

# Sharpening Profile of HRM in Central -Eastern Europe in Reflection of its Developments in Hungary<sup>1</sup>

**Zsuzsa KAROLINY**

University of Pécs, Hungary

E-mail: karoliny@tkk.pte.hu

**Ferenc FARKAS**

University of Pécs, Hungary

E-mail: farkas@tkk.pte.hu

**Jozsef POOR**

University of Pécs, Hungary

E-mail: poor@tkk.pte.hu

## *Abstract*

*Management of human resources, the same as other fields of management, has altered significantly in Hungary since the democratic transformation and in many respects it is still changing. This paper – while describing the specific Hungarian HR practice and its alterations – makes a comparison of the characteristics of the Hungarian samples of two Cranet surveys. Based on these, we outline the ratio of similarity between the Hungarian and the global (or that of the 32 countries participating in the network) HR practice and the features of HR practices of (6 network member) countries from the Central and Eastern European (CEE) region.*

**Keywords:** *Human Resources Management, CRANET, Central and Eastern Europe and Hungary*

**JEL classification:** O15

## **1. Theoretical and empirical background of the research**

### ***1.1 History of the research***

The management of *personnel matters* was under rigid state control in Hungary like in the other *Central and Eastern European countries* during the 40-year-long socialist era. The so-called personnel issues were tightly monitored by the Communist Party and were controlled by laws and regulations. Beside a number of common features there were smaller and greater differences in the HRM practices in the countries of the region based on their traditions, their level of economic development and the level of economic and political centralization (Koubek-Brewster, 1995).

---

<sup>1</sup> This paper was prepared under the OTKA assignment 78233 „The transformation of HRM at local subsidiaries of multinational firms in CEE countries”

The basic theoretical approach to our analysis is provided by *Comparative HRM*, which is one of the three pillars of the International HRM. Investigating the first two decades of its research Clark et.al, (1999) conclude that a central issue concerns *what is constant* and *what varies across nations*. Further CHRM studies have consistently revealed that there are *significant differences* in HRM around the world. Variations have been attributed to differences in national cultural and institutional (legal, economic and social) environments (Brewster et al., 2000). Because of the increasing volume and importance of international business and the role the MNCs play in it, there was a strong assumption and *some claims of convergence* (Sparrow et al., 1994) in HRM models, practices and issues across national borders.

Comparative research efforts were made mainly to explore the *differences* between the US and the European models of HRM (Sparrow – Hiltrop, 1997; Brewster, 2004). To explain the causes of the similarities and differences, more and more *complex models* were constructed (Budhwar – Sparrow, 2002); and more *refined definitions of convergence* were made to analyse changes over time (Mayrhofer et al., 2004).

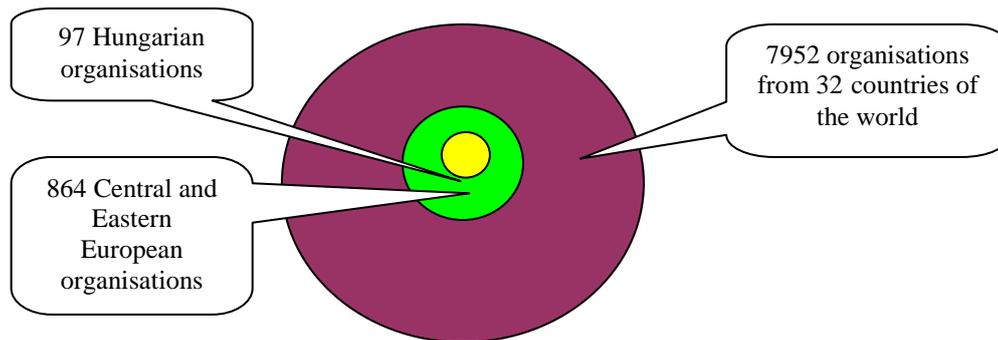
The Cranet, which celebrates the 20<sup>th</sup> anniversary of its foundation in 2010, is a *global network* that provides a coherent and accurate picture of *comparative HRM*. Researchers from a growing number of former socialist countries, including Hungary, have joined to this international HR network. As a member of this established group of top business schools and academic institutions we discussed and published a lot of details and general conclusions of the findings of our first research round (2005) in the Cranet survey. ((Farkas – Karoliny – Poór 2007a, 2007b, Poór – Gross – Farkas – Roberson – Karoliny – Susbauer, 2007)

The establishments of this paper are based mainly on the findings of changes in the two consecutive (2005; 2008) rounds of Cranet surveys as well.

