At company level it is impossible to anticipate changes if the given plant belongs to multinational companies.

The conclusions of the debate on Managing schemes can be sum up as follows:

- the situation of SMEs might be improved slightly by the new company law legislation (e.g. individual firm) and tax rules to be introduced next year. According to opinion of trade unions, it would be important to invest into human capital, especially in the time of crisis; however, the system of training during normal working hours has not yet elaborated at many companies. Along with introduction of government subsidies for promoting shorter working time, however, the possibility of training in idle hours is often faded. The regulation of the company resources paid for training has changed several times, and essentially, they became less attractive for the companies. Introduction of the decentralised

decision-making system in the vocational training system and integration of training places (TISZK), introduced two years ago, are also problematic. The changes controlled from the top have not solved the long lasting problems of vocational training system, so the expected breakthrough did not occur.

- Although regional development is one of the priority area of the EU supported programs (Social Infrastructure Operational Program, TIOP), but in fact the regional approach has not yet developed, the regional and the sectoral principles are often mixed, and in general, the latter proves to be more influential. Nonetheless, there are industrial clusters established, and there is a common interest of cooperation of universities and companies in R&D themes.
- As far as Industrial Relations are concerned, according to the trade unions, the modifications of labour law, which addresses crisis management, have an adverse effect. Whereas flexibility in working time can already be ensured without concluding a collective agreement, the employers' willingness to bargain has diminished. In the opinion of the employers' representative, the extended collective agreements currently in force in the construction and bakery industry will likely be terminated, because the non-wage benefits stipulated by these agreements will be significantly more costly due to the tax laws to be introduced in the next year. The conditions previously negotiated have become unsustainable, because of a relatively minor state interference.

5. Main Results

The National Seminar has contributed to the capitalization and systematization of the knowledge and practice on Restructuring in Hungary.

From the organizational/methodological side the following key elements came out:

1. The Seminar put in evidence the key aspects of the Restructuring schemes in the country.
2. The Seminar has created the opportunity to analyze strengths and weakness points of specific measures and case studies .
3. The synthesis on key concepts (i.e. Anticipation, regional development policies, social dialogue, SMEs implications) was considered very useful.
4. Some suggestions on the future role of some Active measures, arrangements of the current legal framework , further challenges on demographic change and training for accompanying change , were put in evidence.

From the technical side, the seminar offered the opportunity for:

1. knowledge sharing of the main experiences in Hungary.
2. agreeing a common definition on Anticipation as “an on going process for accompanying the change”.
3. considering the Anticipation to change as a well conceived strategy without a specific implementation.

4. focusing on the need to better integrate Active and Passive measures
5. highlighting the relevance of more investments on ALM policies
6. putting in evidence the need to strengthen the role of Collective bargaining
7. drawing the attention on more investments in training.

Finally, with reference to the Evaluation results based on the questionnaires filled in by the participants at the end of the Hungarian Seminar the average of 4,42% was reached , that compared to the ITC-ILO's activities benchmark of the participants' satisfaction [4, 26%] represents a very good performance.