

# Hungarian Employment Law

Insights

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Bordering seven other European countries, Hungary occupies a strategic location in Central Europe. Hungary is a member of the European Union, the North Atlantic Treaty Organization, and the Organisation for Economic Co-operation and Development. As with many Central and East European economies, the transfer from a planned to a market economy has not been easy for Hungary, and it suffered greatly during the transition and subsequent global recession. Compounding its problems, Hungary has suffered from an uncertain political climate since the election of a centre-right government led by Prime Minister Viktor Orban in April 2010. Mr. Orban's tenure has been marked by controversy, including criticisms that press freedom has been curtailed, and that Orban's government has undermined the independence of the central bank and constitutional court. As a result, Hungary's relationship with the European Union has been tense at times.

The Hungarian currency, the forint, has suffered from the uncertainty, but there are signs that the Hungarian government has moderated its stance. In recent weeks, Mr. Orban's government has appeared to have toned down its inflammatory rhetoric and expressed willingness to work more closely with the European Union toward further economic reforms. Hungary nevertheless remains an attractive place to do business because of its highly educated, literate population and relatively low labor costs. Because Magyar, the predominant language spoken in Hungary, is unlike any other European language, most younger Hungarians are fluent in several other languages, and many study and work abroad before starting a career in Hungary.

Industry, services and agriculture make up the bulk of Hungary's economy, and Hungary remains a popular tourist destination. Hungary's main industries include mining, textiles, chemicals, including pharmaceuticals, and metallurgy. Germany is Hungary's most important trading partner, and the United States is Hungary's sixth largest export market. Approximately 80% of Hungary's trade is with other OECD countries.

## Employment in Hungary

Employment in Hungary is largely governed by the Hungarian Labour Code, and the court system is charged with enforcing the provisions of the Labour Code. The Labour Code prohibits discrimination against employees for any characteristics not related to their employment, such as age, gender, nationality, race, ethnic origin, religion, political convictions, or any other characteristic that is not job-related.

Like most other European countries, Hungary requires that the employer and employee enter into a written contract at the beginning of the employment relationship. At a minimum, the contract must clearly identify the parties to the contract, provide a description of the employee's job duties, set out the salary terms, and describe the location(s) where the work is to be performed. The contract may only be amended with written consent of both parties. Once the employee is hired, employers are obliged to promptly notify the taxing authority. Employment of foreign nationals in Hungary is generally permitted pursuant to a special permit, depending on the country of origin. Employers are required to make social security, pension, and health insurance contributions on behalf of each employee.

The Labour Code also governs working hours, holidays and leave, and termination of employment, among other subjects. Both collective bargaining and works councils, which also represent employees, are permitted.

Under the Labour Code, employees generally are not permitted to work more than 12 hours per day, and 48 hours per week. Employees are entitled to a minimum of 20 vacation days per year, although an employee's entitlement to vacation increases with age; that is, older employees are entitled to more leave than younger employees. In addition, Hungarian employees are permitted additional leave under certain circumstances. For example, a new mother is entitled to 27 weeks of paid maternity leave, with additional unpaid leave available until the child reaches the age of three; employees receive 15 days of sick leave per year, and single parents and caregivers for sick relatives are provided additional leave as needed. The Labour Code also provides for paid study leave under certain circumstances, and unpaid leave up to one year for employees building a house "with their own resources."

## **Employee Termination**

The Labour Code also restricts employee terminations, requiring that an employment contract for an indefinite term may be terminated only with written notice. There are four circumstances in which an employment agreement may be terminated: ordinary notice, extraordinary notice, termination during the probationary period, and termination of the relationship by mutual consent. About one-third of all employment disputes heard by the courts involve unlawful termination allegations, so a would-be employer would do well to be sure that all Labour Code provisions have been met during the course of the employee's employment and throughout the termination process, and that the reasons for termination have been well documented. The court system in Hungary is seen as especially employee-friendly.

Where an employee has a contract for an indefinite term of employment, the employer may terminate the contract with ordinary notice. The termination notice must clearly enumerate the reasons for discharge, and failure to do so renders the notice unlawful. The notice must also describe the employee's legal rights and the process for the employee to make a claim protesting the termination. Employees may only be discharged with ordinary notice because of their behavior or abilities in relation to the job, and must be given the opportunity to rebut the termination reason. The

notice must be provided at least 30 days prior to the actual discharge date. Up to one-half of the notice period may be taken as paid leave to assist the employee to find another job

No notice period is required where the employee has engaged in behavior that is grossly negligent or has intentionally and materially breached his or her contract with the employer. As with ordinary notice, the employer must clearly describe the reason(s) for termination in writing, and must give the employee an opportunity to dispute the reason(s) for discharge. Where the employer terminates the relationship, the employee is not entitled to severance. If the employee finds it necessary to terminate the employment relationship under this provision, the employee is entitled to severance as would have been paid under the ordinary notice provision.

As with employee hiring, employers must notify the taxing authorities when discharging employees. The Labour Code provides special procedures for employee layoffs, and the law is unforgiving where employers fail to follow its provisions.

### ***Related People***

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