

## Reflections on Employment Violations in the Agricultural Sector in Hungary in Light of the EU's Social Conditionality Framework

### Abstract

*The legal framework for social conditionality within the European Union entered into force on 1 January 2025. Under these provisions, the Common Agricultural Policy (CAP) will undergo significant changes and could have important consequences if farmers and other beneficiaries are to receive direct payments or annual payments if certain standards are breached. In light of this, we have undertaken an analysis of the current state of employment practices within the agricultural sector, with the aim of providing a snapshot of the extent to which employers may need to adapt their workplace practices in the near future in order to avoid jeopardizing their eligibility for financial support.*

**Keywords:** Employment, Social Conditionality Framework, Employment Issues, Employment Relationships

### 1. Introduction

As of January 1, 2025, the legal framework governing social conditionality within the European Union has entered into force. Based on these provisions, the Common Agricultural Policy (CAP) will undergo significant changes, and important

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consequences may arise if agricultural producers and other beneficiaries receiving direct payments or annual payments under rural development interventions pursuant to Article 70 (environmental, climate-related, and other management commitments), Article 71 (natural or other area-specific constraints), or Article 72 (area-specific disadvantages resulting from certain mandatory requirements) fail to comply with the applicable working and employment conditions.

In light of this, we have undertaken an analysis of the current state of employment practices within the agricultural sector, with the aim of providing a snapshot of the extent to which employers may need to adapt their workplace practices in the near future in order to avoid jeopardizing their eligibility for financial support. The objective of this study is twofold: to explore the scope of the issue and to present the regulatory structure of social conditionality, culminating in policy recommendations related to employment compliance. To assess potential violations of employment law, we rely on the findings of labour inspections conducted by the labour supervisory authority, which offer a scientifically evaluable overview of the employment landscape within the sector.

## **2. The state and characteristics of the agricultural sector in Hungary – with special regard to employment issues**

The agricultural sector has always occupied a unique position within the broader labour market, primarily due to the inherently specific nature of its operations. The planning of annual workforce requirements by agricultural economic actors necessitates specialized expertise. In general, one must be familiar with the phases of ontogenetic development of the species and breeds that constitute the sector's genetic resources, the volume of both continuous and seasonally occurring tasks associated with those phases, and the corresponding workforce demand<sup>4</sup>. Additionally, both exposure to weather and natural factors, as well as the regional characteristics of local labour markets, are relevant considerations.

According to the flash report published by the Hungarian Central Statistical Office (HCSO) at the end of November 2024, approximately 4.7 million individuals were employed in the sector as of October 2024, marking a decrease of 27,000 compared to the same period in 2023. The HCSO noted, however, that employment levels in the autumn of 2023 were exceptionally high. Over the past decade, the highest number of employees in the agricultural sector was recorded in the autumn of 2017, with nearly 230,000 individuals working in the field – approximately 60,000 more than in 2007. Since that time, the number of people employed in agriculture has steadily declined, albeit with minor fluctuations. The 2024 figures reflect a marked drop, exceeding the changes seen over the past ten years. In the third quarter of

4 | Szabó 2019.

2023, just over 192,000 individuals were employed in agriculture – figures not seen since the same period in 2015.<sup>5</sup>

In Hungary, the educational attainment of agricultural workers significantly lags behind that of workers employed in other sectors of the national economy, as well as the European Union average<sup>6</sup>. The divide between urban and rural environments has deepened over the past decades. Villages, which traditionally rely on the utilization of locally available rural resources – such as through agricultural production – are increasingly unable to offer a competitive alternative to rural inhabitants who are drawn to urban lifestyles. As a result, the rural population is declining both in Hungary and across the European Union. This trend has had a detrimental effect on the structure of the agricultural labor force. Fewer individuals are engaging in agricultural work, a tendency that is particularly pronounced among younger workers.<sup>7</sup>

Nevertheless, it remains the case that the number of individuals employed in the sector consistently ranges between 150,000 and 200,000. Despite the sector's diminishing contribution to GDP and the overall downward employment trend, agriculture still constitutes a sector of considerable size.<sup>8</sup> It is characterized by the widespread employment of workers with lower levels of formal education and by a general lack of legal awareness – both among employees and employers.

### 3. Types of employment relationships in the agricultural sector

The labor law regulations governing agricultural employment in Hungary do not substantially differ from those applicable in other sectors. Employment relationships may take the form of standard employment contracts, simplified employment (which is essentially an atypical employment relationship), public employment, or cooperative work arrangements. Unlike certain other EU member states – such as Romania, which has adopted specific labor law provisions for the sector via its 'day-labourers law' – Hungary has not introduced agricultural-specific labor legislation.<sup>9</sup>

In Hungary, the principal statute governing employment relationships is Act I of 2012 on the Labor Code (hereinafter: the Labor Code), which also partially regulates simplified employment. With regard to seasonal agricultural work – a form of employment under the simplified regime – the applicable legislation includes, in addition to the Labor Code, Act LXXV of 2010 on Simplified Employment (hereinafter: the Simplified Employment Act). Public employment is governed by a number of legal instruments, with the most relevant being Act CVI of 2011 on Public

5 | Kohout 2023.