### ***1.2 Methodology and respondents of the survey***

The applied *methodology* of the survey was formulated and has been developed by the research fellows of Cranet. Survey rounds (started in 1990) have investigated private and public institutions with the help of a standardised and predominantly constant *questionnaire*, which consists of seven main parts including about sixty questions requiring objective data, not private opinions. This way the survey research provides the chance of both spatial analysis (of countries and regions) and longitudinal analysis. The research data is processed using SPSS software.

Representing Hungary, the research team of the Faculty of Business and Economics, University of Pécs was admitted in Cranet in 2004, therefore our research team participated in the fourth round of the Cranet project in 2005. Consequently, in 2008 we could utilize our former experiences in organizing our research as part of the fifth round of the project.



**Figure 1 Samples of respondents of Cranet-survey 2005**

In 2005, a survey of almost eight thousand institutions from 32 countries was conducted and analysed, forming three samples of respondents. We compared the data of HR practices in 864 institutions from 6 Central and Eastern European countries (Bulgaria, the Czech Republic, Estonia, Hungary, Slovakia and Slovenia) to the total Cranet sample. Then the data gained from almost 100 Hungarian respondents were compared to the total Cranet data and the data of Central and Eastern European countries (CEE) to seek for similarities and differences.

Our second survey round in Hungary was finished in the summer of 2008, but many other Cranet research teams, scheduled to conduct the survey in the second half of the year, could not finish it because of the effects of the world economic crisis. Consequently this paper assesses only the Hungarian data from this round.

### ***1.3 Features of the samples in the two surveys: similarities and differences***

In respect of the *sectoral distribution* of the organisations participating in the 2005 research project, it can be seen (Table 1/A) that, while nearly half of the organisations in the total sample belonged to the service sector, organisations in the Hungarian and, to an even larger extent, the CEE samples were primarily engaged in building and manufacturing. The proportion of service sector firms in the CEE – and, similarly, in the Hungarian – sample was 40%, forming the second largest sector. The sectoral distribution of the organisations participating in the 2008 survey changed only slightly, but the two sectors changed places, bringing the Hungarian result closer to the distribution of the 2005 total sample.

With regard to the *size of organisations*, in 2005 the data – as seen in the second segment (B) of Table 1 – indicates that more than two thirds of the respondents of the total sample are companies employing more than 250 people. The Hungarian sample is different in that while the proportion of the companies belonging to the two largest size categories is the highest (27%), the percentage of

the smallest size category companies (employing fewer than 250 employees) is also high in the Hungarian sample. However, the CEE sample shows an even higher percentage of the smallest size category of companies.

**Percentage of sectoral distribution and number of employees (%)**

**Table 1**

A. Sectors					B. Number of employees				
	H		CEE	T		H		CEE	T
	2005	2008				2005	2008		
Agriculture	0	1	2	2	- 250	39	63	42	33
Manufacturing	46	41	53	39	251 - 1000	34	20	43	43
Services	40	43	40	48	1001 - 5000	21	16	13	18
Other	14	15	5	11	5001 -	6	1	2	6
Total	100	100	100	100	Total	100	100	100	100

While the sectoral distribution of the Hungarian organisations in the 2008 survey was mainly the same, there are *significant differences in the size of organisations, as almost two thirds of the respondents are SMEs.*

Therefore the representativeness of the Hungarian sample is better, as it is closer to real proportions in Hungary (Román, 2002; Szerb – Ulbert, 2006; KSH, 2007) it also shows more similarities to 2005 CEE sample. Beyond this change, though the number of the large and largest size companies in the Hungarian sample did not decrease significantly, their proportion is still just slightly over one third of all companies.

