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Labour Law and Employment in Hungary - 2019 Guide



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EMPLOYMENT POSSIBILITIES

Employment relationship in may be concluded for **fixed term employment** and for **indefinite duration**.

Fixed term employment

The period of fixed-term employment in Hungary shall be determined according to the calendar or by other appropriate means. The duration of a fixed-term employment relationship may not exceed five years, including the duration of an extended relationship and that of another fixed-term employment relationship concluded within six months of the termination of the previous fixed-term employment relationship.

A fixed-term employment relationship may be extended, or another fixed-term employment relationship may be concluded within six months from the time of termination of the previous one upon the employers legitimate interests.

Indefinite duration (permanent employment)

According to the intention of the parties, if they do not define the term of the employment relationship or they define it as “indefinite duration”, the contract is concluded for an indefinite duration.



EMPLOYMENT CONTRACT MINIMUMS

In Hungary, the conclusion of a **written employment contract** is a pre-requisite to enter into an employment relationship. It is the **employer's obligation to set forth any employment contract in writing**.

There are essential items in the contract, which has to be included. The parties of the employment contract must agree by all means on both **the personal base wage** and the **position of the employee** – these terms are essential under Hungarian labour law.

It is not essential for the parties to set the **place of work** and the duration of the employment contract as well as the starting date of the employment relationship (lack of agreement on these issues will not affect the validity of the employment contract and relationship).

If the parties fail to define the place of work, then the place where the employee regularly performs his work shall qualify as the place of work.

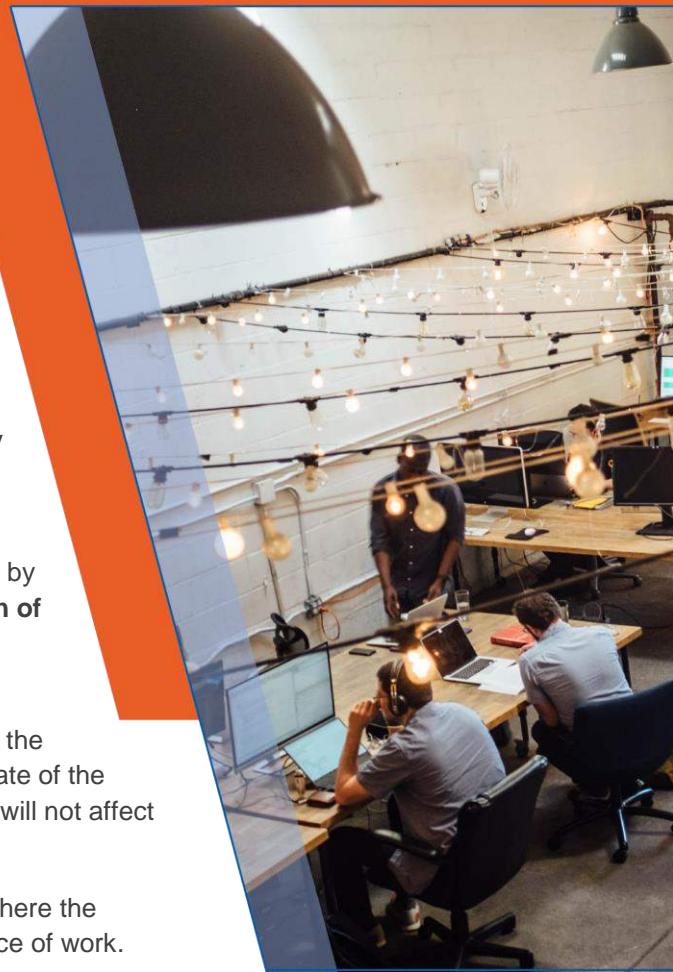
The term of the employment relationship shall be defined in the employment contract. Failing this, the employment relationship is concluded for an indefinite duration.

In the absence of an agreement to the contrary, all employment relations are concluded on general principle for full-time daily employment.