6 | Popp 2024, 173–184.

7 | Fróna & Kórmíves 2019, 361–380.

8 | Ursu, Sterie & Petre 2023.

9 | LEGE nr. 52 din 15 aprilie 2011.

Employment and on the Amendment of Related and Other Acts, which contains the main provisions concerning the legal characteristics of this type of employment relationship. In agricultural areas, it is common for workers governed by the Labor Code, seasonal workers falling under the Simplified Employment Act, and public workers covered by the Public Employment Act to perform tasks concurrently.

One option is for seasonal agricultural work to be performed under a standard employment relationship. In such cases, specific rules apply to employees engaged in seasonal work, particularly with respect to working hours and rest periods. An employer's activity qualifies as seasonal if, regardless of the employer's internal scheduling practices, the work is tied to a particular period or season of the year.<sup>10</sup>

The essence of this framework may be summarized as follows. According to the Labor Code, the employer is responsible for determining the working time schedule (work schedule).<sup>11</sup> The work schedule may be fixed or flexible. A fixed schedule may be either uniform or non-uniform. In a uniform schedule (referred to as 'general work schedule'), working hours are distributed evenly over the five working days of the week.<sup>12</sup> In sectors that require flexible employment arrangements, this model is evidently impractical. To accommodate this need, Hungarian labor law permits non-uniform work schedules, of which two mechanisms exist: the working time frame and the so called 'accounting period'. In the context of seasonal work, the use of an accounting period is rather uncommon. The working time frame allows the employer to determine the total working hours within a specified timeframe (typically on a weekly or monthly basis), which, as a general rule, may not exceed four months or sixteen weeks.

There are, however, specific derogations for seasonal work:

- | Under the Labor Code, the working time frame may be extended to six months or twenty-six weeks in the case of seasonal work.<sup>13</sup> Within this period, the employer is permitted to distribute working hours with due regard to only a few protective provisions. The daily working time must not be less than four hours (except in cases of part-time employment) and may not exceed twelve hours.
- | The weekly working time may not exceed forty-eight hours, but compliance with this limit is only required on average over the course of the entire working time frame.
- | Regular working hours may be scheduled on Sundays and public holidays in the case of seasonal work.<sup>14</sup> Moreover, according to the Labor Code, no wage supplement is required for work performed on Sundays under such circumstances.
- | Daily rest periods may be limited to eight hours for seasonal workers.<sup>15</sup>

10 | Section 90(c) of Act I of 2012 on the Labour Code.

11 | Section 96(1) of Act I of 2012 on the Labour Code.

12 | Mélypataki 2010.

13 | Section 94(2)(c) of Act I of 2012 on the Labour Code.

14 | Sections 101(1)(b) and 102(2) of Act I of 2012 on the Labour Code.

15 | Section 104(2)(d) of Act I of 2012 on the Labour Code.

- | The number of weekly rest days (normally two per week) must also be fulfilled only on average over the working time frame. In addition, only one rest day per week is required each calendar month.<sup>16</sup>
- | The employer may also opt for the concept of weekly rest period in lieu of weekly rest days. In this arrangement, employees engaged in seasonal activities must be granted a weekly rest period of at least forty continuous hours, including at least one calendar day, once per month. Over the working time frame or accounting period, the average weekly rest period must amount to at least forty-eight hours.<sup>17</sup>

Apart from these specific rules, the general provisions of the Labor Code remain applicable.

These regulations clearly demonstrate that the legislature has addressed the primary challenge of agricultural labor – the need for employment flexibility – by affording significantly greater leeway to employers in this sector compared to other areas of the economy.

A second option available to employers is simplified employment. Simplified employment includes agricultural seasonal work, tourism-related seasonal work, and casual employment. Agricultural seasonal work encompasses employment activities in crop production, forestry, animal husbandry, fishing, and hunting, as well as the handling and packaging (excluding further processing) of agricultural products produced by a producer, producer group, producer organization, or an association thereof – provided that the fixed-term employment relationship between the same parties does not exceed 120 days within a single calendar year.<sup>18</sup> There are no statutory limitations on the number of employees who may be engaged under this form of employment.<sup>19</sup>

The definition of seasonal work is provided by the Simplified Employment Act as follows: work that meets the conditions set out in Section 90(c) of the Labor Code. In the context of agricultural seasonal work, employment shall also be considered linked to a particular season or time of year if, due to the biological characteristics of the plant or animal being produced, the work can only be performed during that specific period.<sup>20</sup> As of 1 July 2025, the 120-day maximum must be calculated per calendar year, not per employer.

Although many provisions of the Labor Code are applicable to simplified employment, the Labor Code explicitly states that some of its rules shall not apply to simplified employment relationships. These exceptions include:

- | Neither party may withdraw from the employment contract [Labor Code, Section 49(2)]

16 | Section 105(3)(c) of Act I of 2012 on the Labour Code.

