



TITLE OF PRESENTATION: THE IMPACTS OF RAILWAY RESTRUCTURING ON SAFETY AND EMPLOYMENT

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1. Historical background

It might sound bizarre and exotic here in Perth, Australia, to give a short historical background to my paper on "The impacts of railway restructuring on safety and employment". First of all, I would like to talk about the situation of the company between the two world wars, in the socialist era, and I will also mention the external circumstances among which this company had to survive.

In the Austro-Hungarian Monarchy as of the mid-1800s, several companies with extensive but independent networks were set up, primarily related to mining, wood extraction and passenger transport. Passenger transport was centred around Vienna, the capital of the Empire.

As the result of the dynamic railway development at the beginning of the 1900s, an extensive network of linking lines was in place in Hungary, which in terms of quality completely satisfied the requirements of the age.

The state already in this period started to acquire independent railway companies and realising the requirements of a modern age, it also started to establish a single railway network.

The Trianon Peace Treaty after the First World War severely hit not only the country and its economy but also its railway network. Lines were scrapped across fields and cross lines leading nowhere were to be found on territories annexed to newly established nation states.

The newly emerging states in the region inherited railway lines which were not up to the needs of their developing economies.

As a matter of curiosity, let me mention that the first steam-powered railway line in Hungary was opened on 15th July 1846.

The first written records of the railway workers' wage movement dates back to the relatively early years of 1851-52.

I used the expression "wage movement" on purpose as in those years the expression, the concept of strike related to the industrial revolution was not customary in our country.

This wage movement, however, was suppressed.

Between the two world wars, the railway company as an employer had a high social prestige, to which access was difficult but it guaranteed lifelong employment for its workers, and provided social benefits ways above the average those times.

The execution of tasks was performed with strict discipline.

2. The restructuring of MÁV after the Second World War

In the Second World War, 93 percent of MÁV trunk lines and distributing stations were destroyed.

Reconstruction as of 1946 was rapid, but not quality-oriented.

The hastily set up fleet of carriages, engines and the railway lines functioned with a high rate of accidents, derailments were frequent.

The communist party secretaries delegated into the managing board of the railway company considered every accident as a potential sabotage and fear was gaining ground.

The Railway Safety Department (Hungarian abbreviation: VBO) established those times applied police methods to question workers about the accidents.

In spite of this, in these early years -apart from the bickering of economic and ideological leaders appointed and approved by the communist party- a disciplined executive staff performed the functions relatively well. In addition to the permanent shortage of labour, overtime was an everyday reality. The monthly working time of workers frequently reached 250-260 hours.

By the 1960-70s, the old generation had retired or deceased.

MÁV as the state railway company with its labour force of 150 thousand is a major employer on the Hungarian labour market.

Resulting from the geographic location of the country and its role in the Comecon, it played the role of a transit country, domestic transports were significant and accidents related to reversing and rolling were also frequent. To resolve the problems related to the different railway gauge in Europe and in the Soviet Union, the largest inland reloading station of Europe was constructed in the region of Záhony. Machinery often did not function and working conditions were inhuman.

3. The erosion of corporate culture and identity

The shift to socialist ideology and socialist ownership structures in the new political regime brought about unfavourable changes in the attitude and discipline of the new generation who entered the labour market in the 1960s and 1970s. The rate of accidents which occurred in the process of reversing and manufacturing were soaring, annually 55-60 lethal accidents and a further 38-40 accidents with severe personal injuries were recorded all over the network. The level of social benefits was permanently declining and a high labour turnover was observed among executive staff.

In the main stations in the capital of Budapest, so-called posted workers appeared, who were living among poor circumstances in boarding houses far away from their families and were willing to work for a small amount of overtime pay. These workers away from their roots and being used to small stations did not feel comfortable in the capital city in large sorting depots.

The amounts of damage to freight were high due to accidents, regular thefts and pilferage.

In 1968, the ministry responsible for transport elaborated a new transport policy concept. Under the auspices of this concept, they closed down approximately 2,500 kilometres of sidelines and economic railways with a narrow gauge.

The closure of lines, however, was not followed by the development of public roads. Those who were against this concept then have since been proved to be right. Regions without the proper infrastructure have not been attractive to capital in the past decades and currently these areas and regions belong to the disadvantaged regions of Hungary.

