

# News Flash

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**Labor Code in Hungary: Employee  
and Employer Rights and  
Obligations**

## Introduction

Hiring staff in every country can be a tricky proposition, given the various local regulations that are in place. It often leaves both employees and employers with questions about what they need to know in order to ensure their rights and obligations are protected. In this article, we will cover some basics about Hungarian labor code, as well as looking into some rights and obligations that affect relationship between an employee and an employer.

### The Labor Code

The main source of employment law is the Labor Code. Special types of employment are regulated in separate laws (e.g., employment in the public sector). In addition, there are complementary laws (e.g., on strikes or labor protection) and laws affecting labor relations (e.g., equal treatment law, data protection law).

The Labor Code provides the minimum terms and requirements applicable to so-called “ordinary workers”. Employment contracts may only depart from these minimum terms to the benefit of the workers. Collective bargaining agreements may depart from the minimum terms and provide less or more favorable terms, unless it is explicitly and strictly forbidden by the law.

The Labor Code distinguishes between so-called “ordinary workers” and “executives”. In the case of executives, a lower level of protection applies as there are no minimum rules and the parties are free to determine the terms of the executives’ employment.

### Employment Agreement & Terms

The parties shall enter into an employment agreement with a contract in writing, containing at least the base wage and the position, and if that differs from the default rules provided in the law, the term of employment, the working hours and place of work. The invalidity of a verbal agreement may only be referred to by the employee and only within 30 days from the start of work.

The employer shall also provide the employee with a written information sheet within 15 days

from the start of the employment detailing the rules of the employment, including the daily working hours, benefits, job description, data protection rules, notice periods, whether a collective agreement applies and the person exercising the employer’s rights.

Any modification of the employment agreement shall also be made in writing.

Unless otherwise agreed in the contract of employment, the default rules of the Labor Code (e.g., the rights and obligations of the parties, termination period, severance payment, holiday, working hours) shall apply to the employment.

### Maternity Leave & Family Leave Rights

Maternity leave lasts for 24 weeks. Thereafter a mother is entitled to unpaid leave until the child becomes three years old. Upon request, the state shall pay 70 per cent of the average wage for the period of maternity leave. The duration of the maternity leave shall count as time spent in work. Thereafter, if the requirement on prior employment is met and the claimant is on unpaid leave, one of the parents can ask for child care until the child becomes two years old. The amount of the child care fee is the lower of 70 per cent of the claimant’s average wage or 200 per cent of the statutory minimum wage.

Fathers enjoy a five-day extra holiday, and they are also entitled to unpaid leave (with protection against dismissal if the mother is not on unpaid leave). Employers shall be compensated from the state budget for the payments performed to fathers for the five-day extra holiday.

Employers do not have to observe other parental leave rights, except that parents can

take leave if their child is sick, and after the first 15 days of sick leave given by the employer, social security pays a sickness pay up to a defined number of days depending on the child's age.

## Sale of Business & Effects on Employees

The employees employed by the business are transferred to the new owner in an asset transfer if the business is to be performed by the new owner except (i) if the transferee does not belong to the Labor Code, or (ii) if the transfer is made as a result of insolvency liquidation.

In the case of a share sale there is no change in the employer, and thus there is no employment transfer.

The terms of the employment agreement do not change, and the non-competition agreements and study contracts are also transferred.

Termination by notice is possible only according to the general rules, e.g., for reasons in connection with the employer's operation, thus when a certain position is eliminated and no longer exists or when two positions are merged. The transfer/sale of business in itself cannot be the reason for dismissal.

## Termination of Employment

The general rule is that employees can be dismissed for cause with a notice period. The notice period is 30 days, which – in case the employer terminates the employment – increases proportionally with the length of the employment with the employer. The parties may agree on a longer notice period of up to six

months or the period provided in the collective agreement. There is no need for cause and there is no notice period for dismissal during a probation period and in the case of a fixed-term agreement (in this case provided that wages are paid to the employee for the remaining period, but for a maximum of one year). Executives and pensioners do not enjoy the protection that dismissal is allowed only for cause.

Dismissal is allowed without a notice period if the employee intentionally or by gross negligence seriously breaches any material obligation or otherwise engages in conduct that would render the employment impossible. This termination may be exercised within a limited period of time.

Giving "garden leave" for half of the notice period is an obligation if the employer terminates the employment. Employers may exempt employees from work during the entire notice period.

The employer may not terminate employment with notice during pregnancy, maternity leave, a leave of absence for child caring, military service, or in the case of treatment related to human reproduction procedures, for up to six months from the beginning of such treatment. In the case of pregnancy and human reproduction treatment, the protection applies only if the employer has been informed thereof.

In our next newsletter, we will go over some details of as to how to protect business interests in Hungary following a termination.

For more information about this newsletter, please feel free to contact our HR/Payroll experts.

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