Besides the essential and mandatory elements discussed above, the parties may set any other term they wish to provide for in the employment contract. The only thing the parties need to be aware of: such term may not be in violation of statutory labour law.

As a general rule, the employment contract may derogate from the provisions of Part Two and from employment regulations to the benefit of the employee.

In the case of executive employers, the parties are to agree on the terms of employment and there are less minimum terms to observe and apply of the Labour Code.



PROBATIONARY PERIOD

In the Hungarian employment contract the parties may stipulate a **probationary period of not more than three months** from the date of commencement of the employment relationship. In the event that a shorter probationary period has been stipulated, the parties may extend the probationary period once. In either case, the duration of the probationary period may not exceed three months.

Probationary period could be stipulated in case of fixed term employment and also in case of permanent employment.

Stipulation of probationary period shall be included in the employment contract.



TERMINATION OF THE EMPLOYMENT

Cases of termination of employment depend on the intention of the parties.

An employment relationship in Hungary may be terminated in three ways: **by mutual consent, by notice, by dismissal without notice.**

Termination by notice

An employment relationship may be terminated by the employee and the employer by notice. If so agreed by the parties, the employment relationship may not be terminated by notice for a period of up to one year from the date of commencement of the employment relationship.

Employers must justify their dismissals in writing. The reasons must be clearly specified, authentic and substantial. Reasons of termination by notice may be in

connection with the employer's behaviour in relation to the employment relationship, with the employee's ability or in connection with the employer's operations.

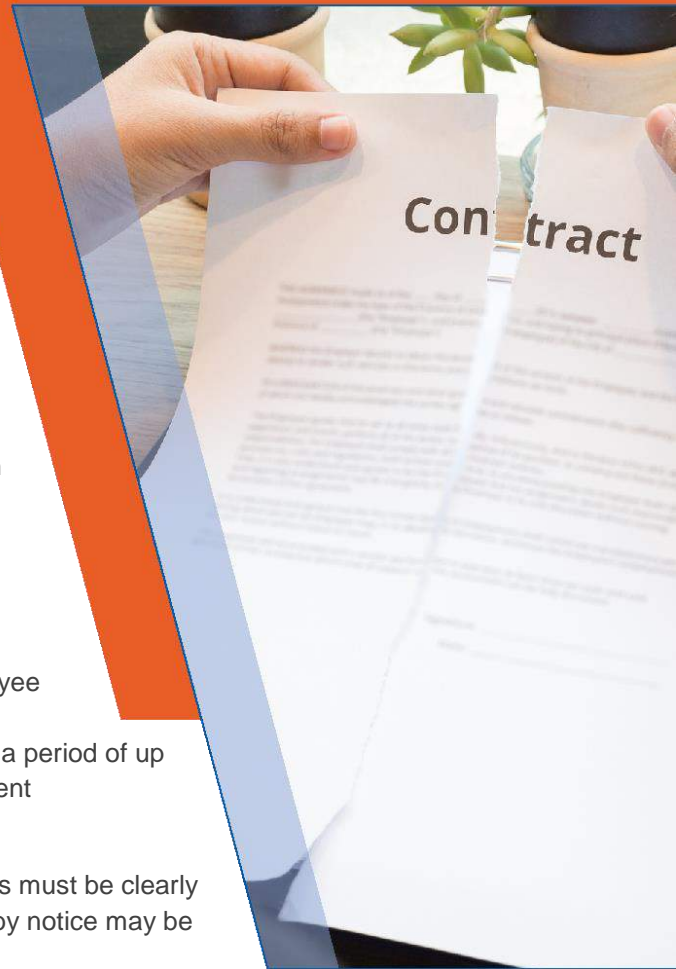
The employer shall be permitted to terminate a fixed-term employment relationship by notice:

- if undergoing liquidation or bankruptcy proceedings; or
- for reasons related to the employee's ability; or
- if maintaining the employment relationship is no longer possible due to unavoidable external reasons.