While the *distribution* of the respondent organisations coming from the *public or private area showed only slight differences* in the two Cranet projects – as the respondents' ratio from the private sector was dominant (about 70%) in all three samples – *the difference between the main markets of products and services was significant.* Hungarian respondents of the 2008 project mainly supplied local or regional markets, while respondents of the 2005 Hungarian sample were suppliers of the national or the European market and one fourth of them distributed their products and services in the global marketplace. This is a significant fact to consider when evaluating their performance factors.

#### **1.4 Main questions and hypotheses**

The objective of our paper, while taking into consideration the changes in the Hungarian samples of the 2005 and 2008, is to answer the following questions:

- Have HR practices changed in Hungary? If 'yes', in which direction have they changed?
- Have features of HR practices applied at companies operating in Hungary converged to those of any of the 2005 samples?
- Are there specific Hungarian features in any of the HR fields?

Based on the results of previous researches our practical experiences in Hungary and the findings of surveys in other CEE countries (Fey et al., 2000; Church, 2003, Alas-Svetlik, 2004 and Vatchkova, 2008) we supposed that:

- HR practices in SMEs is less developed than that of large companies; HR practices in domestic companies are less up-to-date than that of foreign owned.

The changes of the Hungarian sample described above led us to assume that the new *findings would vary* from those of the 2005 research project; that the new results would *diverge from the features of the total sample*; furthermore, we expected a move in the less developed direction in HR practices.

## **2. Findings**

### ***2.1 Position and role of the HR department and function***

#### *2.1.1 Significance and key players of the HR function and HR department*

One of the main indicators of the importance of the HR function is the *labour cost ratio*. The average labour cost ratio of the Hungarian firms was 28% in the 2005 survey. The other Central and Eastern European respondents reported similar ratios - with a maximum difference of +/- 10 percentage points between countries (see Table 2). The significant increase (with 10%) of the ratio in the Hungarian 2008 sample raised it to the top of the CEE region in 2005, which indicates a probability of an increase in the importance of HR affairs.

Two factors that clearly indicate the importance and role of the HR department in the organisation are the position of the *head of the HR department in the organisational hierarchy*, whether he is a member of the Board of Directors or the top management team, and whether he is involved, and in which stage *in developing the business strategy*.

The data of the 2008 Hungarian sample indicate a good and further improving situation in these respects, which is partly the consequence of the change in the relevant question in the questionnaire.

While the head of the HR department was a member of the Board of Directors or the top management team in less than half (47%) of the responding organisations in 2005, the person responsible for HR – who in many cases is the managing director – is a member of the senior management team in almost 90% of the organisations.

Compared to both other samples, a high percentage of the Hungarian respondents claimed to *have a written or unwritten business and HR strategy* in both the 2005 and the 2008 surveys.

Companies that have a written strategy *involve the head of HR* or the person responsible for HR *in strategy building from the beginning of the process*.

## The position and role of the HR function and the HR department

Table 2

	Gender distribution in HR male (%)	Labour costs ratio (%)	Head of HR (2005)* in BD (%)	Head of HR (2005)* in strategy development (%)	Existence of strategies (%)	
					Business written + unwritten	HR written + unwritten
H 2005	22	28	47	58	79+14	60+25
H 2008	24	38	88	60	75+15	43+31
CEE	29	19-38	40-67	30-59	40-88	44-73
T	40	19-64	40-70	30-73	26-88	44-80

\* person responsible for HR (2008)

To identify the *key players in HR* the following question was asked: "Who, and to what extent, is responsible for making decisions in the area of human resource management?" We investigated the collaboration of the line management and HR departments in decisions made about key areas of HR: workforce expansion/reduction, recruitment and selection, pay and benefits, training and development, and industrial relations. The results derived from the 2005 samples are the following:

