FAIR LABOR ASSOCIATION

Improving Workers' Lives Worldwide

ISSUE BRIEF

FEBRUARY 2019

HUNGARIAN LABOR CODE CHANGES REGARDING OVERTIME HOURS AND COMPENSATION

THE ISSUE

How should Fair Labor Association affiliates respond to changes in the legal overtime hours and wage payment procedures in Hungary?

BACKGROUND

The Government of Hungary has adopted a significant change to the Hungarian Labor Code that puts workers at risk of forced labor and excessive overtime. The changes in law include:

1. An increase in the limit of annual overtime hours to 400 hours per year (up from 250 hours per year) that can be negotiated through a collective bargaining agreement or individual agreements between the employer and employees. Once an agreement is signed, the agreement cannot be terminated until the end of the calendar year.

2. An extension of the duration of the working-time banking period (WTBP) to 36 months from 12 months, meaning that overtime payments can be deferred and then paid to the employees only after expiry of the WTBP, without any interest.

FLA CODE ELEMENTS

Hours of Work Benchmark
Employers shall not request overtime on a regular basis.

HOW.1.3: Other than in exceptional circumstances, the sum of regular and overtime hours in a week shall not exceed 60 hours.

HOW.7: If overtime calculation period is longer than one week then employers shall follow all procedural requirements and basis for such calculation shall not exceed 48 hours per week.

HOW.8.2 & 8.5: All overtime work shall be consensual and voluntary.

HOW.8.4: Employers shall demonstrate a commitment to reduce overtime.

Although Hungary is a signatory to the International Labor Organization Tripartite Consultation Convention (C144) , the Hungarian Government did not follow proper consultation procedures with unions and civil society organizations during the drafting and passage of the amendments.

Despite large protests and the strong opposition of unions and workers' rights groups, the law came into effect on January 1, 2019. [1]

FLA RECOMMENDATIONS

The new Hungarian labor code puts workers at risk of coerced and excessive overtime hours, and at risk for untimely payment for the hours they do work. The Hungarian law is in contravention of ILO standards as well as the protections in place in the FLA Code and Benchmark elements on working hours and compensation.

In order to mitigate risk to workers, FLA affiliates sourcing from Hungary should exercise additional due diligence to ensure that:

- All overtime work is consensual and voluntary, regardless of an agreement between employer and employees. Employees should be free to refuse overtime.
- Production capacity calculation of the factories are based on weekly regular working hours, which is 40 hours per week for Hungary.
- Any overtime work that goes beyond the 48 hours per week limit shall be compensated in the following pay period without adding those hours into the working-time banking period (WTBP).
- In instances where the working-time banking period (WTBP) is defined as longer than 12 months, the reference period of calculation should be capped at 12 months.[2]

1 https://www.theguardian.com/world/2018/dec/22/thousands-of-hungarians-join-latest-rally-against-orbans-slave-law?CMP=Share_AndroidApp_Hub

2 https://www.ilo.org/empent/areas/business-helpdesk/faqs/WCMS_DOC_ENT_HLP_TIM_FAQ_EN/lang--en/index.htm#Q2

About the Fair Labor Association
The FLA is a multi-stakeholder organization combining the efforts of businesses, universities, and civil-society organizations to improve conditions for workers around the world. Occasionally, the FLA publishes briefs on current issues in the global supply chain. We intend for these briefs to provide an overview of the various perspectives on a given issue. At all times, the FLA expects its business affiliates to comply with all legal requirements, as well as the provisions of its Workplace Code of Conduct.