Restrictions:

The employer may not terminate the employment relationship by notice:

- during pregnancy;
- during maternity leave;
- during a leave of absence taken without pay for caring for a child;
- during any period of actual voluntary reserve military service; and
- in the case of women, while receiving treatment related to a human reproduction procedure, for up to six months from the beginning of such treatment.



The period of notice is **thirty days**.

Where employment is terminated by the employer, the thirty-day notice period shall be extended:

- by five days after three years;
- by fifteen days after five years;
- by twenty days after eight years;
- by twenty-five days after ten years;
- by thirty days after fifteen years;
- by forty days after eighteen years;
- by sixty days after twenty years

of employment at the employer.

By agreement of the parties the notice periods referred before may be extended by up to six months. The period of notice for the termination of a fixed-term employment relationship by notice may not go beyond the fixed term.

Termination by mutual consent

The termination by mutual consent is not regulated by expressed Hungarian Labour Code provisions. Termination by mutual consent allows to the employer and employee to agree freely but in agreement with each other on the conditions of termination.

Dismissal without notice

Employer or employee may terminate an employment relationship without notice if the other party:

- wilfully or by gross negligence commits a grave violation of any substantive obligations arising from the employment relationship; or
- otherwise engages in conduct that would render the employment relationship impossible.

The right of termination without notice may be exercised within a period of fifteen days of gaining knowledge of the grounds. Therefore, in any case within not more than one year of the occurrence of such grounds, or in the event of a criminal offense up to the statute of limitation.

If the right of termination without notice is exercised by a body, the date of gaining knowledge shall be the date when the body, acting as the body exercising employer's rights, is informed regarding the grounds for termination without notice.

In case of termination without notice, the justification is obligatory for the employer or the employee as well.



SOCIAL CONTRIBUTIONS AND INCOME TAX

Employers in Hungary are required to pay the following taxes and contributions on the gross salaries of their employees:

| Contribution | Employee | Employer |
|------------------------------|---------------|---------------|
| Social contribution tax | - | 22 % |
| Vocational contribution | - | 1.5 % |
| Personal income tax | 15 % | - |
| Pension contribution | 10 % | - |
| Social security contribution | 7 % | - |
| Employment contribution | 1.5 % | - |
| TOTAL | 33.5 % | 23.5 % |



WORKING TIME AND VACATION

The **daily working time in full-time jobs is eight hours** (regular daily working time). Work shall be scheduled for five days a week. The daily working time can be increased or reduced.

Based on an agreement between the parties, the daily working time in full-time jobs may be increased to not more than twelve hours daily for employees: working in stand-by jobs, and who are relatives of the employer or the owner (extended daily working time).

Employees in Hungary shall be entitled to have **two rest days in a given week**.

In case of an irregular work schedule the weekly rest days may be scheduled irregularly as well. Instead of weekly rest days, employee shall be given at least forty-eight hours uninterrupted weekly rest period.

Overtime

In case of full-time employment, two hundred and fifty hours of overtime work is permitted in a calendar year. Working overtime shall be in writing, if requested by the employee.

Vacation time

The amount of vested vacation time shall be twenty working days. Workers shall be entitled to extra vacation time from 1 to 10 days depend on the age of the employee according to the Labour Code. Parents also entitled to vacation after children (2 days after one, 4 days after two children, 7 days as a maximum per calendar year).

Employees shall be entitled to fifteen working days of sick leave per calendar year for the duration of time during which the employee is incapacitated to work.

Unpaid leave

Unpaid leave can be defined as quasi extraordinary vacation without pay, which is an opportunity, but also there are compulsory cases according to the Hungarian Labour Code.

Employees shall convey the request for leave of absence without pay in writing, at least fifteen days in advance.



The employee is eligible for unpaid leave:

- for the purpose of taking care of children – until the child is 3 years old
- over 3 years of age, for the purpose of take personal care of a child until the 10 years of age, under the term of childcare allowance, allowance support the childcare
- for the period of effective volunteer reservist military service

In addition to the above **unpaid leave also possible by mutual agreement** of the employer and employee, however it is not regulated by the Hungarian Labour Code.



