

# HUNGARY

## Labour law

Employee's engagement is free and it takes place with an employment contract. A trial period can be established in the contract, and during this period the employment relationship may be ended up with immediate effect from both employer and employee by a signed letter, without any justification for the recess being needed.

An employment contract, depending on its duration, may consist in one of the following types: fixed, open ended, or just for the duration of a specific activity; a possible trial period not exceeding three months might be established.

The minimum wage was established by Decree N. 316/2005 and for 2008 it is defined as follows (full-time job):

- Minimum monthly salary 69000 HUF
- Weekly salary 15880 HUF
- Daily salary 3180 HUF
- Salary schedule 397 HUF

However it is also necessary to consider the integration of employees with a secondary education (corresponding to an Italian high school degree, or a professional education degree) and two or more years of professional experience.

- In case professional experience is shorter than 2 years, 120% of the legal minimum wage will be obtained;
- In the opposite case (for employees who are more than 50 years old) 125% of the legal minimum salary will be obtained.

This means that the minimum monthly salary, full-time, for a graduate employee with less than two years of experience is 82800 HUF, in the opposite case is 86300 HUF.

The work schedule is planned for 8 hours per day and an average 40 hours per week, any overtime should not exceed 150 hours per year.

From September 1<sup>st</sup> 2007 the possibility to apply the figure of the administrator-dependent was re-introduced, which means that that the administrator of a company may be employed and paid according to the contract of employment (with the rights of paid vacations, period of notice, maternity, etc.).

In other cases the administrator of the company is paid according to the rules of the mandate.

In regard of the use of vacation, the employer takes decisions after consulting the employee.

The employer is to grant the employee a quarter of his vacation in the period requested by the latter, except in the first 3 months of work.

The employee must notify the application 15 days before the date of the vacation.

It is up to the employee an annual leave of 20 working days with full pay (for absence); the duration of annual leave is increased by age of the worker.

The ordinary leave must be taken in the calendar year to which it relates, except as provided by art. 134, paragraph 3 of the Labour Law N. XXII, 1992.

In case of proven sickness, the employee shall be granted a leave of 15 working days for each calendar year. During the first 15 days of illness, the employer is to pay the worker a salary equal to 80% of pay. From the 16<sup>th</sup> working day of sick leave, the employer shall suspend the payment of wages and the employees will receive the emoluments payable by the Social Security. During the period of illness, with economic treatment by Social Security, the insurance contribution payable by the contracting parties it's suspended, however, the Social Security Office will charge the employer with 1/3 of the emoluments paid to the employee.

During pregnancy and postpartum period, the employee is allowed to take a period of 24 weeks of extraordinary leave, of which 4 weeks possibly before the expected date of childbirth and not less than 6 weeks after this.

Throughout the entire period of maternity leave, the employer will suspend the payment of remuneration and the employee will receive the emoluments payable by the Social Security.

Additional periods of leave may also be authorized on worker's request, once that appropriately documented is provided, with economic treatment by the Social Security in the following cases:

- For child's care, by the end of maternity leave until the third year of the child
- During child's illness, if this is aged less than twelve years
- For child's care, by the end of maternity leave until the 14<sup>th</sup> year of the child, if the employee receives subsidies/assistance for the protection of underage.

### **Obligations for the employer in Hungary**

The employer is engaged to employ the employee as provided in the employment contract, according to the rules relating to the employment relationship, as well as other rules of law.

The employer undertakes, in respect of the relevant legislation, measures to ensure the health and safety during the work.

The employer commits to:

- Organize the work so that the employee can take advantage of their rights and to fulfil its obligations under the employment relationship;

- Provide information and instructions necessary for the performance of the worker;
- Ensure the acquisition of knowledge necessary for the performance of his work;
- Declare the recruitment to the "National Health Fund" (Országos Egészségbiztosítási Pénztár: OEP);
- Take charge of the medical examinations provided in respect of the employee;
- Keep a folder with all documents relating to the employee.

