WORKING PAPER

Industrial relations and social dialogue

Hungary: Developments in working life 2022

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Introduction

In the course of 2022 Hungary was strongly affected by recent economic and labour market developments connected to the last wave of COVID-19, the preparation and outcome of the Hungarian parliamentary elections and the war in Ukraine since 24 February. While basic indicators according to the Hungarian Central Statistical Office data were promising until mid-year 2022, the trend gradually deteriorated, and forecasts foresee a possible recession. Economic growth increased fast in the first half of 2022 and was still moderate in the third quarter (8.2%, 6.5% and 4.0%, by each of the first three quarters of the year, respectively), while unemployment among the 15-64 population was low (3.8%, 3.2%, 3.7% and 3.9% in 2022, by the first three quarters of the year, respectively) and the employment rate was high (74.0%, 74.3%, 74.6% and 74.5%, by the first three quarters of the year, respectively). The labour market has been experiencing stubborn labour shortages. The Hungarian economy had an overheated character coinciding with a high public finance deficit and high inflation.

Inflation has been an essential problem for Hungary since the end of 2021, growing by one of the fastest paces in the EU. Compared with the previous year, consumer prices increased by 14.5% on average in 2022, with food prices (26.0% inflation) and household energy (21.7%) rising outstandingly. Inflation was extremely high in 2022. In a 12-month comparison with December 2021, food prices rose by 44.8%. In the same period, household energy rose by 55.5%, including 97.8% for piped gas, 58.6% for firewood, and 27.8% for electricity, according to the Central Statistical Institute (KSH, 2022).

As for Hungary, the country is strongly dependent on gas and oil from Russia in the sense that diversification, particularly that of the gas supply has not developed. Among a few others, Hungary received a provisional exemption from EU sanctions regarding gas supply from Russia.

Hungary, as a bordering country with Ukraine, received a high number of Ukrainian refugees. According to UNHCR data, 3.6 million total border crossings to Hungary were registered between 24 February and 11 December 2022, however, the significant majority moved on to other European countries, and only about 2% applied for temporary protection status (UNHCR, 2022).

In line with previous Eurofound reports, social dialogue has been weak in Hungary since 2010, coinciding with the government's intentions. The existing institutions are insufficient to fulfil the task of conducting relevant social dialogue, important issues are presented at the designated forums, but without the timely and meaningful involvement of the social partners. Among the circumstances of a permanent and extended state of emergency in recent years, as will be discussed in the next section, the involvement of the social partners has turned even weaker.

Political context

A general election took place in Hungary on 3 April 2022. The governing right-wing FIDESZ-KDNP (*Fiatal Demokraták Szövetsége-Kereszténydemokrata Néppárt*), which has been in power since 2010, won the election with a two-thirds majority for a fourth four-year term. The parliamentary election system was repeatedly reshaped by the governing Fidesz-KDNP alliance, to the advantage of the majority.

The state of danger and the state of pandemic emergency, introduced in March 2020 due to the pandemic, have been repeatedly extended by the government. Hungary's constitution, the Fundamental Law, has been modified several times, making it easier for the government to regulate through government decrees, as discussed in detail in Eurofound's 2021 report (Hárs, 2021). Following the outbreak of the war in Ukraine, the states of emergency were expanded with a new 'state of war emergency' in May 2022. With the strong mandate of the government, ruling by government decrees has become permanent, based on the emergency states. At the end of November 2022, the state of war emergency was extended until at least 27 June 2023 (Seres-Merkel, 2022; Portfolio.hu, 2022b).

Before the election, several groups of society had the benefit of various substantial social supports provided by the government (including personal income tax rebates for parents with children, the personal income tax rebate for under-25s, and the 13th-month pension). Other measures reduced the burden of household expenditure in the form of various price caps on fuel and food articles, or mortgage moratoriums). These gestures of the government, in hope of boosting the economy and securing success in the approaching parliamentary election, resulted in short-term benefits or one-off income increases for several social groups at the cost of an unexpected increase in the public deficit and inflation. The newly formed government launched measures like taxing particular sectors, while keeping price caps, resulting in accelerating inflation.

Although net wages were increasing, real wages decreased by the end of 2022 amidst the fast-increasing inflation. However, despite the social discomfort, no substantial general social protests have taken place, for the time being. In 2022 the sharpest social dissatisfaction and series of protests were raised in the field of education, where wages are low and work conditions are unfavourable and worsening, while wage increases have remained considerably behind the private sector (Halász, 2022).