MOST COMMON EMPLOYEE BENEFITS

The benefits can be systematised by many ways in Hungary, many kinds of benefit has catering purposes, purpose of welfare, or social purpose.

It is also common to give cost contribution by the employer to the employee for example work clothes contribution.

The benefits given by the employer may be:

- **fix** (the benefit is the same for every employee for example HUF 10,000 food voucher for every employee/ month)
- **optional** (the benefits can be chosen by the employer from list of benefits within frames of a determined amount) – optional system called “Cafeteria system”

Most common benefits in Hungary

- **Vouchers** – Erzsébet voucher (unprocessed food support); School starting voucher; Culture vouchers; Gift voucher
- **SZÉP Card** – the card has 3 “pockets”, from each pocket different kind of cost can be funded at place the card is accepted. (restaurant meals, accommodation, culture)
- **Local public transport season ticket**
- **Health Care Fund Card**
- **Voluntary pension fund additions**



TEMPORARY WORK – GENERAL ASPECTS

Fixed term employment

The period of fixed-term employment in Hungary shall be determined according to the calendar or by other appropriate means. The duration of a fixed-term employment relationship may not exceed five years, including the duration of an extended relationship and that of another fixed-term employment relationship concluded within six months of the termination of the previous fixed-term employment relationship.

Call for work

Part-time workers employed under employment contract in jobs for up to six hours a day shall work at times deemed necessary to best accommodate the function of their jobs. In this case the duration of working time banking may not exceed four months.

Simplified employment and occasional work

Such an employment relationship is established by the fulfilment of the notification requirement of the employer. Not EU citizen shall only be employed in present employment relationship form in the frame of seasonal agricultural work.

Number of employees in present form of employment is strictly regulated by the Labour Code. Present form of employment between employer and employee shall not exceed 120 days, even if the parties entered into more than one employment relationship.

Temporary agency work

Present employment means when an employee is hired out by a temporary-work agency to a user enterprise for remunerated temporary work, provided there is an employment relationship between the worker and the temporary-work agency (placement).

The duration of assignment may not exceed five years, including any period of extended assignment and re-assignment within a period of six months from the time of termination of his/her previous employment.



Posting of employees

Employers shall be entitled to temporarily reassign their employees to jobs and workplaces other than what is contained in the employment contracts, or to another employer.

The duration of employment in present employment form may not exceed a total of forty-four working days or three hundred and fifty-two scheduled hours during a calendar year. This shall proportionately apply if the employment relationship commenced during the year, if it was entered into for a fixed term or in the case of irregular daily working time and part-time work. The employee affected shall be informed of the expected duration of work in derogation from the employment contract.

In some cases, stated in the Hungarian Labour Code employee may not be transferred to work at another location without the employee's consent.



OVERVIEW OF APPLICABLE LEGISLATION

- Act I of 2012 on the Labour Code;
- Act CLV of 2011 on Vocational Training Contributions and Support for the Development of Training Programs;
- Act LXXX of 1997 on the Eligibility for Social Security Benefits and Private Pensions and the Funding for These Services;
- Act LXXXI of 1997 on Social Security Pension Benefits;
- Act LXXXII of 1997 on Private Pensions and Private Pension Funds;
- Act LXXXIII of 1997 on the Services of the Compulsory Health Insurance System;
- Act CXVII of 1995 on Personal Income Tax,
- Act LXXV of 2010 on Simplified employment and occasional work relationships



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With more than 550 professionals and branches in 13 countries, Accace counts as one of the leading outsourcing and advisory services providers in Central and Eastern Europe. During the past years, while having more than 2,000 international companies as customers, Accace set in motion its strategic expansion outside CEE to become a provider with truly global reach.

Accace offices are located in the Czech Republic, Hungary, Poland, Romania, Slovakia, Ukraine, Bosnia and Herzegovina, Croatia, Germany, Macedonia, Montenegro, Serbia and Slovenia. Locations in other European countries and globally are covered via Accace's trusted network of partners.

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