17 | Section 106(3)(c) of Act I of 2012 on the Labour Code.

18 | Section 2, point 1, Act LXXV of 2010 on Simplified Employment.

19 | Mélypataki 2010.

20 | Section 2, point 7, Act LXXV of 2010 on Simplified Employment.

- | Temporary reassignment (derogation from the employment contract) is not permitted [Section 53],
- | No disciplinary sanctions may be imposed for wrongful breach of duty [Section 56]
- | No obligation to adjust wages upon return from absence [Section 59]
- | No obligation to inform employees about vacancies or to accommodate part-time employment requests from workers caring for children under age 3 [Section 61]
- | No obligation to issue statutory statements and certificates upon termination [Section 80]
- | No obligation to provide a written assessment (evaluation) of the employee's work upon termination [Section 81]
- | No mandatory notice period for work schedule changes [Section 97(4)-(5)]
- | No restrictions on work scheduling on Sundays or public holidays [Section 101]
- | Paid leave provisions do not apply [Sections 122–124]
- | However, any accrued but unused pro rata annual leave must be compensated upon termination [Section 125]
- | No entitlement to sick leave, maternity leave, or unpaid leave [Sections 126–133]
- | There are no restrictions on the repeated conclusion or extension of fixed-term contracts between the same parties [Section 192(4)]
- | Provisions specific to executive employees do not apply [Sections 208–211]
- | Employers may implement non-uniform work schedules even without a working time frame or accounting period
- | If the model contract annexed to Act LXXV of 2010 is used, the employer is not required to maintain working time records or provide written wage statements [Sections 134 and 155(2)]

The third possible form of employment is public employment. The current public employment scheme has been in operation since 2011.<sup>21</sup> In many respects, public employment closely resembles fixed-term employment contracts, but numerous labor law provisions do not apply – for example, public workers do not earn the guaranteed minimum wage. Public employment therefore occupies a transitional position between unemployment and formal labor market participation. It simulates employment in several respects, but under significantly less favorable conditions. In addition to employment objectives, it also serves as part of a social assistance policy. Only those of working age whose employment cannot be ensured even through public employment are eligible for active-age benefits. In line with its original intent, the Government considers public employment to be a temporary form of employment, offering work and remuneration instead of

21 | Jakab 2013, 63–66.

passive benefits for jobseekers.<sup>22</sup> A significant component of public employment programs involves agriculture. Within public employment, workers must perform public tasks defined by law, decree, or other legal instrument. These include, in particular, the cultivation of community agricultural land and forestry work.<sup>23</sup> As of the most recent data, 9.8% of all public workers are employed in agricultural programs.<sup>24</sup>

Although it falls outside the scope of the present study, it should be noted that work performed by members of agricultural cooperative societies is also a common form of engagement in the sector. However, this arrangement does not constitute an employment relationship in the strict sense, but rather a form of self-employment<sup>25</sup> to which labor law norms are generally not applicable.

## 4. Overview and analysis of compliance with employment regulations in Hungarian agriculture

Empirical data derived from the 2023 and 2024 annual inspection reports issued by the Occupational Safety Authority<sup>26</sup> and the Employment Supervision Authority<sup>27</sup> provides an evidence-based picture of the current state of labor law compliance and employment practices within the agricultural sector. It is worth noting at the outset that the findings of these reports paint a grim picture: a significant proportion of employers in the sector are engaged in some form of legal noncompliance, often in relation to multiple aspects of labor law simultaneously.

Our analysis is based on data from the past two years. In 2023, agriculture was designated as a priority sector for inspection among economic branches. The 2024 report offers meaningful insight into whether the findings from the previous year had any tangible effect on the sector, as agriculture remained a focal point of labor inspections in light of the 2023 observations. Accordingly, in presenting the data on legal violations, the 2024 results are contextualized with reference to the 2023 baseline.

22 | (No known author) A közfoglalkoztatás aktuális kihívásai – Javasolt fejlesztési irányok, in: A közfoglalkoztatás aktuális kihívásai – javasolt fejlesztési irányok -tudományos-szakmai konferencia, Belügyminisztérium, Budapest, 2015 november 25. 4.

23 | Mélypataki 2017. 86. o.

24 | Havi tájékoztató a közfoglalkoztatás alakulásáról 2025. február link: <https://kozfoglalkoztataskormany.hu/download/f/04/63000/febru%C3%A1r%20havi%20t%C3%A1j%C3%A9koztat%C3%B3%20250410.pdf> (Accessed: 18 April 2025)

25 | See more about self-employment in the agricultural sector: Hornyák, Jakab, Nagy, Olajos 2017.