4. The new status of safety organisations, the road to EU accession

The National Assembly of Hungary distinguished between personal and material accidents in 1979 and started to adopt legislation regarding the two types of accidents.

After a few years, it has become accepted that accidents involving personal injuries have to be examined from a human aspect whereas accidents involving purely material damage have to be approached from a technological viewpoint. Related accidents are to be examined from both sides.

The above mentioned date is a breakthrough in the approach to accidents because this was the first time that human, family, health and other conditions had also been examined in addition to technological aspects when examining a decision that later led to an accident.

The peaceful transition between 1998 and 2001 posed new challenges to the railway company. In the restructuring process of MÁV, the first step was its transformation into a company limited by shares, still in full state ownership.

At this time, approximately 80 thousand people worked for the company, which covered 8,800 kilometres altogether. Performance was declining rapidly. In the years after the transition, the railway company gradually lost its positions in freight transport. In the economic upswing, transport demands shifted towards public roads.

The requirements of the European Union related to the free market competition and the opening up of the railway lines also appeared but in the early 1990s nobody really knew how to attain these objectives.

Since the beginning of the 1990s up to Hungary's accession to the EU in 2004, a long process of legal harmonisation had to be completed, in the course of which restructuring requirements vis-à-vis MÁV Rt. were more apparent. The restructuring process has still not been completed and has already brought decisive changes in the lives of railway workers.

5. The impacts of railway restructuring on employment and safety

As early as since the 1980s, there have been attempts to improve efficiency and minimise the side-effects of burgeoning internal bureaucracy. These attempts were made in the framework of the socialist regime, which economically speaking proved to be less and less sustainable. However, none of the measures taken in this period had a long-lasting effect. There was a high turnover of Chief Executive Officers who all came up with new concepts but these ideas vanished in the haze. Organisation as such was not an instrument to achieve efficiency but an objective itself and in the company workers grew sceptical about changes, which had been going on for 25 years permanently.

As I mentioned, substantial changes started in the mid-1990s, when in order to increase economic transparency, the major activities of MÁV Rt. were structured into independent economic units, so-called Directorates (handling traffic, passenger traffic, maintenance of tracks, mechanics, etc.).

This was followed by the establishment of a commercial railway unit to comply with EU requirements and to serve the needs of the still state-owned company, which had to withstand market competition. You have to know that in Hungary urban public transport is part of social policy. Citizens over 70 travel free of charge by trains as well.

The client of passenger transport is the state itself via the Ministry of Transport. The accounting rules of subsidised fares are stipulated in a contract between MÁV Rt. and the state of Hungary.

The governments in office, however, regularly violate their contractual obligations and do not reimburse the company for the discounted passenger transport fares. This leads to permanent liquidity problems and has grave impacts on safety. Upgrading is neglected and the costs of daily operation are also covered from the maintenance budget. This contributed to the deterioration of the fleet of carriages, the tracks, safety equipment and it also lengthened maintenance cycles.

The Ministry of Transport pacifies the management who protests against the situation by saying that MÁV Rt. is still an overstaffed organisation, it should have a prudent financial management to cover the deficit and improve its efficiency.

In reality, MÁV Rt. currently employs 53 thousand people, which during the present technical level cannot be reduced any further without having negative effects on safety.

Here I would like to mention that during the past 35 years, 100 thousand jobs ceased to exist within the railway company and it was accompanied by a drastic drop in transport performance and also the length of the railway network was slightly cut.

Our trade union since it was established has been making efforts to conclude employment policy agreements and it has never opposed any technical investments, even if they meant the cutting of the labour force. In such cases, we prefer retraining and reemployment in other positions within the company.

Unfortunately, apart from the three- and four-year agreements, we are not able to conclude long-term employment and wage agreements because the management of MÁV changes after each general election, that is every four years.

Political parties treat their second liners, their loyal followers to the well-paid positions of a CEO, etc. of a state company. This is the compensation for the difficulties they suffered during the years in opposition.

In 2004, there is nobody in the top management of MÁV who has ever worked as a railway worker. This is unprecedented. Here I have to return to the question of employment. The above-mentioned management does not know railway technology and they are not willing to learn more about it, since they are aware of the fact that after the elections and the victory of the opposition they will have to leave their positions and again four rainy years are coming.