## **Obligation for employee**

Obligations for employee are:

- To attend in time and place prescribed for the conduct of work and be available to the employer;
- To perform work with skill and care, according to the rules, requirements and provisions relating to his work and to cooperate in the growth of the company;
- Working with his colleagues to carry out work, to behave in way not to endanger the physical integrity of others, don't cause trouble or damage;
- To carry out work by himself;
- To preserve the integrity of property and valuables entrusted to him and used by him, even during the course of his work;
- To respect hygienic and safety rules regarding the conduct of work;
- To attend training courses arranged by the employer, and to take the exams required;
- To be responsible for all damages caused by breach of obligations deriving from the employment relationship;
- To communicate in writing to the employer absences within 3 days from the date of the first day of absence, certificates causes, in the case of illness, with medical certificate;
- To communicate quickly any change of address or personal information;
- Confidentiality for all the information of which he has come into possession during the period of his working;
- Not to endanger, by their conduct, the economic interests of the employer, (the "covenant not to compete");

According to Law N. LXXXVI of 1993 on entry, residence and immigration of foreigners in Hungary and according to the Government Decree N. 64/1994 (IV.30), which governs the procedure, it is expected that in cases of contract of employment for a foreign employee or outside, this will be subject to obtaining a work permit in Hungary.

Generally, according to this law, visas and/or permits for entry and residence in Hungary may be required for short periods, less than 90 days, or for periods exceeding 90 days.

To enter in Hungary as a tourist, is not required any kind of visa for EU citizens.

The procedure for obtaining a residence permit is divided then into 2 or 3 steps, depending on the type of the visa: if it is for the conduct of an enterprise or for reasons of employment (which is, for example, the case of a company director).

Anyone willing to have a residence permit must first obtain a form from the Hungarian consular authority to be filled in, a visa for reasons of employment or a visa for conducting business; on this purpose, Italians citizens can contact the Consulate of Hungary in Rome or Milan.

Finally, the applicant must provide the office responsible for the area, according to the place where he plans to establish his home, a set of adequate safeguards on the profitability the activity carried out, and he should also take some specific health examinations.

The form to obtaining visas and residence permits is available in Hungarian, English, German and Russian. There is also the possibility to obtain visas in cases of family reunification.

## **Termination of employment**

The employment relationship may end up for a right cause or a good reason. In absence of such reasons, the employee is due a compensation for dismissal. The discharge may be automatic or by mutual consent.

The discharge is automatic in cases of: death of the worker or the employer without legal successor, effect of the term, if it was entered into an employment contract for a fixed term.

It takes place by mutual consent when the parties express together and in writing their willingness to terminate the employment relationship.

There are also cases of ordinary termination of fixed employment. This may be achieved only by the employer, who, in this case, has to pay to his employee an amount equal to one year average salary.

If, however, the remaining period of employment is shorter than one year, an amount equal to the average salary for such remaining period must be paid.

An open-ended contract may be ended up with ordinary termination, both by the worker and by the employer.

The employer, however, has to communicate to the employee the reason/justification of such termination. The reason for the termination may only be in connection with the abilities of the employee or his/her behaviour in relation to the employment.

The procedure for the ordinary termination of the contract requires:

- An ordinary written notice

- A minimum period of notice
- A severance payment calculated relating to his/her seniority

Any severance payment is provided if the contract terms for an extraordinary reason.

### **Types of employment contracts**

There are 3 types of employment contracts in Hungary:

1. With a trial period
2. Fixed term
3. Open ended contract.

#### **Contract for a trial period (probaidőre szóló szerződés)**

<b>Duration of the contract</b>	<b>3 months</b>
<b>Definition of the reason for the dissolution</b>	<b>not necessary</b>

**N.B.** The contract with a trial period can not last more than three months. During this period the employment relationship may be terminated with a written letter with immediate effect from both sides without notice. In this case the salary is due to the employee until the day of termination with immediate effect of the contract.

#### **Fixed term contract (határozott időre szóló szerződés)**

<b>Fixed term contract</b>		
<b>Duration of the contract</b>	<b>up to 6 months</b>	<b>more than 6 months</b>
<b>Dissolution in advance of the contract</b>	<b>impossible</b>	<b>2 weeks of notice</b>
<b>Definition of the reason for the dissolution</b>	<b>not necessary</b>	

**N.B.** A fixed-term contract for a period shorter than 6 months can not be dissolved in advance.

The fixed-term contracts concluded for the period exceeding 6 months may be terminated only if this option is included in the contract. The fixed term contract further renewed, with the same employer, becomes automatically an

open ended contract. The fixed-term contract can not last more than 5 years (including renewals).

**Open ended contract (határozatlan időre szóló szerződés)**

<b>Open ended contract</b>			
<b>Duration of the employment relationship</b>	<b>less than 6 months</b>	<b>more than 6 months</b>	<b>at least 3 years</b>
<b>Dissolution of the contract</b>	<b>notice of 2 weeks</b>	<b>notice of 1 months</b>	<b>notice of 30 days</b>
<b>Definition of the reason for the dissolution</b>	<b>necessary</b>		