- The typical practice in the studied fields of HR policies is *shared responsibility*. In almost all surveyed HR fields and *in all of the studied samples* the proportion of decisions made primarily by either line managers or HR specialists, but in consultation with the other party, at least exceeds 50%, and in most cases it is in excess of 60% or even 70%. *Cooperation* and consultation in decision-making was mainly characteristic of the *areas of recruitment-selection and workforce expansion/reduction*.
- *The dominance of line managers* is prevailing in the areas of *workforce expansion/reduction and pay and benefits*. In this respect however, *there are differences in the 2005 samples*:
  - The area of *workforce expansion/reduction* shows the highest rate of independent decision making by line managers. While this proportion is almost equal (20%) in the Hungarian (see Table 3) and the total samples, it is over 30% in the CEE one.
  - In the field of *pay and benefits* the differences between the CEE practices are even bigger. While both the Hungarian and the total samples reveal a ratio of about 20%, the exclusive predominance of line management in decision making is more than twice as high (41%) in the CEE sample.
- The field of *industrial relations* was where *HR specialists' authority* is the greatest. In the total sample it is over 30%, while the CEE firms reported a much lower rate (15%). Hungarian responses reveal an intermediate value of around 27%.

**Distribution of primary responsibility for major policy decisions on key aspects of HRM in the Hungarian samples (%)**

**Table 3**

Decision makers	Pay and benefits		Recruitment and selection		Training and development		Industrial relations		Workforce expansion / reduction	
	2005	2008	2005	2008	2005	2008	2005	2008	2005	2008
Line management	20	58	10	43	7	43	11	40	20	49
Line management in consultation with HR department	44	24	36	28	39	18	18	13	48	28
HR department in consultation with line management	34	18	45	24	39	37	44	23	26	22
HR department	2	0	9	5	15	2	27	24	6	1
Total	100	100	100	100	100	100	100	100	100	100

Assessing the 2005 CEE sample, it can be concluded that *line managers had a predominantly higher level of responsibility than in the total sample*. However the findings in the Hungarian sample were closer to those of the total one.

The results from the 2008 Hungarian sample show *significant changes* compared to the situation in 2005. The following conclusions (see table 3) can be made:

- *Line management has primary responsibility for making decisions in every key HR function in 40% of responding Hungarian organisations. In the field of pay and benefits and workforce expansion or reduction, this rate is almost 60% and 50%, respectively.*
- *The practice of HR decision making in consultation with line managers remained significant only in the training and development function.*
- *The field of industrial relations was the only area where HR specialists' autonomous decision-making remained, but the number of this type of decisions was low in 2005 and it decreased in 2008.*

These changes in HR practices mean that the findings of the 2008 Hungarian sample are similar to those of the CEE one in 2005, which diverged from the total sample significantly. So the *predominant role of line managers can be considered a special feature of Central and Eastern European HR practice*. However, the fact that *HR departments have primary responsibility (though restricted in many cases) in the field of industrial relations seems to be a universal tendency*.

## ***2.2. Practice and solutions in key functions of HRM***

### *2.2.1 Staffing practices*

Although the tendencies of changes in the total number of employees working for Hungarian organisations were not different, there was a variation in proportions. Most of the surveyed organisations were decreasing their workforce in both of the studied periods.

There was no change in the frequency use of the most and least common *workforce reduction methods*. The most popular ones were *recruitment freeze and redundancies*; outsourcing was reported to be the least utilised one. In addition to this, the *importance of recruitment from inside* as a form of staffing *grew* in all employment categories. Multiple *methods of recruitment* were used in recruiting all categories of employees, both in traditional solutions (e.g. advertisement, word of mouth) and in electronic ones (e.g. company and commercial web pages).

Analysis of the 2005 survey on frequently implemented or mostly neglected *selection methods and techniques* shows the following features:

- All findings of the survey proved the *high emphasis on selecting managers*. Certain methods (e.g.: assessment centre) were used mainly when selecting applicants for these positions; and results from multiple techniques were used to support decisions on selection.
- Compared to the high emphasis on selecting managers, selecting manual workers meant the other extreme end of the scale. *Manual workers* were most often selected using less expensive and simpler methods.

The findings of the 2008 Hungarian sample showed that *application of specific selection methods moved closer to the 2005 total sample*. Reliance on references ranked as the second most important method.