Actors, institutions and processes

No relevant changes to mention

Social dialogue bodies or frameworks

No relevant changes to mention

Other working life related institutions

No relevant changes to mention

Governmental responses to inflation

The main anti-inflation measures applied have been the price caps of various goods particularly exposed to price increases. The measures had been put in place to offset escalating inflation already before the war broke out. Yet the official government explanation for the measures and the reasons for it is "the conflict in Ukraine", and, soon after, "EU sanctions against the war"[1]

The first measure concerning inflation and the increasing fuel prices was the **price cap on fuel**[i] (95 octane petrol and diesel) since 15 October 2021. Initially planned for three months (Portfolio.hu, 2021), the measure has been extended several times. In July 2022 – due to fuel supply disruption as an outcome of the obligatory low price set by the government – another government decree narrowed the target groups for the fuel price cap (excluding vehicles with foreign license plates, and company vehicles but not taxi drivers). Since petrol stations had to cover the cost of the price cap without receiving any compensation, small petrol stations faced going out of business. Following recurrent fuel shortages, the price cap was finally lifted on 6 December, in a sudden move. Prior to the lifting of the price cap various actors and opinions in the press were arguing against the measure, because of the negative impacts on the fuel supply and the danger of increasing fuel shortages. Nevertheless, no social dialogue took place on this issue.

Beyond fuel, **five pieces of basic food items got price caps**[ii] on 1 February 2022, and another two items were added later. The price cap of basic food items is still effective, likely until April 2023. Similarly to the impact of the fuel price cap, experts warned about the possible negative impacts of the measure, i.e. the permanent shortage of the supported items, next to the price increases of unsupported items. An unprecedented food price inflation has emerged (including cheese by 83.2%, eggs by 82.7%, bread by 81.1%, butter by 79.4% and dairy products by 79.2%), which was the highest in the EU (Portfolio.hu, 2022). As an outcome, without any compensation, an increasing number of small grocery stores have gone out of business.

Social partners urged that the VKF (Permanent Consultation Forum of the Private Sector and the Government) should be convened to urgently discuss the economic situation resulting from the energy crisis and rising inflation, and its impact on workers, employers and national wage negotiations. In this situation, it would be of the utmost importance to discuss the issues in a form of social dialogue. However, dialogue failed to happen before the minimum wage negotiations in December (Szakszervezetek.hu, 2022). Instead, open debates and open declarations served as forums of social dialogue, as referred to by trade unions.

Another wide-ranging government measure, the **utility price cap scheme** was introduced in the early 2010s to provide energy for the population below market price. As a response to growing energy prices, by mid-2022 the government declared an 'emergency state of energy', and updated its utility cost reduction programme, with a substantial price increase for higher consumption in 2022.[iii] In addition to citizens, subsidised lower energy prices were also made available for micro-companies

[1] There is a gross incongruence between the government's communcation of "the reason for inflation in Hungary is the war in Ukraine" and, more recently "EU sanctions" and the fact that inflation was already rising months before the war broke out. So while these are measures put in place to offset high inflation, it is communicated entirely as war-related and anti-EU sanctions measures. See: https://hungarytoday.hu/prime-minister-orban-only-way-to-end-war-inflation-is-to-end-the-war/

(up to a limited annual consumption level).[iv] The higher energy prices affected small enterprises which consumed energy above the threshold, however, no social dialogue on this issue has taken place. Employers' organisations were arguing in the press that energy price increases will jeopardise small shops and enterprises, but there was little response. The measures are continued by declarations in government decrees, without any social dialogue. Social discontent is emerging, however, without resulting in any considerable protest so far.

Despite high inflation affecting particularly low-income families, social programmes are scarce. In October 2022 the opposition-majority **Budapest local government initiated a social compensation programme** targeted to ease the increasing burden of low-income families.[v] Further support is available at the local governments while no government-initiated social support has been launched, neither in the form of social compensation nor in the form of VAT reduction (which is extremely high, 27% in Hungary).

Based on a government-initiated measure titled 'commitments for central government bodies in connection with the procurement of natural gas', as an indirect response to inflation that concerns all buildings of state-run institutions, government offices and state-owned companies, it was ordered that the **buildings should be heated to no more than 18 degrees Celsius**, while the government "does not approve of home office work".[vi] The measure concerns state-run schools and universities as well and has raised sudden disapproval from social partners, but without any meaningful success.

[i] Eurofound (2022), Price cap on fuel, measure HU-2021-47/2417 (measures in Hungary), EU PolicyWatch, Dublin.

[ii] Eurofound (2022), Price cap on basic food items, measure HU-2022-6/3084 (measures in Hungary), EU PolicyWatch, Dublin.

[iii] Eurofound (2022), Utility price cap scheme change, measure HU-2022-32/2778 (measures in Hungary), EU PolicyWatch, Dublin.

[iv] Eurofound (2022), Utility bill reduction for SMEs, measure HU-2021-50/2161 (measures in Hungary), EU PolicyWatch, Dublin.