26 | The report can be accessed via the following link: [https://mvff.munka.hu/#/a\\_munkavedelmi\\_hatosag\\_jelentesei](https://mvff.munka.hu/#/a_munkavedelmi_hatosag_jelentesei) (Accessed 10 March 2025)

27 | The report can be accessed via the following link: [https://mvff.munka.hu/#/ff\\_2023\\_evi\\_ellenorzesi\\_tapasztalatok\\_240403](https://mvff.munka.hu/#/ff_2023_evi_ellenorzesi_tapasztalatok_240403) (Accessed: 10 March 2025)

4.1. Violations related to undeclared (informal) employment

In 2024, 7% of all workers identified as being employed without proper registration (a total of 457 individuals) were found within the agricultural sector. In comparison, this share stood at 6% in 2023, involving 534 individuals.

Within the sector itself, the proportion of inspected workers found to be employed informally reached 19.44% in 2024, representing a clear deterioration compared to 15.86% in 2023.

Inspection Year	2023	2024
Number of Workers Inspected	3368 individuals	2351 individuals
Number of Undeclared Workers	534 individuals	457 individuals
Rate of Undeclared Employment	15,86 %	19,44 %

In connection with undeclared employment, violations can be categorized into five groups<sup>28</sup>:

- | Failure to register the employment relationship (typical reasons: informal ‘trial work’; intentional circumvention of minimum wage regulations; primarily deliberate violations),
- | Failure to report simplified employment (common causes: deliberate avoidance of paying public charges; circumvention of statutory time limits; lack of legal awareness; following incorrect or habitual practices),
- | Underreporting working hours by declaring part-time employment while requiring full-time work, with additional off-the-books payments,
- | Employment without a written contract, or under fictitious contractual arrangements,
- | Irregular employment of third-country nationals without valid permits or registration with the tax authority.

The failure to register an employment relationship was predominantly a deliberate employer practice. A frequently cited reason was the attempt to gain a competitive advantage over other employers and among jobseekers by avoiding the increased costs resulting from rising minimum wage and guaranteed wage thresholds. Authorities also found repeated instances of employers delaying the registration in the hope of avoiding inspections (e.g., due to difficult access to the workplace), while preparing all documentation in advance so that registration could be made swiftly in the event of a surprise inspection.<sup>29</sup>

Among the most common employer explanations for non-registration were still administrative or technical problems (e.g., no internet access, lack of mobile

28 | Report of the Employment Supervision Authority 2024, 4–6.

29 | Ibid., 4.



signal, or system outages), accounting errors, and the reference to so-called ‘trial work’ – meaning the employment relationship would only be formalized if the worker ‘passed’ the trial. However, the Labor Code does not recognize the concept of trial work; instead, it regulates a probationary period, which is a legally valid part of the employment relationship. Therefore, invoking trial work does not exempt the employer from the obligation to register the employment.<sup>30</sup>

In the case of simplified employment, a variety of violations were observed. Some employers intentionally failed to report the employment in order to evade taxes and social contributions. Others deliberately sought to circumvent the statutory time limitations on simplified employment (i.e., a maximum of 5 consecutive days, 15 days per month, and 120 days per year).<sup>31</sup> It was also common for employers to divide the reporting of an employee across multiple employers, thereby covering a full month (or even an entire year) under simplified employment.<sup>32</sup>

Another recurring, though not always intentional, violation occurred when employees’ work extended into the following calendar day. In such cases, employers often only reported the first day, even though the actual work spanned two days.

It was also frequently observed that employers filed reports late – at the end of the workday, or even on the day of inspection, but just prior to the start of the official labor inspection. These cases often involved reports submitted a few minutes or hours after work had already commenced, but still before the inspection formally began. In such cases, although the violation is formally recorded, no labor fine is imposed under the applicable legal provisions.

## 4.2. Violations related to working time, rest periods, and overtime

In 2024, legal violations concerning working time, rest periods, and overtime affected a total of 8,000 employees, compared to 8,698 in 2023. However, no disaggregated data is available regarding how these figures apply specifically to the agricultural sector. The categories of violations in 2024 remained largely consistent and could be clearly typified by the supervisory authority as follows<sup>33</sup>:

- | Lack of working time schedules affected the highest number of employees (4,936 individuals). This widespread violation is generally attributed either to a lack of employer awareness regarding legal requirements, or to an intentional attempt to conceal overtime work.
- | Irregularities concerning working time frames were identified in connection with 2,071 workers. Employers frequently failed to determine or document the

30 | EH 2001.597.

31 | Report of the Employment Supervision Authority 2024, 5.

32 | As of 1 July 2025, workers employed under the simplified employment scheme – including seasonal and casual employment – may work a maximum of 120 days per calendar year, irrespective of the number of employers involved.

33 | Report of the Employment Supervision Authority 2024, 7.

start and end dates of the working time frame. As a result, overtime performed beyond the set frame could not be verified or compensated, either through pay or time off in lieu.

- | Although affecting fewer employees, violations were also recorded where daily or weekly working hours exceeded legal limits, and in relation to non-compliance with rules on daily and weekly rest periods or mandatory breaks.
- | In relatively rare cases, irregularities concerning overtime and work performed on public holidays were also identified.