### *2.2.2 Employee development*

#### *Performance appraisal*

Data from the 2005 Hungarian sample showed (see Table 4) that performance appraisal systems were quite widely used; results exceeded those of the total sample in two employee categories. In this regard, the 2008 Hungarian data show a decrease, however this might be a more realistic picture. The latter also shows that large companies are not the only ones to use performance appraisal systems in Hungary.

Performance appraisal is mostly used in managerial and professional / technical staff categories – just like in CEE and total samples. In the case of manual and clerical workers, the values of the 2008 Hungarian sample are well below those of the other 2005 samples.

The last aspect of performance appraisal systems we investigated was: *which other HR fields rely on information from appraisals*.

### Proportion of the use of formal appraisal systems (%)

Table 4

	Managers	Professional / Technical	Clerical	Manual
H 2005	80	80	71	52
H 2008	59	58	45	35
CEE	63	59	61	53
T	72	72	71	63

For almost all HR functions, Hungarian respondents indicated a high reliance, these results were very similar to the total sample. Data in Table 5 shows that appraisal results are taken into account the most often (86-87%) when identifying *training and development* needs. In the Hungarian sample, next come career moves and pay determination with a level of importance of 77% for both. The corresponding values in the total sample are 78% and 72%, respectively. For CEE respondents the ranking is the following: *pay determination* (78%), analysis of training needs (72%), career (58%), and workforce planning (57%).

Table 8 shows that in 2008, companies in the Hungarian sample *used PA results more in pay determination than in training and development*: this brings Hungarian practices closer to the CEE sample. *This ranking seems to be characteristic of HR practice in Central Eastern Europe.*

### Proportion of use (%) of results of performance appraisal in other HR fields in the Hungarian samples

Table 5

	2005	2008
Pay	77	71
Training and development	86	64
Career moves	77	46
Workforce planning	65	51

#### *Training and development*

The importance of training and development in the life of the surveyed organisations can be presented through *the proportion of the organisations' annual payroll costs spent on training*. In the 2005 survey the *Hungarian figure was the highest* (3.54%) in our three samples, though it is not highly above the average value of the total sample (3.36%). Central Eastern European organisations, on average, spent 3.15% of their annual payroll costs on training in that period.

The average Hungarian annual payroll cost/training cost ratio increased to 4.1% in the 2008 survey. This is a change in the positive direction as it proves the high and increasing significance of training and development. Its importance even higher as it is observed in a sample of organisations where the proportion of SMEs is high. *This seems to bring into doubt the weak HR practice of Hungarian SMEs surveyed or assumed earlier.*

These positive aspects warrant a further study of the *time spent on training*, as this can reflect the importance of training as well. When we examine the number

of days spent on training by staff categories (see Table 6) in the 2005 survey, there is a notable difference between the practices of CEE organisations and those of the total sample. In CEE, the training provided for managers and professional employees is longer, that given to manual workers is shorter.

### Training days per year in different staff categories

Table 6

	Managers	Professional / Technical	Clerical	Manual
H 2005	5,9	6,2	3,7	4,3
H 2008	6,81	6,63	3,53	1,98
CEE	7,2	6,8	4,2	3,8
T	6,1	6,1	4,0	4,2

In the number of days spent with training, the 2008 Hungarian responses indicate a *significant change, raising the average number of days of training for employees with higher positions* (see Table 6). It moves the 2008 Hungarian sample from the 2005 total sample into the direction of the CEE one. A significant difference is the very short time spent on trainings in the case of lower positions. *That training and development is centred on managers and higher position employees seems to be a CEE feature.*

#### 2.2.3 Compensation and benefits

##### Levels of basic pay determination

Tendencies for managers and manual workers are shown by data in Table 7; characteristics of the determination of professional and clerical employees' basic pay will be outlined in relation to this. In the field of special levels of basic pay determination, the following distinct characteristics can be identified in the *four staff categories*:

- The basic pay determination for *managers* in 2005 is made primarily at the individual level, secondly at the company or division level. The results of the survey in all samples show negligible differences in this area, though individual-level pay determination for managers became even more frequent in the 2008 Hungarian sample.