[v] Eurofound (2022), Budapest utility bill subsidy for low income households, measure HU-2022-40/2782 (measures in Hungary), EU PolicyWatch, Dublin.

[vi] Eurofound (2022), Energy saving in public administration buildings, measure HU-2022-37/2920 (measures in Hungary), EU PolicyWatch, Dublin.

Collective bargaining and inflation

How inflation features in wage negotiations

In Hungary, minimum wages are agreed upon at the national level while collective agreements are typically settled at the company level. The national-level wage negotiations on minimal wages and the guaranteed minimum wages for the higher-educated take place in December and conclude with an agreement of the employers' organisations, the trade unions, and the government, normally before the end of the year. The agreed minimum wages are obligatory and officially declared by the government in the form of a government decree. The collective agreements follow the national-level minimum wages agreed upon, there is no further automatic measure for inflation, but it is possible to renew and update the agreements, if needed.

Wage negotiations for 2022 officially started with an inflation expectation of 3.4% at the end of 2021, but by mid-2022 energy prices and, in parallel, food prices had risen fast. With an inflation expectation of 3.4% a few months earlier, a 20% increase in the minimum wage and the guaranteed minimum wages for the higher-educated looked generous. In addition, the agreement also included elements affecting workers' earnings and the cost of enterprises. The social contribution tax provides room for manoeuvring among the actors to settle the agreed minimum wages by decreasing the taxes in favour of increasing wages. The companies start the agreements following the national level negotiations, considering the agreed minimum wage and guaranteed minimum wages for the higher educated.

> *… We [the union] achieved wage increases of between 8% and 20% for companies by 2022. There was a wide spread; with averages of 12%, 13%, or 15% wage increases in agreements. Companies also increased fringe benefits. Even in the wage negotiations, which took place by March and April, we managed to negotiate a double-digit wage rise in the agreement. There could be problems when the business year in a company starts in May, with the economic outlook deteriorating and it will be very difficult to get good agreements.(Melinda Mészáros, leader of LIGA Trade Union; Nagy, 2022)*

With the increasing prices a national-level mid-year consultation was suggested by the social partners, nevertheless, no mid-year national-level consultation took place in 2022.

Social dialogue in Hungary has been weak since 2010. The existing institutions are inadequate for conducting relevant social dialogue;when important issues are presented at the designated forums, there are no timely or meaningful involvement of the social partners. Among the circumstances of a permanent and extended ‘state of emergency’ in Hungarian legislation in recent years, the involvement of the social partners has become even weaker. Relevant measures are formulated in government decrees and announced without being preceded by any social dialogue.

Despite the fast inflation almost two-thirds of employees did not receive a wage increase last year to compensate for the soaring inflation and three-quarters did not even receive a supplementary, non-permanent allowance, according to a mid-December 2022 survey by Publicus Research (for daily Népszava). Only 24% of employees received a bonus and 31% received an interim pay rise. But even among those who received some kind of increase, three-quarters felt that their pay rises did not follow price increases at all (Varga, 2023).

At the end of 2022, among the circumstances of rapid inflation, the heated negotiations concluded with an 18% minimum wage increase and a 14% guaranteed minimum wage increase for the higher-educated, on the condition that the agreement would be reviewed during the year if changes in inflation warranted it. In addition, the agreement also included elements affecting workers' earnings and the cost of enterprises, referring to the social contribution tax for 2023. The tax should not increase since that would endanger the wage increase (Liganet, 2022). The company-level collective agreements follow various methods with the only obligatory guideline of the national minimum wages and guaranteed wage minimum.

In the wage negotiations, the wage increase will be adjusted to the inflation rate expected for next year or to the annual average published by the Hungarian Central Statistical Office KSH . Remarkably, the agreed wage increase will not cover the previous de facto wage loss that people experienced, i.e., the increase in food prices and practically everything else, that have risen not by an average of 15%, but by much more than that, due to the domestic economic situation and the dramatic fall in the exchange rate of the forint against the euro.