These same categories of violations were also typical in 2023, and no significant deviation was observed in the types of infringements. The root cause of such violations is clear: agricultural labor often requires a high degree of flexibility. Work is frequently weather-dependent and, therefore, difficult to plan with precision. The sector also commonly experiences employee unreliability, such as unannounced absences, which further complicates scheduling. However, these operational realities do not exempt employers from complying with labor law obligations. Moreover, because working time violations are often poorly documented or obscured, it becomes virtually impossible to detect overtime violations, meaning the actual level of worker rights violations is likely significantly higher than reported.

Violations concerning working time records are closely linked to those related to working hours and rest periods. In fact, the failure to maintain accurate and complete records is both a symptom and a facilitator of broader non-compliance with labor standards. In 2024, working time record violations affected 7,348 employees, representing a decrease compared to 9,922 in 2023. As with the previous data, no sector-specific figures are available for agriculture.

According to the supervisory authority, such violations are common across most sectors, though enforcement actions were most pronounced in trade, manufacturing, and construction. The most frequently observed forms of non-compliance include<sup>34</sup>:

- | Failure by employers to recognize the legal importance of accurate, real-time, and verifiable working time records;
- | Neglect or misunderstanding regarding the requirement to maintain records even for employees on regular (general) working schedules;
- | A high probability that record-keeping omissions serve to conceal other violations, such as entitlements to wage supplements, actual levels of overtime, and infractions concerning daily working hours or rest periods.

The detection of violations related to working time records is particularly important, as such infringements may serve to conceal broader irregularities concerning

34 | Report of the Employment Supervision Authority 2024, 8.

wages, working hours, and rest periods. In the absence of accurate or complete records, it is impossible to verify compliance with legal obligations related to daily and weekly rest, work performed on public holidays, and the payment of wage supplements. Consequently, the lack or inadequacy of time records indirectly infringes upon workers' fundamental rights.

### **4.3. Violations related to remuneration**

In 2024, legal violations concerning remuneration were identified in relation to 6,589 employees, marking an increase compared to 5,683 in 2023. No agriculture-specific data are available for this category. The typical violations observed in 2024 remained consistent with prior years and included<sup>35</sup>:

- | Failure to pay wages on time,
- | non-compliance with payslip and wage accounting obligations,
- | Failure to pay mandatory wage supplements (e.g., overtime, night work, holiday work)

According to the supervisory authority, non-payment of wage supplements often resulted from employers' or payroll administrators' insufficient understanding of applicable legislation, although payroll errors and intentional non-compliance by employers were also identified as contributing factors.

In several cases, the authority found that the wage statements provided to employees were non-compliant, as they failed to indicate which supplements had been paid in addition to base salary. As a result, the payslips were not suitable for verifying the accuracy of wage calculations.

Another recurring issue was that wages were paid in cash without a written agreement, even though, as of 1 January 2023, a written agreement on the method of payment is mandatory under Hungarian labor law. Despite this requirement, many employers continued to pay wages in cash without formal documentation.

### **4.4. Other types of violations**

The supervisory authority also distinguishes a separate category of so-called 'other violations', which are not directly classified under the standard categories of labor law non-compliance. This category includes the following factual patterns:

Some violations were related to the failure to issue statutory documents or to complete final settlements upon the termination of the employment relationship. These situations frequently arose from disputes between the employer and the employee, such as disagreements at the time of termination, with employers

35 | Ibid., 9.

intentionally withholding final payslips or employment certificates, or instances where the employer ceased operations or could not be located by the employee either at the registered office or the place of work.<sup>36</sup>

A notable portion of these violations involved non-compliance with vacation (leave) entitlements. The number of affected employees increased from 998 in 2023 to 1,892 in 2024. The two most common irregularities in this area were that:

- | the employer recorded leave in the register but did not actually grant it, requiring the employee to continue working during the supposed leave period; and
- | a failure to ensure a continuous 14-day period of annual leave, as required once per calendar year under the Labor Code.

Employers often attempted to justify these violations by referring to their economic situation, unexpected orders, or unforeseen circumstances, or by claiming that employees were unwilling to take their leave.<sup>37</sup>

#### 4.5. Summary data and conclusions

Each year, following the qualitative discussion of labor violations, the supervisory authority also summarizes its findings in quantitative form. This was done in both 2023 and 2024. The key data are as follows:

- | In 2023, 6.7% of all labor inspections targeted the agricultural sector (906 inspections). These resulted in 548 enforcement actions and 137 administrative fines, totaling HUF 34,575,400. Of the 3,368 employees inspected, 1,909 were affected by some form of legal violation, including 534 cases of undeclared employment.<sup>38</sup>
- | In 2024, 4% of all labor inspections were conducted in the agricultural sector (487 inspections). These resulted in 557 enforcement actions and 106 administrative fines, amounting to a total of HUF 66,036,800. Among the 2,351 employees inspected, 1,657 were affected by legal violations, of whom 457 were employed without proper registration.<sup>39</sup>

Despite its inherent risks, simplified employment and casual work remain widespread practices in the agricultural sector. Employers frequently reported difficulties in finding suitable workers and stated that they often ‘test’ new hires through simplified employment arrangements. However, in many cases, employees fail to appear at the work site despite prior agreements, which complicates not only workforce planning but also the timely registration of employment relationships. Employers also cited the seasonal nature of agricultural work and the

36 | Report of the Employment Supervision Authority 2024, 10.