### The role of various levels in basic pay determination (%) in staff categories

Table 7

Levels	Managers				Manual staff			
	H		CEE	T	H		CEE	T
	2005	2008			2005	2008		
National/industry-wide collective bargaining	8	20	17	23	9	16	22	38
Regional collective bargain	3	6	7	6	4	10	12	15
Company/division	39	50	35	35	38	44	31	25
Establishment/site	21	12	12	18	26	21	23	17
Individual	42	76	50	49	21	58	20	17

- In 2005, in the total sample of 32 countries, the basic pay of *manual workers* is predominantly determined on the level of *national or industry-wide collective bargaining*; with the second most important being *company level* pay determination. Table 10 reveals *significant differences* between the practice adopted by organisations in the total sample and that of CEE, especially Hungarian organisations. Pay determination for manual workers *in Hungary is primarily a company- or division-level* affair, and establishment/site- and individual-level forms of pay determination are also used. This is due to the fact that the trade unions and the agreements they reach have a rather limited role on regional, industry-wide and national levels. *In 2008, individual-level forms of pay determination ranked first in this category*, while company level responsibility ranked only second.
- In the total sample, pay determination on the individual, company and national/industry-wide bargaining levels is almost equally represented in the case of *professional and clerical employees*. The weakness of Central and Eastern European and, especially, Hungarian trade unions in such matters is well reflected by the fact that in these staff categories in the total sample national or industry-wide collective bargaining accounts for 30%, in the CEE sample it is 20%, while in the Hungarian one it is only around 10%. In 2008, in this category as well as the other, individual-level forms of pay determination ranked first, with company level responsibility being second.

It can thus be concluded that the basic pay of employees in higher positions was determined primarily at the individual level in the total sample while that of employees in lower positions on the national or regional level. However, *in the Central Eastern European, especially in the Hungarian sample the individual and company-level forms of pay determination dominate in almost all categories of employees.*

#### *Variable, performance-related pay and financial participation*

Based on the responses given to the questions inquiring about variable pay and the adopted forms of financial participation, it can be established that:

- *Managers in all three samples are in a special position:*
  - In 2005, *managers benefited the most* from both variable pay and financial participation. This did not change in the Hungarian sample of 2008.
  - In 2005, this staff category was most likely to have performance-related pay determined primarily on the basis of the *company-wide performance*, predominantly so in Central Eastern Europe. There is a significant change in the 2008 Hungarian sample, as individual performance is the basis of PRP both in case of managers and professional employees.
- *PRP is more often available* to employees in all staff categories *than various forms of financial participation*;

- *Basis for determining PRP* was the *individual performance* first, and the company's performance second;
- In spite of the fact that the importance of teamwork is so often emphasised, *team- or department performance* as a factor influencing variable pay occupies only the third, i.e. *the last place* in the ranking in every surveyed sample. However in the 2008 sample it ranks second in the category of professionals, and it is getting more important in the category of managers.
- A comparison of the samples shows that - irrespective of staff categories - the *significance of variable pay in Hungarian organisations is slightly higher*, whereas in CEE organisations it is considerably higher than in the organisations of the total sample in 2005. The changes of the Hungarian sample in the 2008 survey show a tendency towards the situation in CEE organisations.

#### 2.2.4 Industrial relations

Our research findings in the 2005 show, that *the Hungarian sample has the highest proportion of non-unionised organisations (35%)* and the lowest proportion of organisations where over three quarters of the workforce are unionised (6%).

In the other CEE countries - with the exception of Slovenia - the proportion of organisations employing only non-unionised workers is similar to that of Hungary, and is considerably (by over 10 percentage points) higher than the corresponding data of the other surveyed countries (20%). The divergence of the Hungarian sample from the other two samples is even stronger in the 2008 survey as only 13% of the responding organisations stated that most of their employees were unionized.

Consequently it is not surprising that 60% of the respondents reported that their organisation is not influenced by trade unions at all and none of them reported that their organisation is significantly influenced by them. This, though is not a new tendency as in 2008 92% of the companies stated that the influence of trade unions had not changed in three years and only two out of 139 companies reported that their influence grew, and nine of them that it decreased.

