



MINISTRY
FOR NATIONAL ECONOMY

UPDATE

on

HUNGARY'S STRUCTURAL REFORM PROGRAMME (HSRP)

AMENDMENT TO LEGISLATION ON LABOUR AND OTHER RELATED LAWS

14 June 2011

Focus

As a *sine qua non* for the future of Hungary, everybody who can and will work should have a job. This is why a more simple and flexible employment legislation is necessary including particularly the rules on working time and fixed-term or temporary employment. Such an amendment is also one of the elements of the measures aimed at cutting red tape for employers.

Background

In Hungary, **one million new and tax-paying jobs are needed**. There are already signs of an economic turnaround in the labour market as well: relative to the same period of last year, there were 28,000 more on the payrolls in April 2011. However, to achieve a real breakthrough, it is essential to make employment legislation more flexible, as it has been repeatedly urged by businesses, and Hungary's adoption of the relevant EU legislation as a result of EU membership.

Investors from the automobile industry, which had come to Hungary and intended to create several thousand jobs directly and several tens of thousands of jobs indirectly, have made

similar observations. Therefore, it is high time that such laws are updated and later on a new and advanced Labour Code is elaborated and adopted.

Cornerstones

The increase of employment, Hungary's adoption of the relevant EU guidelines as a result of EU membership and the translation of the decisions of the European Court of Justice into Hungarian set of laws will necessitate the following amendments to the rules of the Labour Code:

- The probation will rise to 6 months.
- Due to the economic crisis, working time legislation has been of a transitional nature until the end of 2011. According to this piece of legislation, regular working hours which have not been utilized because of a temporary shortage of demand can be rearranged in such a way that later on employees can make up for the loss of time by working as many as 44 hours for the wage of 40-hour weeks.
- In case of an unpaid leave, qualified as ordinary leave and utilized to take care of a child, the length of leave may be six months instead of one year.
- If the economic interests of an employer require, paid leave may be issued in more than two periods.
- If the employer agrees, a leave may be partially exchanged for salary also in case the employee returns from unpaid leave which she/he took to take care of a child.
- The employee will be obliged to give to his/her employer notice in due time (30-60 days) of his/her intention to return to work from a long-term unpaid leave she/he took to take care of a child.
- The employer may opt for remunerating extra work with more time-off instead of cash compensation.

The modification of the Labour Code will substantially allow for businesses to create new jobs increasing the employment in Hungary and turning the country into one of the most competitive in Europe.

Ministry for National Economy