37 | Ibid., 12.

38 | Report of the Employment Supervision Authority 2023, 19–20.

39 | Report of the Employment Supervision Authority 2024, 15–16.

unpredictability of labor demand as reasons for delayed or omitted registration, noting that advance workforce planning is often not feasible.<sup>40</sup>

Among all categories of violations within agriculture, the highest number of affected workers was recorded for non-compliance with working time record-keeping rules (661 individuals). This was followed by violations related to working hours (457 individuals), undeclared employment (457 individuals), and wage-related violations (265 individuals).<sup>41</sup>

This dataset provides a stark illustration of the deeply concerning state of employment practices within the agricultural sector. Between 60% and 70% of the employees inspected were subject to some form of legal violation – and this reflects only the identified cases. Given the prevalence of concealed infringements and manipulated documentation, the true extent of non-compliance is likely even greater.

Despite the fact that agriculture was a targeted focus of inspections in 2023 – with 906 inspections conducted and more than 100 administrative fines imposed—the situation did not improve in 2024. In fact, although the number of inspections was somewhat lower, key indicators deteriorated, suggesting that the current system of state enforcement and sanctions is not effective in fulfilling its primary function: ensuring lawful employment.

## 5. Social conditionality

The preceding overview of the specific and distinctive circumstances of the agricultural sector was necessary in order to illustrate the state of agricultural employment at the time of the changes introduced by the Common Agricultural Policy (hereinafter: CAP). For the 2023–2027 programming period, the CAP has determined that a fairer distribution policy shall be implemented. One of the fundamental elements of this fairer CAP is social conditionality. Under this framework, beneficiaries are only entitled to receive CAP payments if they comply with certain EU labor standards, thereby encouraging them to improve working conditions within their operations.<sup>42</sup>

Accordingly, those are entitled to receive common agricultural support who ensure the minimum labor law guarantees required by the EU. In the interest of fair competition and trade, it is essential to prevent workers in this sector from becoming victims of exploitation.

40 | Ibid., 16.

41 | Ibid., 16.

42 | Common Agricultural Policy 2023–2027, [https://agriculture.ec.europa.eu/common-agricultural-policy/cap-overview/cap-2023-27\\_hu](https://agriculture.ec.europa.eu/common-agricultural-policy/cap-overview/cap-2023-27_hu) (Accessed: 30 April 2025).

This is a key principle of fairness defined at the EU level, which would require a level of legal awareness on both the employer and employee sides – a level that is currently lacking in this sector. This presents a serious problem that extends beyond the issue itself, since Regulation (EU) 2021/2115 of the European Parliament and of the Council and Regulation (EU) 2021/2116 of the European Parliament and of the Council will need to be applied from 1 January 2025 in relation to social conditionality.

At the time of finalizing this manuscript, the Hungarian implementing legislation was not yet in force. The Hungarian government had just completed the public consultation process regarding the text of the national regulation.<sup>43</sup> This, however, is only partially problematic, since in the EU, a regulation constitutes a secondary source of law that does not require national legislative action to become effective. It is a legal act defined in Article 288 of the Treaty on the Functioning of the European Union (TFEU), which has general application, is binding in its entirety, and is directly applicable in all Member States.<sup>44</sup>

At present, if we wish to apply the rules of social conditionality, we can rely solely on the text of the regulation. Currently, agricultural employers are not prepared (or more accurately, have not been prepared) to comply with this new system of responsibility. If they fail to meet the requirements, they risk losing their entire annual support.

Looking at the number of employers already found to have committed violations, and assuming no change in practices, compliance would become problematic for approximately half to two-thirds of businesses in the sector, particularly those belonging to the SME segment. This possible outcome would bring about two further consequences.

First, it may be advisable to organize educational training campaigns for employers in the interim period until the Hungarian implementing rules enter into force. Ideally, such training should be organized jointly by the ministry responsible for drafting the legislation and the agricultural chambers. Without training, businesses would be confronted with a new set of requirements for which they are entirely unprepared.

Of course, one might argue that ignorance of the law is no excuse, and that labor law rules should have already been applied properly. However, in the agricultural sector, we are dealing with a chronic, decades-long pattern of non-compliance, which in itself poses a national economic risk. Agriculture is one of the few remaining sectors in which Hungary still receives EU payments. If widespread inspections were to be carried out under the current state of compliance, many businesses would fail to meet the standards.

43 | <https://kormany.hu/dokumentumtar/szocialis-feltetelesseg-rendszerenek-bevezeteserol-szolo-rendelet> (Accessed: 30 May 2025)

44 | Article 288 of the TFEU.