In this context, the managements in office have always aimed to survive their terms. The only instrument of improving efficiency for them is the reduction of the labour force, they have no ideas as to improve market positions, if they do have ideas, those ideas border on corruption. Adventurers have come and gone, and organisational restructuring often served individual rather than community purposes.

One clear example of this is the establishment of companies owned by MÁV. The concept is not of decisive importance from the viewpoint of MÁV Rt. but it covers indispensable subsystems. Hypocritically, the objective of these subsystems is to reduce the labour force and thereby improve efficiency. MÁV Rt. establishes companies, which it owns up to 100 percent, for the purposes of the carriage of small goods, gardening, cleaning of carriages, security, etc. and workers at these companies are not on the payroll of MÁV Rt. However, these companies provide the fundamental services, which are indispensable for MÁV to carry out its core activity.

Everybody knows that this type of employment is more costly than employment within the company itself because wages and contributions have to be paid, so does the management of the new company and a profit margin is also necessary.

Our trade union is in for a hot autumn knowing that until 2005 under government pressure a further 5,000 people will be transferred to such companies. These measures seemingly improve efficiency. We know from earlier experience that these workers often are not covered by any collective agreement, they do not benefit from the average pay rise in MÁV Rt., or any other fringe benefits and they work under improper circumstances. The employment culture of these small companies, which fully depend on MÁV Rt. and permanently struggle with financial difficulties is not always legitimate, they have no sources for investment into assets and the level of safety at these companies is deteriorating.

6. Human factors

In spite of the outlined circumstances, there had been no problems until organisational changes affected executive staff. Today they are also affected.

Previously, traditional systems were responsible for technological processes, today the same tasks are performed sometimes by three organisations.

The traditionally uniform engineering functions are under the supervision of three independent managers and these functions are divided into operation, maintenance, repair of carriages, which is also overseen by the Directorate for passenger transport.

It is reasonable to have a clear organisational set-up, but the organisation of our company has only become much more complicated. The increased number of linkages between the functions and directorates make the organisation more susceptible to errors. Vertical information flow has become indirect. Taking the technological level into consideration, earlier overstaffing compensated for technical shortages and technical shortcomings. Nowadays it is over, the multiple control has ceased to exist, daily checks are not carried out anymore, only on a weekly basis, whereas weekly checks are replaced by monthly ones. Workers can be manipulated in a sophisticated way according to business interests.

Whereas earlier the head of a station oversaw the whole spectrum of local activities, nowadays he only has a few employees and performs mostly functions related to traffic administration.

Decision-making takes place far from workers both in passenger and goods transport.

It is now typical of MÁV Rt. not to respect its own instructions, first it attempts to reduce the number of workers, then it tries to impose a certain technology upon the given number of workers.

Our trade union in collaboration with authorities has been successful in fighting against such incidents.

Compared to the EU average, real wages are offensively low in Hungary. This is supplemented with fear from losing one's job, worries for one's economic and financial conditions, as after 15 to 20 years of working for the railways it is rather difficult, virtually impossible, to be marketable on the labour market.

The organisational structure, which sharply divided between activities, the permanent threat to reduce staff had harmful effects on human relations as well.

Traditional corporate culture has ceased to exist and it has not yet been replaced by a new culture.

7. Safety culture and its criteria

The safety culture of a company is determined by the willingness of the management and the staff to accept and respect rules.

So: They should know the rules

They should want to respect them

In the course of work performance they correct each other.

Unfortunately, our situation is also unstable from this aspect.

The traditionally good and profound training and education system has degraded and now it is not more than an available service. Today there are only 7 simulators for dispatchers and engine drivers. These devices are used in the training of staff to handle special, exceptional tasks under unusual circumstances. These devices are only used in basic trainings for new entrants. Unfortunately, in further trainings or examinations these valuable equipment are not utilised sufficiently due to the lack of interest.

8. Motivating factors affecting safety

Recognising the unfavourable trends, MÁV Rt. makes the amount of the premium in certain jobs conditional on safety factors. Apart from checks, the head of a certain unit is accountable in the case of a deteriorating safety situation if it is evidenced by statistics.