Examples of recent responses

At the **multinational company** Bosch Hungary, collective bargaining took place between the Hungarian management and the trade union at Bosch (National Trade Union of Life Planned Workers), without any indexation or automatism. The management announced a substantial wage increase for 2023 (wages are above the minimum wages at the firm), although workers can expect a much smaller pay rise, in fact, far below domestic inflation. Average consumer price inflation was 14.5% in Hungary, the management used this in wage negotiations and offered a 14% pay rise. However, the 5% income supplement that workers received in September due to worsening inflation would also be included in this amount, the trade union argued. Management offered that they would include this 5% in the workers' basic wages. In this regard the 5% does not affect the actual increase in income. The actual increase remained at only 9%, however, about half of this will be the basic wage and the rest paid as benefits, remarkably guaranteed only for one year, while workers are seeking a further 5% increase in basic pay on top of the current pay package. The trade union has been negotiating for months (in the Hatvan and Maklar factories) to avoid a reduction in real wages. They refuse to sign the company's offer because, while the benefits were acceptable, the basic wage increase was not. The trade union initiated a warning strike. In the absence of a better deal, they intended not to sign the wage agreement even if tensions among workers eased and they would accept a lower increase. The company can unilaterally implement the increase, but there will be no "peace moratorium" between the parties. In this way, the trade union is not committing itself to not request a further pay rise during the year (Szilágyi, 2023; Magyarnarancs.hu, 2023; Napi.hu, 2023). At the end of the day, the partners concluded on behalf of the employees. The management added: “For Bosch, listening to the employees and consulting with the organisations representing them is one of the most effective ways of engaging in dialogue” (HEOL, 2023).

Under the wage agreement concluded in 2021, a 5% pay rise has been planned for three years in the **state-owned companies**, i.e. Hungarian State Railways (MÁV), long-distance bus company (Volán), the Hungarian Post and the public utility companies. Amidst the high inflation, this is likely to be changed and an average pay rise between 15% and 16% for 2023 could be agreed upon. Negotiations start at the KVKF (Consultative Forum of Public Service Enterprises) and will be followed by negotiations between the National Association of Strategic and Public Service

Companies (Stratosz), which brings together the heads of state-owned enterprises, and the employee representatives. However, after the signing of the wage agreement, which will enter into force on new terms, the trade unions will have to negotiate on the spot with the companies considering job-specific wage measures. In 2022, the price increase practically wiped out three years' of real gross wage increases. At MÁV and Volán, an insignificant number of employees are working around the minimum wage or the guaranteed wage minimum, while at the postal service, the majority of employees are affected by the mandatory increased level of the guaranteed wage minimum. In addition, without a wage increase in public service companies, a serious exodus of workers would threaten public functions. However, public companies cannot afford the increases in their budgets, the government needs to allocate resources from the budget to cover the wage increase. Negotiations are deadlocked since companies cannot afford to pay inflated wages on their own, so a government decision is needed to conclude the expected agreements. Until the agreements are signed, the original 2021 deal will remain in force, i.e. an average of 5% basic wage increase from January (Nagy 2023a, 2023b).

Developments in working time

Changes to legislation

Hungary had to transpose two important labour law directives which affect working time by the beginning of August 2022. The transposition has been fulfilled by the end of 2022 by modification of the Labour Code and will be effective from 1 January 2023.

The transposition of Directive (EU) 2019/1158 on work-life balance for parents and carers had some impact, however with a very moderate compensation that even contradicts the Directive. **Paternity leave** was one of the most relevant chang*es.* Under the Directive, a father must be granted ten working days of paternity leave after the birth of a child. According to The Labour Code, the father is entitled to a leave of ten working days, to be granted at the latest by the end of the second month following the birth of the child (or adoption), in two instalments at the time of his request. The dark side of the codification is that for the first five working days of paternity leave, the worker is entitled to an absence allowance, but for the next five working days, only 40% of the absence allowance. This would discourage fathers from a longer stay on paternity leave. **Parental leave**, as the directive suggests provides the possibility for both parents to be entitled to a total of four months of parental leave up to the child’s age of eight. According to the Labour Code, however, the worker is entitled to 44 working days of parental leave up to the age of three only. In addition, to be entitled to parental leave, the employment relationship must have lasted for one year after the birth of the child, excluding a high share of irregular employees. The compensation is modest, the employee is entitled to 10% of the absence allowance (reduced by the amount of the childcare allowance paid to the employee for that period). The low amount of compensation seriously limits parents in using this possibility. **Flexible working arrangement for parents** up to the age of eight is another new arrangement, parents can request part-time work, teleworking, or flexible working hours. According to the Labour Code except during the first six months of employment, the worker may request a change of place of work and working hours, teleworking or part-time work.

Directive (EU) 2019/1152 on transparent and predictable working conditions in the European Union defines the employer's obligation to inform employees. By the regulation of the Labour Code, the content of the information notice will be much more detailed than before and the deadline for notice will be shortened. According to the directive, it is not possible to have a work schedule in which a worker can be assigned to any work period on any day of the week. In addition, contrary to the current practice, the employee must also be informed in advance of the imposition of any extraordinary working time. Concerning working time, in addition to the duration of the daily working time, the written information must indicate the days of the calendar week, the period(s) for which the employer may communicate the working schedule, the possible duration of the extraordinary working time and the specific nature of the employer's activities. The Labour Code is not following the Directive in the sense that it fails to adhere to the obligation that employers should define the circumstances of employment for the employee according to definite and pre-fixed principles. This would be particularly significant concerning working time when the employee is in a working time banking arrangement, namely in the case of a working time frame without interruption, or with multiple shifts. Currently the fact is that the employer's operating principles are not known to the employee when establishing a legal contract (Mátyás, 2022a, 2022b, 2022c).