Thus, two major interests are in conflict. On the one hand, there is the EU's legitimate expectation that payments should only be disbursed to those who provide fair working conditions for their employees. On the other hand, the Hungarian state's interest is that inspections be deferred during the transitional period, and that the implementing regulations define broadly interpreted exemptions to ensure flexibility. Accordingly, the organization of educational initiatives should be considered a priority task

This reflects a national economic interest – namely, that as much funding as possible be drawn down from available EU support instruments.

However, these two interests do not necessarily have to be in conflict. They could, in fact, be mutually reinforcing, in a spirit of rigorous enforcement paired with adequate preparation. A win-win scenario could emerge, whereby the guaranteed use of agricultural support is built upon the foundation of fair employment practices.

At present, a significant portion of businesses do not even fully understand the current regulatory framework, which makes it all the more difficult for them to cope with a new one.

In the following section, we provide an overview of the framework established by the applicable EU regulations.

### **5.1. What is social conditionality?**

Since the historical roots of this legal instrument are not widely known, it is useful to proceed step by step. Accordingly, the first step is to define conditionality itself. According to Recital 66 of Regulation (EU) 2021/2116, conditionality is a key element of the Common Agricultural Policy (CAP). It is the component that ensures CAP payments promote a high degree of sustainability and provide a level playing field for agricultural producers both within Member States and across the Union. The need to establish equal competitive conditions is emphasized particularly with regard to the social, environmental, and climate-related components of the CAP, as well as in the areas of public health and animal welfare.

To this end, (labor) inspections must be carried out, and where necessary, sanctions must be applied in order to guarantee the effectiveness of the conditionality system. The relevant section of the regulation also stresses that, in order to ensure such equal conditions for beneficiaries across the various Member States, certain general rules must be introduced at EU level concerning conditionality, inspections, and sanctions for cases of non-compliance. In this regard, Recital 69 of Regulation (EU) 2021/2116 highlights the importance of basing the social conditionality mechanism – particularly concerning working and employment conditions, and especially their monitoring – on enforcement procedures carried out by the competent implementing authorities or bodies responsible for the inspection of applicable labor standards.

The regulation itself acknowledges that different national practices exist in the various Member States. For this reason, the relationship between paying agencies and labor inspection authorities is of decisive importance. The same legal provision also underscores the importance of communication between these authorities. Beyond communication, it is almost a principle-level requirement that the inspecting authority and the paying agency function as two separate entities. These entities form part of the established control system.

According to Article 83 of the aforementioned regulation, existing national control systems may continue to be applied, provided they comply with the legal requirements. In the Hungarian regulation submitted for public consultation, this should not pose significant complexity, as labor inspection authorities have already been monitoring agricultural employers in accordance with the applicable procedural rules, and have previously operated independently from the paying agency.

#### *5.1.1. Possibility of imposing sanctions in cases of non-compliance*

Article 88 of Regulation (EU) 2021/2116 stipulates that the paying agency must be notified at least once per year of cases of non-compliance in which a legally binding decision has been issued by the labor inspection authority. This notification must include an assessment and classification of the severity, extent, persistence or recurrence, and intentionality of the non-compliance in question. Member States may use any relevant national classification system for labor law sanctions when performing this assessment.

According to the Regulation, the paying agency is to be notified only if the non-compliance is directly attributable to an act or omission of the beneficiary, and if the non-compliance is related to the beneficiary's agricultural activity, or to an agricultural holding as defined in Article 3(2) of Regulation (EU) 2021/2115, or to other areas under the beneficiary's management situated within the territory of the same Member State.

The Regulation provides that Member States may refrain from applying sanctions in cases of minor infringements, where the total amount of the sanction would not exceed EUR 100 per calendar year. However, this does not mean that the infringement would not be established; no separate sanction is imposed, but the party concerned must implement the necessary corrective measures to eliminate the infringement.

Subsection 4(6) of the Hungarian regulation adopts this rule, stating that if the total reduction in support due to non-compliance does not exceed the HUF equivalent of EUR 100 in the given year, the National Paying Agency (hereinafter: NPA) shall refrain from imposing a sanction. The NPA must inform the beneficiary of



this fact, as well as of the measures necessary to avoid similar non-compliance in the future.<sup>45</sup>

From the above, it follows that an objective liability system is applied in order to ensure that businesses in the agricultural sector comply with the rules of social conditionality. Regulation (EU) 2021/2116 identifies only two exceptions to this liability: force majeure, and cases in which the non-compliance results from instructions given by a public authority. In all other cases, liability is established, though it does not always entail a sanction.

However, if a sanction is imposed, the EU regulation allows Member States a relatively broad margin of discretion. Article 89 of Regulation (EU) 2021/2116 specifies that in calculating reductions and exclusions, the following factors must be taken into account: the severity, extent, persistence or recurrence, and intentionality of the established non-compliance. These assessments must be consistent with the evaluations referred to in Article 87(2) of the same regulation. Administrative sanctions must be effective, proportionate, and dissuasive.