In the case of newly appointed leaders, so-called helping controls reveal the shortcomings and determine the measures to be taken. At the executive level, the collective agreement does not cover bonuses for high safety performance, but all workers who reveal and report factors endangering safety and are involved in eliminating them are entitled to a bonus. Here I do not wish to go into detail concerning the motivating effect of disciplinary measures.

9. The position and role of safety organisations in the new structure

In the second half of the 1990s several tragic railway accidents drew the attention of the public and authorities to the specific problems of railway safety. The increasing demand for international services, interoperability gave rise to new aspects of railway safety.

Safety organisations operate within MÁV Rt., which is similar to a holding company. In our opinion, this organisational set-up is advantageous, because safety organisations this way can participate not only in the control but also in the elimination of deficiencies in a direct way.

The Safety Directorate is in charge of technological control, examination of accidents involving material damage, and the safety tasks deriving from fire protection, protection of assets and the carriage of dangerous goods.

Vasútőr Kft. (Railway Guard Ltd.) also belongs here and is responsible for the protection of goods.

In cooperation with the police, railway police also operate in major railway stations.

Their staff should be increased and their responsibility extended, because in addition to technological hazards, external factors, such as vandalism increasingly jeopardise railway safety. The personal safety of the labour force belongs to the authority of the Occupational Safety and Health Department of the Railway Occupational Safety, Health and Environmental Protection Division. In both organisations occupational safety and health representatives perform local tasks. In compliance with the railway safety requirements of the EU, until 2006 a committee independent from the transport authority and the railway company should be set up to examine specific accidents. Such accidents are for example the ones where two railway companies are involved. To this end, the Act on the Railway is to be amended, and the current system of supervision should be modified. Compliance with EU safety requirements imposes a serious task on the railway company in terms of the compatibility of the technical systems, the elaboration of regulations which guarantee a high level of safety, standardisation, and the disclosure of data for the European Railway Agency. Currently, the medical and mental rehabilitation of workers who suffered accidents is being revised.

10. The endeavours and successes of our trade union in improving the culture of safety

Our trade union has focused on the permanent monitoring of safety-related questions since it was established. This is indicated by the fact that a full-time officer is in charge of this field, who reports to the Vice-President.

We played a decisive role drawing up the Code of Occupational Safety and Health of MÁV Rt., which is on equal footing with other Codes and regulations of the Company.

The national Labour Code does not stipulate that such a code should be mandatory.

We regularly check the local working conditions, in accordance with our rights provided for by law. In order to rapidly eliminate deficiencies, we initiate legal proceedings, if need be.

For four years the Occupational Safety and Health Committee of MÁV Rt. was successful. This body coordinated the work of elected safety and health representatives.

Due to the conflicts with the previous management, this body suspended its operation, but this year we wish to resume work. All the more so, because this year the amended Labour Code stipulates that elections should be held at companies employing more than 50 workers.

We try to alleviate the psychological burden stemming from the lack of job safety with wage and employment agreement valid for four years.

With the branches within the company we conclude annual agreements which set the exact amounts to be spent on improving working conditions.

Very often we jointly set priorities.

The Directorate of MÁV Rt. has recently adopted a three-year Safety Concept. This document obliges the management to appropriate certain financial resources in its business plan to implement specific tasks. Deadlines and responsible persons are also defined in the document.

I also have to mention that in addition to the benefits defined in the collective agreement, our trade union organisation provides accident insurance policies for every member.

11. Summary

Ladies and Gentlemen!

In my paper I did not want to bore you with statistical data. In spite of what has been said, MÁV Rt. in terms of safety indicators is in the mainstream of European railway companies. From certain viewpoints we are in a more favourable situation than more developed companies. Such indicator is for example the number of accidents per thousand kms. However, concerning the gravity of accidents we are lagging behind.

If we accept that the level of safety is basically determined by the level of technology, then it is obvious that we have to do our best to technically develop the railway company, even at the expense of jobs.

Organisational changes should be settled as soon as possible and our colleagues should devote all their attention to impeccable work performance.

Laying the foundations of a new corporate culture is of outstanding importance, since this is a precondition for an efficient safety culture. In this effort we will be partners of the management of the Hungarian Railway Company.

Thank you for your attention!