Bargaining outcomes

The two-year deadline for transposing the working conditions directive expired on 2 August 2022, and the government left just one day for trade unions to comment on the 258-paragraph bill – the trade unions who urged consultation on the issues and summarised their opinions without meaningful influence complained (Lehoczki, 2022). Even the trade unions supporting the government formulated sharp disagreement (Munkástanácsok, 2022).

Debates on duration and organisation

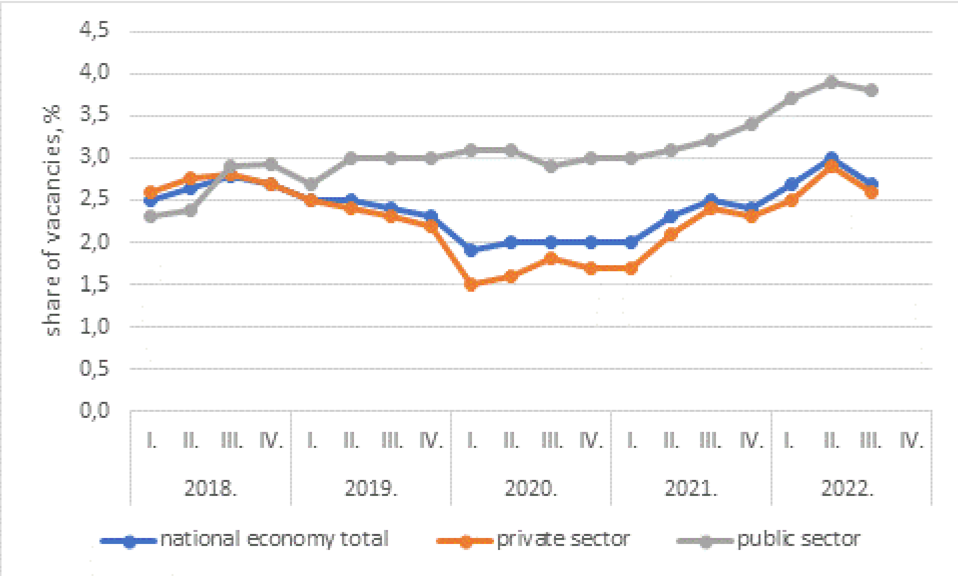
Following the trend of weak social dialogue, there were no meaningful debates considering the bargaining outcomes of the aforementioned regulations, either. Nevertheless, social partners, mainly employees, suggested a longer period of at least 15 days fully paid for paternity leave, but the suggestion was not considered. Similarly, the length of parental leave has been suggested to last longer, in correspondence with the EU directive, and for it to be available until the child's age of eight. That would provide a longer manoeuvring for parents' work-life balance (Lehoczki, 2022).

Labour market shortages and social partners

Labour market shortages and social partners

Last year's Eurofound report (Hárs, 2021) demonstrated the impact of COVID-19 on the labour shortage in Hungary. Before the pandemic, labour shortages were increasingly acute, reasons were various, including the overheated economy, insufficient labour market adaptability, skill gaps, and demographic reasons. The labour shortage eased prior to the COVID-19 crisis already, during 2019 in the private sector, and the outcome of COVID-19 was a considerable drop in vacancies in 2020 which gradually turned into an increase in the beginning of 2021. The trend lasted until the third quarter of 2022 when the economic crisis following the war in Ukraine eased the labour shortage, similarly to the impact of COVID-19 (see Figure 1). Vacancies in the public sector followed a different pattern of stubbornly increasing labour shortage with a stop in the third quarter of 2022, similar to that at the beginning of COVID-19 in 2020.