The Hungarian regulation has established a multi-step framework for cases in which multiple non-compliance events occur in a given year or in two consecutive years. This does not exclude the possibility that a single infringement may also justify a reduction in support. In any case, the Hungarian legislator appears to anticipate a high number of repeat offenders, which is a realistic assumption given the previously cited statistics.

Nevertheless, the Hungarian regulation does not foresee the full withdrawal of support, even in the most serious cases. As a general rule, 8% of the support is to be withheld, with additional correction factors applying in the case of repeat offenders.

### *5.1.2. What exactly constitutes non-compliance with social conditionality?*

Annex IV of Regulation (EU) 2021/2115 contains the main employment law situations and scenarios, the non-compliance with which constitutes a violation of social conditionality. The Regulation interprets breaches of the following directives as constituting such a violation:

- | Directive (EU) 2019/1152 on Transparent and Predictable Working Conditions
- | Directive 89/391/EEC on Measures to Improve the Safety and Health of Workers, and
- | Directive 2009/104/EC on Minimum Safety and Health Requirements for the Use of Work Equipment by Workers.

45 | Decree of Ministry of Agriculture No. 29/2025 (VII. 22.) on the introduction of the social conditionality system.

The Hungarian regulation places these provisions into its own assessment framework, as permitted under Article 87(2) of Regulation (EU) 2021/2116. Within this assessment system, the regulation defines what type of violation constitutes the basis of non-compliance in a given case. It also classifies the degree of non-compliance, essentially based on whether the consequences remain within the farm or extend beyond it.

Under EU provisions, 19 employment-related, 82 occupational safety, and 7 other requirements have been classified according to their severity, scale, and duration. In terms of severity, violations may be classified as negligible, minor, moderate, or serious. In the text of the regulation available at the time of closing this manuscript, the number of minor and negligible violations was comparatively higher. Regarding duration, the classification distinguishes between violations that are short-term and remediable and those that are long-term and remediable.

The reasoning attached to the regulation does not explain on what basis the severity of individual breaches was determined. However, it is discernible that the underlying state interest was to ensure the maximum possible disbursement of funds, which is understandable given the current relationship between the EU and Hungary.<sup>46</sup>

## 5.2. Social compliance as a case of sectoral CSR regulation

When examining the applicable rules, a special system of legal responsibility emerges – one that extends well beyond the boundaries of legal regulation and forms a complex system of accountability. This current situation aligns with the EU's broader direction of reinforcing social responsibility.

Social compliance possesses a clear legal dimension, yet its economic role – in promoting equal opportunities among Member States – is no less significant, and its ethical implications are equally important.<sup>47</sup>

The regulation seeks not only to bring transparency to agricultural employment, but also to establish a win-win scenario in which one of the indirect goals is to improve the conditions of the most vulnerable workers.

Social compliance can thus be interpreted through the lens of Carroll's CSR pyramid. The first and most fundamental social responsibility of business is economic in nature – this forms the base of the pyramid.<sup>48</sup> Just as society has legitimized the economic system by allowing businesses to assume a productive role, the fulfillment of the 'social contract' has also defined the basic rules – laws and regulations – under which business activity is expected to operate. Society expects businesses to pursue their economic mission within the framework of

46 | While this aspect is not explored in detail within the scope of the present study, we intend to initiate further research in this direction in the future.

47 | Yu et al. 2023.

48 | Szgedi, Fülöp & Bereczk 2017.

legal compliance. From Carroll's pyramid, it clearly follows that lawful conduct alone is not sufficient, but no authentic form of CSR can exist without full legal compliance.<sup>49</sup>

## 6. Recommendations for improving employment in the agricultural sector

In light of the above, it is particularly noteworthy that the introduction of social conditionality can be understood as the indirect implementation of CSR principles in the agricultural sector—however, unlike previous EU practice, this is no longer introduced in the form of soft law, but rather as hard law. What is especially significant is that the regulation does not differentiate based on the size of the enterprise; instead, it introduces a universal rule that must be followed by all entities—from micro-enterprises to multinational corporations.

At this stage, it remains unclear to what extent the new rules will improve compliance with labor standards. In designing the sanction system, the state sought to ensure that the previously noted 70%+ rate of employer non-compliance would not lead to the collapse of the agricultural sector in the very first year of implementation. That could not – and should not – be the intention of the EU regulations either.

However, it is a realistic and legitimate aim that, given the high intensity of financial support provided to this sector, certain expectations of social compliance and conditionality should be articulated.

For this reason, the role of the Hungarian state extends beyond mere implementation; it also includes the launch of an educational campaign to inform agricultural employers about the nearly 100-point employment compliance framework, in light of which they must restructure their operations and abandon outdated practices.

We also consider the establishment of a mentoring program to be a viable option, in order to enhance the effectiveness of this educational effort and to complement the state's inspection and enforcement functions. Engagement with 'social' issues seeks to achieve greater equality by reducing unacceptable levels of inequality.<sup>50</sup> This objective was undoubtedly necessary in the agricultural sector.

49 | Kun 2009.

50 | Moudud 2025, 142.

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