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Hungary: Severance pay/redundancy compensation

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Hungary

Phase:

Management

Type:

Severance pay/redundancy compensation

Last modified: 09 September, 2019

Native name:

2012. évi I. törvény a Munka Törvénykönyvéről

English name:

Act I of 2012 on the Labour Code

Article

41, Section 77; 45, Section 85

Description

An employee shall be entitled to severance pay if his/her employment relationship is terminated:

- by the employer;
- upon the dissolution of the employer without succession; or
- if during a transformation as a legal succession or a business transfer, the transferee employer is not covered by the labour code.

The entitlement to severance pay shall only apply upon the existence of an employment relationship with the employer for certain time lengths (specified below) at the time when the notice of dismissal is delivered or when the employer is terminated without having a legal successor. The regulation foresees that, in terms of entitlement for severance pay, any period of at least 30 consecutive days for which the employee did not receive any wages shall not be taken into consideration, with the exception of:

- maternity leave and any leave of absence without pay for nursing or caring for a child; and
- any leave of absence without pay taken for the purpose of actual reserve military service for a period of no more than three months.

Severance pay shall be the sum of the absentee pay due for:

- one month, for up to three years of service;
- two months, for up to five years of service;
- three months, for up to 10 years of service;
- four months, for up to 15 years of service;
- five months, for up to 20 years of service; and
- six months, for up to 25 years of service.
- The amount of severance pay shall be increased by 1-3 months' absentee pay (as detailed in the labour code) if the employment relationship is terminated within the five-year period before the date when the employee reaches the age limit for old-age pension. There are slight differences to this timeline if the worker is employed in the public sector.

The employee shall not be entitled to receive severance pay if:

- he/she is a pensioner at the time when the notice of dismissal is delivered or if the employer terminated without succession;
- he/she is dismissed for reasons connected with his/her behaviour in relation to the employment relationship or on grounds other than health reasons; or
- he/she is employed on a fixed-term contract.

Comments

Collective agreements can derogate from the above provisions on severance payments, also to the detriment of workers concerned (hence the collective agreement could set, at least in principle, lower severance pay than stipulated by legislation).

There is no direct legislation regarding severance pay in collective dismissals.

Cost covered by

Employer

Involved actors other than national government

Employer organisation





Trade union

Works council

Thresholds

No, applicable in all circumstances

Sources

-  [2012. évi I. törvény a munka törvénykönyvéről](#)
-  [Act I of 2012 on the Labour Code](#)
-  [Employment protection law database of the OECD](#)
-  [Law XXXIII of 1992 on the Status of Civil Servants](#)

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