Figure 1: Share of vacancies by main economic sectors

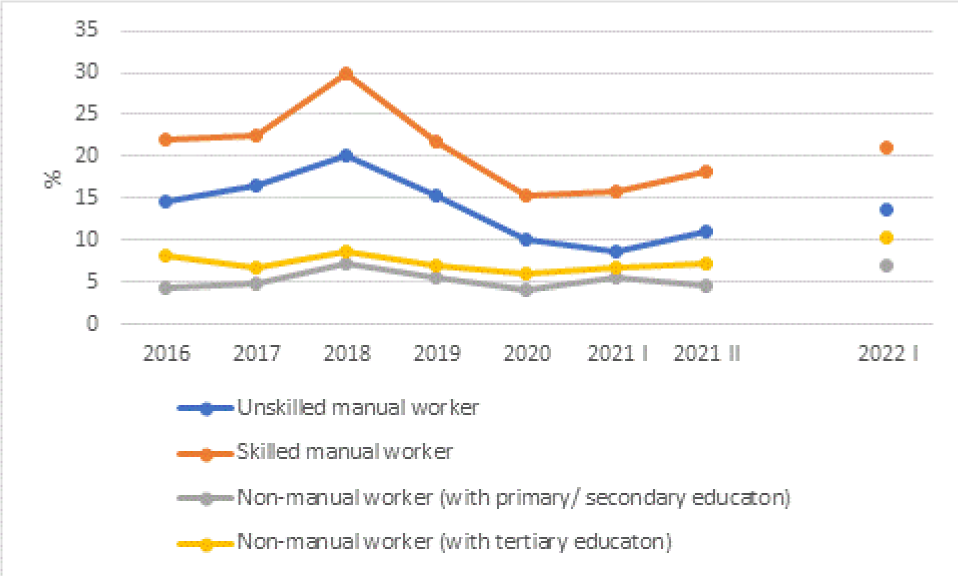


Note: firms with 5 employees or more

Source: Hungarian Central Statistical Office KSH, STADAT

Looking at data in more detail, labour shortages differ by workers' skills and company sectors and size. Figure 2 presents the firms' experiences in recruiting labour with various skills, based on the representative survey of *Gazdaság és Vállalkozáskutató Intézet* (the Economy and Business Research Institute, GVI) (2022). Compared with the year before results, recruiting employees turned out to be increasingly difficult in 2021 and early 2022 (GVI, 2022). Shortage of skilled manual workers was the most challenging, followed by unskilled manual workers, while non-manual workers were less problematic to recruit (see Figure 2).

Figure 2: Share of firms experiencing difficulties when recruiting employees, %



Source: ITM, GVI (2022): Short-term labour market forecast for 2023 (spring)

The GVI's representative survey reveals the measures the firms employ in case of labour shortages. The most common measure is paying higher wages and fringe benefits than competitors or using new recruitment methods (32% and 28%, respectively), investment to reduce labour demand is less popular (18%), whilst increasing the workload of existing workers, employing foreign workers or student labour is about the same in popularity (15%), and the introduction of part-time, teleworking, or other atypical employment has also been mentioned by 13% of the firms.

The differences are significant by sectors of the economy. Increasing wages is the utmost mentioned measure, but not the only one. The most popular three measures mentioned by firms in different sectors are as follows.

Table 1: Measures to address labour shortages by sector

Agriculture	Investment to reduce labour demand (42%)	Paying higher wages and fringe benefits than competitors (37%)	Employing foreign workers (26%)
Industry	Paying higher wages and fringe benefits than competitors (30%)	Using new recruitment methods (27%)	Investment to reduce labour demand (26%)
Construction	Paying higher wages and fringe benefits than competitors (27%)	Increasing the workload of existing workers (18%)	Investment to reduce labour demand and new recruitment methods (17-17%)
Trade	Paying higher wages and fringe benefits than competitors (28%)	New recruitment methods (26%)	Investment to reduce labour demand (21%)

Services	Paying higher wages and fringe benefits than competitors (38%)	New recruitment methods (37%)	Using student labour and increasing the workload of existing workers (22-21%)

Source: GVI, 2022

At the beginning of 2022, the previous trend of an overheated economy and increasing labour shortage continued, while the signs of economic crisis anticipated the easing shortages in the labour market. The reasons for the labour shortages are various, including a demographic crisis, unskilled or badly educated labour supply, and non-attractive wage levels in most cases. Connected to the problems of the national labour market, due to emigration, a sizeable number of compatible and smart young Hungarians is absent from the national labour market. Various measures launched by the government were outlined in last year's report (Hárs, 2021), like attracting and supporting inactive groups to the labour market, increasing wages and other compensations, and employing foreign labour as an increasingly relevant measure to compensate for a labour shortage. Social partners are not involved in the design or implementation of these measures, nothing has changed in this regard.

Other important policy developments

Labour market shortages

The employment of foreign nationals is getting increasingly important to compensate for labour shortages, as mentioned in the previous section above. Since September 2021, under the state of COVID-19 emergency, some temporary employment agencies (the qualified employers) were allowed to employ foreign nationals from specified countries (e.g. The Philippines, The Republic of Kazakhstan) in specified shortage occupations without a work permit. The state of COVID emergency has ended, and the regulation with a minor amendment was moved into ordinary legislation: the government provided by decree an exemption from the work permit requirement for employment by qualified temporary employment agencies. A Foreign Minister's notice lists the occupations and countries for which citizens do not need a work permit. Under the new rules, the employment of third-country nationals working with qualified temporary employment agencies will not fall under the foreign employment limit (62,000 by 2022, set by the Minister of Foreign Affairs and Trade).