### 3. Summary of findings and conclusions

#### 3.1. Position and role of the HR department and function

The main *characteristics of the 2005 Hungarian sample*, same as the features of the role and importance of the HR function of the organisations surveyed, were *similar to those of the total sample of 32 countries*. Composition of the participants in the second survey changed in such a way that the characteristics of the sample are more representative of the real distribution of Hungarian organisations. *In three years*, HR practice in the respondent organisations also changed in many respects, and so the *Hungarian features became similar to those of the 2005 Central and Eastern European sample*, converging to those values.

One of the *most important changes* was the decrease of independent HR departments, due to the variation of the size of organisations in the sample (specifically, the dominance of SMEs).

- *However, the significance of the HR issues and the specialists representing them did not decrease.* More HR representatives are members of top management, many companies have a (written) HR strategy with the HR representative being involved in developing business strategy from the beginning of the process.

Often, of course, *this representative is not the HR specialist per se*, as a number of these organisations simply do not employ such a person. The management of those SMEs which do not do so generally implement formalised, up-to-date management methods, and *top managers set up HR policy* (often being the sole decision-makers in HR issues). It is only in the field of industrial relations (in all samples, as this is a universal feature) that HR specialists have a sole responsibility. Significance of IR in the Hungarian sample, however, is very limited.

- Altogether, this means that while shared *responsibility for HR matters* is typical of the total sample, the *CEE* one shows the *sole or dominant responsibility of line managers*. *This seems to be a specific feature of Central Eastern European HR.* Looking at it another way, this indicates a diminished role and influence of CEE HR specialists, emphasised also by the *high proportion of women* in this profession. The Hungarian HR profession – as evidenced by both survey rounds – is especially female-dominated.

### **3.2. Practices in key HR functions**

About half of the applied *solutions in the field of HR key functions in Hungary were similar to the 2005 total sample*. The 2008 Hungarian sample shows changes due to modernisation, and *more than half of them were similar to the total sample or converging to it*.

- The mostly *unchanging elements* in HR key functions in the two Hungarian surveys, also being features of the total sample, *seem to be universally adopted practices*. One of these is the fact that *managers are in focus of the practice of HR key functions*, as
  - they have the *highest prominence in terms of staffing*, since both the most numerous and the most expensive, modern techniques of selection are used simultaneously to select them,
  - they are best informed about the most issues by *internal communication*,
  - the *combined package of performance-related pay and financial participation* is offered mainly to them,
  - they are the ones most likely to be given variable remuneration packages based on their *individual and company performance*.

- Most of the characteristic *features of the Central Eastern European sample* also refer to managers. Our findings in this respect were that:
  - *performance related pay* is very significant in their remuneration,
  - the *annual average number of training days* and the *training cost* is the highest in this staff category,
  - *formal performance appraisal* is used to the greatest extent in this category,
  - they are *informed to the highest level*, while the *direction of communication channels* is mostly *top-down* and rarely bottom-up.
- Analysing results from the CEE sample we also found that:
  - performance appraisal is primarily used to create a basis for *compensation* decisions, not only for managers but for all staff categories,
  - the *role of trade unions* is moderate and their influence is decreasing,
  - as a result of this the *role of collective bargaining* in the determination of basic pay is very limited even in the staff category of manual workers.

Beside the strong female dominance of the HR profession we identified a specifically *Hungarian feature* in that the typical *level and method of basic pay determination* is *individual bargaining* even in the staff category of manual workers.