Due to the increasing labour shortage, the government will possibly define a broader range of countries and shortage occupations for which it is possible to work in Hungary without a work permit. For the time being, these exemptions are limited to employment by qualified agencies (and in connection with the Paks nuclear power plant construction project, due to the war emergency). Nevertheless, the new rules suggest that employing foreign workers through temporary agencies will become much more prominent in the future, which raises the problem of hard control and a parallel system next to the work permit regime (Tarján-Szopkó, 2022).

Employment status and contracts

In 2022 the relevant policy development has been the transposition of Directive (EU) 2019/1152 on transparent and predictable working conditions as discussed in more detail in the working time section above.

Self-employed

About 450,000 persons used the “KATA” simple tax scheme as self-employed or small private limited companies. It was announced in July 2022 that from September only self-employed persons providing their own services to the public and selling products will be able to opt for the new “KATA” simple tax scheme. The new “KATA” will therefore only be able to receive income from private individuals, except for taxi drivers (for whom the Finance Ministry explained that "selling exclusively to the public would be impracticable due to the nature of the service"). This means that private limited companies will also be excluded from the scope of the tax scheme.

By this decision the government is practically rewriting the lives of hundreds of thousands of small taxpayers, significantly reducing the number of people under the new “KATA” scheme. The possible consequence for those who were not fitted into the new “KATA” is an increase in the tax burden or leaving the business. The reason for the reshaping of the scheme is vague.

Health and safety

Government Decree 181/2022 (24 May 2022) lifted the state of emergency previously declared in Hungary due to the coronavirus pandemic on 1 June 2022. At the same time, the legislation repealed several government decrees which led, among others, to the abolition of the regulation of teleworking. As regards the new regulation, the basic principle of the Act on Occupational Safety and Health (Mvtv.), i.e. the employer is responsible for the implementation of safe and healthy working conditions, has not changed. The new rules applicable to teleworking, however, show a strong shift towards practicality and will therefore provide considerable relief, especially for employers. In the case of teleworking by ITC, the employer is now only obliged to inform the employee in writing of the requirements for safe and healthy working conditions. The employee may choose the place of work, the employer may monitor compliance with the requirements remotely using an ITC device. Importantly, the partially less stringent health and safety requirements do not exclude the possibility of an accident at work during working from home, and also do not result in the employer being exempted from liability in the event of an accident at work.

Work–life balance

In 2022 the relevant policy development has been the transposition of Directive (EU) 2019/1158 on work-life balance for parents and carers as discussed in more in the working time section.

Working life of Ukrainian refugees

Hungary, as a bordering country with Ukraine, had to face a high number of Ukrainian refugees. According to the UNHCR data, 3.6 million total border crossings to Hungary were registered between 24 February and 11 December 2022, 1.8 million crossings directly from Ukraine and 1.7 million via the Romanian border. Some 57% of the total were women, 43% men and 44% children. Despite the huge numbers and the government's claims of carrying much of the burden of the Ukrainian refugee crisis, the significant majority moved on to other European countries, and as of 11 December 2022 over 32,850 persons have applied for Temporary Protection status in Hungary (UNHCR, 2022). The official number must be higher, partly due to the Hungarian minority in Ukraine, possessing double citizenship (Hungarian and Ukrainian), i.e. they are not obliged to apply for protection. On the other hand, Hungary accepted only a fraction of the Ukrainians fleeing the war. Even with the small number of refugees, the government system of services for refugees performed poorly. Although the legal conditions were adjusted promptly, the previously (since 2015) disrupted care system for refugees failed. Based on interviews with care recipients and care givers, researchers found that the quantity and quality of basic services, such as housing, meals and access to education and health care, offered to refugees by the central or local governments was poor (Tóth-Bernát, 2022, p.358). NGOs and volunteers have been trying to fill the gaps.

Employment and working conditions

There are no statistics available on the employment of Ukrainian refugees in Hungary, nor data on the potential labour supply. Before the war crisis, due to the stubborn labour shortage, a considerable number of Serbian and Ukrainian guest workers arrived in Hungary, and for less than 90 days they do not need a work permit. Statistics are vague, about 50,000-70,000 Ukrainians worked in Hungary at the end of 2021. Guestworkers have worked mainly in manufacturing, logistics, construction and hospitality, and this will not change fundamentally, according to recruitment agencies, as the majority of refugees – similarly to guest workers – face barriers to the language skills required. Refugees were welcomed as potential labour, there was however a mismatch between the demand and supply. The Ukrainian government has banned men of military age from leaving the country, consequently, mostly women with young children and elderly people have arrived in Hungary (Előd, 2022).

Companies see great potential in the employment of refugees, and the government has issued a decree making it easier for Ukrainian citizens to work. However, workers also need accommodation, but the state can only provide accommodation in small villages, where there is no work. There are jobs in Budapest and the cities, but no accommodation. As government help, employers who hire and house Ukrainian refugees are reimbursed by the state for half of their accommodation costs (up to HUF 60,000 per month plus HUF 12,000 per child)[vii] (Zubor-Sarkad Nagy, 2022).

Research by the Boston Consulting Group and the Hungarian Maltese Charity involved about 500 refugees and the organisations aim at supporting the job-finding of the refugees, providing relevant information for a job search for Ukrainian refugees and addressing the limitations that hinder them to take jobs. Almost two-thirds of refugees left home without financial reserves and want to work. Some have already found work, and some can still work remotely in Ukrainian jobs. It seems that about half of the refugees of working age are looking for work, which could mean 20,000 to 30,000 people. The majority of jobseekers were higher educated, typically in white-collar jobs in Ukraine.

However, they do not speak Hungarian, so they cannot typically get a similar job on the Hungarian labour market. Another problem is that accommodation has to be provided for workers, who typically come from Ukraine in groups of two or three, and only one of them can work. Hostels are not suitable, children need to be accommodated during the day so that the mother can work (Hobot, 2022).

Social partner initiatives to support Ukrainian refugees

Prior to the war in Ukraine, a large share of Ukrainian guest workers worked in the metal industry. According to the Trade Union Federation's Vice President, the Metal Workers Trade Union (VASAS) was told about ethnic conflicts in some workplaces, with many Hungarians complaining about their Ukrainian colleagues, because their wages were the same, but as the companies paid the guest workers for their accommodation as well, they ended up with more money. However, this complaint turned into empathy and solidarity in wake of the war to help Ukrainian colleagues and their families through their networks (Előd, 2022).

The five Hungarian trade union confederations expressed their united support and solidarity with the people of Ukraine and the Ukrainian trade unions. No further steps have been taken as regards social partner initiatives to support the Ukrainians.

[vii] Eurofound (2022), Employment subsidies for Ukrainian refugees, measure HU-2022-11/2400 (measures in Hungary), EU PolicyWatch, Dublin

Commentary and outlook

In 2022 Hungary was strongly affected by the last wave of COVID-19, the preparation and outcome of the parliamentary election on 3 April and the war in Ukraine. Until mid-year 2022 the economic and labour market indicators were promising with signs of deterioration by the third quarter of the year. Due to the overheated economy by the end of 2021, state budget debt increased to high levels, and inflation soared rapidly.

Amidst the early 2022 circumstances, with an inflation expectation of 3.4% at the end of 2021, a high minimum wage increase of 20% was concluded for 2022. By mid-2022 energy prices and, in parallel, food prices had risen fast. With the increasing prices a national-level mid-year consultation was suggested by the social partners, however, this did not take place. The social partners urged repeatedly to strengthen the social dialogue and the influence of negotiations, without any success.

Social dialogue has been weak in Hungary since 2010, coinciding with the government's intentions. The existing institutions are insufficient to fulfil the task of conducting relevant social dialogue, important issues are presented at the designated forums but without the timely and meaningful involvement of the social partners (except the wage negotiation about the minimum wages at the end of the year). Among the circumstances of a permanent and extended state of emergency in recent years, regulation through the increasing importance of government decrees took place and the involvement of the social partners turned even weaker.

Hungary is strongly dependent on gas and oil from Russia in the sense that diversification, particularly that of gas supply has not developed. Among a few others, Hungary received a provisional exemption from EU sanctions regarding the gas supply from Russia. Oil and natural gas account for two-thirds of Hungary's energy mix whilst the share of renewable energy in gross final energy consumption is one of the lowest in the EU (13.9%) and the national energy and climate plan target is modest (21% by 2030). Regulated energy prices (price caps) do not encourage households to use imported fossil fuels efficiently. As a result, Hungary needs more energy and raw materials than the EU average to generate a unit of income. Overall, there is a great possibility and need for development for savings and the spread of green policies which is an issue for some political parties and civil organisations but not the social partners, for the time being.

The transposition of Directive (EU) 2019/1158 on work-life balance for parents and carers had some important impact as a trend on working time, however, reasonable financial support did not come across. Moderate compensation on paternity leave or parental leave would discourage fathers and parents from a longer stay on paternity or parental leave.

Among the circumstances of a weak social dialogue since 2010, the agenda on how to deal with inflation is largely influenced by the government's will. Wage negotiations are balancing between cutting the price-wage spiral and easing the state budget deficit, while there is slow progress towards a green transition. In this regard, strengthening social dialogue would be extremely important.

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