Assessing the changes in human resource management in Hungary we can state, on the basis of the recent survey, that, in spite of the dominance of SMEs and domestic companies in the sample, the *rate of implementation of up-to-date techniques in key HR functions, compared to the features and averages in the total sample does not show the expected deterioration and divergence, but improvement or even a slow convergence.*

## Refereneces

1. Alas, R. – Svetlik, I., 2004. “*Estonia and Slovenia: Building Modern HRM. Using a Dualist Approach*”. In: Brewster, C., Mayrhofer, W. & Morley, M. (eds.): *Human Resource Management in Europe. Evidence of Convergence?* London: Elsevier.
2. Brewster, C. / Mayrhofer, W. / Morley, M. (Eds.), 2000. *New Challenges for European Human Resource Management*. Macmillan, Basingtoke
3. Brewster, C. (2004): “*European perspectives on human resource management*”. *Human Resource Management Review*, 14: 365-382.
4. Brewster, C., Mayrhofer, W. & Morley, M., 1994. *Human Resource Management in Europe. Evidence of Convergence?* Elsevier Butterworth-Heineman, Oxford.
5. Budhwar, P. S., Sparrow, P. R., 2002. “*An Integrative framework for understanding cross-national human resource practices*”. *Human Resource Management Review*, 12. pp. 377-403.

6. Clark, T., Gospel, H., Montgomery, J., 1999. "Running on the spot? A review of twenty years of research on the management of human resources in comparative and international perspective". *International Journal of Human Resource Management*, Vol. 10. No. 3. pp. 520-544.
7. Church, A., 2003. "Returns to human capital investment in a transition economy: The case of Russia 1994-1998". *International Journal of Manpower*, No.1.pp.11-30.
8. Farkas, F., Karoliny, Zs. & Poór, J., 2007a. "Human Resource Management in Hungary in Light of Eastern European and Global Comparison". *EBS Journal*, 2007, No.2. pp.19-36
9. Farkas, F., Karoliny, Zs. & Poór, J., 2007b. "Human Resource Management in Hungary in Light of Eastern European and Global Comparison" pp. 1- 45. Working Paper Series Volume 1, Issue 1. UP FBE – Dean G. Rappai, PTE KTK, Pécs
10. Gross, A., Farkas, F. et. al., 2007. "Human Resource Management in Central Europe: Policies and Practices". In: IBEC, San Francisco, CA, January 4-7, (Conference Internet Site)
11. Keating, M., Thompson, K., 2004. "International human resource management: overcoming disciplinary secretarianism". *Employee Relations*, Vol. 26 No. 6. pp. 595-612.
12. Koubek, J., Brewster, C., 1995. "Human resource management in turbulent times: HRM in the Czech Republic". *International Journal of Human Resource Management*, 2 pp. 223-247.
13. KSH (2003): *Magyar Statisztikai Évkönyv 2003 (Hungarian Statistical Yearbook 2003)* (In Hungarian) Budapest: Központi Statisztikai Hivatal.
14. KSH (2007): *Gyorstájékoztató. A regisztrált gazdasági szervezetek száma, 2007. I. félév* (Newsletter. Number of registered organisations in Hungary) Budapest: Központi Statisztikai Hivatal, July 29.
15. Mayrhofer, W., Morley, M. & Brewster, C., 2004. "Convergence, Stasis, or Divergence?" In: Brewster, C., Mayrhofer, W. & Morley, M., 2004. *Human Resource Management in Europe Evidence of Convergence?* Elsevier, London
16. Román, Z., 2002. *A kis- és középvállalatok a Magyar gazdaságban. (SMEs in Hungarian economy. Hungarian Statistical Review)* Statisztikai Szemle, No. 8.
17. Sparrow, P., Schuler, R. & Jackson, S., 1994. "Convergence or divergence? Human resource practices and policies for competitive advantage world-wid". *International Journal of Human Resource Management*, No. 2. pp. 267-299.
18. Sparrow, P., Hiltrop, J. M., 1997. "Redefining the field of European human resource management: a battle between national mindsets and forces of business transition". *Human Resource Management*, No.2. pp.201-219.
19. Szerb, L., Ulbert, J., 2006. "The examination of the factors of growth in the Hungarian small- and medium size business sector". (*Hungarian Statistical Review Special Issue*) Statisztikai Szemle, Különszám pp.100-123.
20. Vatchkova, E., 2008. *Comparative analysis of HRM practices in former communist countries*. International Conference on 'New Trends and Tendencies in Human Resource Management – East meets West' Pécs, Hungary, 13-14 June