Theses of the PhD dissertation

Borbála Prónai Igazné

# The Beginning and Development of the Mandatory Social Security in Hungary

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## I. Research task

The basic aim of the dissertation is to provide a comprehensive analysis of the beginning and historic development of the Hungarian social security system, which describes the basic areas, the main tendencies of the changes and their reasons in a historic continuity from the beginning to our days.

A further aim of the study is to give a picture of the basic areas of social security that covers all important aspects, such as the changes in services provided through social security, the rise of the number of insured, the eligibility criteria, the changes in the mandatory contributions to cover the costs and the transformation of the organizational systems and management. I have tried to point out in my study what direction the system grew or shrank basically. To achieve this I needed both to describe the historical antecedents from the Middle Ages until today and to make a list of the most recent problems and facts of the present situation.

I considered the most important task of my comprehensive description was to explain the historic path of Hungarian social security more fully, more uniformly and with more facts than the earlier studies in this field.

## II. The method of the research

I have presented the historic process with studying the law, regulations and other documents of the time on social security, analysing the statistics and with critical assimilation of the results of previous researches.

I have shown the beginning and development of the Hungarian social security, the changes of the system in the continuity of its content concentrating on and analysing greater connections. A comprehensive description like this that looks back on historic times but touches on the most recent changes as well and tries to cover all aspects, makes it possible to realise the main tendencies and the differences from and similarities to other systems and to use it practically.

So that the processes of more than a hundred years can be comparable, I found it necessary at some points to use concepts and words in their present senses in order to eliminate conceptual differences of their contents, although it is not always the right method because the “contents” have also changed considerably during the time.

In the interest of greater clarity I dealt separately with the development of health insurance, accident insurance, family insurance and pension schemes but because these branches are often connected inseparably to each other at several points, I had to make exceptions exactly for the sake of clarity, and I did not set them apart.

In the interest of the completeness of the historical analysis, I had to deal shortly with some areas and provisions (e. g. family supports) which do/did not belong directly to the system of social security in a narrow sense but they are closely connected to it - so their listing and description was necessary to explain their connections and interactions.

## III. Summary of the scientific results

Historically, Hungary adopted the **Bismarckian type** of social security model which had been introduced earlier (1883-1884-1889) in Germany. Later on, our social security transformed in a special way, more or less diverging from the original model because our traditions, cultural heritage, and demographical, social, economic and political position were different.

Urbanised life style that followed industrialisation necessitated or facilitated the beginning of mandatory social security because family ties had become weaker and the voluntary mutual aid organizations that lacked state contribution were too small to deal with the new social problems. The workers who were increasingly exposed to different risks tried to force welfare development with the help of political organizations, trade unions and other movements.

The state tried to interfere with welfare measures - whose main form was the mandatory health security and a pension scheme - to ease social tension, to prevent social conflict and to fulfil the need for an increased number of able workforce from the beginning of the 20$^{th}$ century

The protection of **family members** within the frame of social security was on the agenda in Hungary from the first part of the 1900's, which is demonstrated by the fact that Act of Parliament XIX of 1907 on the sickness allowance for the family members preceded the similar services in other European countries. Even then, the support of families raising children was stressed because of demographical reasons, one of the forms of which was family allowance (regular cash support to raise children) introduced in 1902 (although only for a small group and not in the frame of social security). Another development of the supports was for example the introduction of eligibility of family members for pregnancy and young mother allowance in 1922 or sick allowance after children from 1941.

**Family allowance** in today's sense began as a system connected to employment but separately from social security, and although it became a kind of social security service in 1946, it was integrated in the unified system of social security by the law on 1$^{st}$ July 1975. Family allowance was excluded from the frame of social security services, becoming an allowance

based on citizenship and being irrespective of employment in 1990. However from 1996 the majority of families considered to have higher income did not receive it for three years. After joining the European Union those living in Hungary permanently are also eligible for it.

Today our system of social security is divided into two branches: health insurance and pension scheme. Accident and family insurance, which developed separately historically, have become part of these. The **general principles** have been the following: the stipulation of a previous insurance period, the prohibition of multiple insurances (everybody is insured only by one title), the entitlement for only one type of provision at a time, and exclusion from provisions in case of deliberate damage.

## 1. Health and accident insurance

In Hungary the appearance of mutual aid societies can be regarded as the antecedents of health insurance then the voluntary health insurance developed into mandatory insurance. The first societies were formed among miners and the setting up of "miners' common chests" started already in the $15^{th}$-$16^{th}$ century. Unlike this, industrial workers were supported by towns and cities in the frame of poverty aid and from the $14^{th}$ century guilds took the responsibility of helping their sick members. The first voluntary mutual aid societies were established in the $18^{th}$-$19^{th}$ centuries. The first general nationwide institution of health security (General Workers Fund for the Sick and Disabled) was founded in 1870, where a mandatory element also appeared because the factories contracted with the Fund obliged their workers to join it. The sickness funds of industrial bodies founded after the Law of Industry of 1884 meant a step towards mandatory security because where they were formed they were compulsory for factory workers and hands.

The societies with only a few members were not able to provide adequate services not having enough funds. In order to improve the more and more distressing situation of the workers and because of the needs of the developing industry there was a great need for a law to ensure the mandatory support of disabled and sick workers and to provide for the family of the deceased. In Hungary the mandatory sickness insurance was introduced very early by international standards (1891), it was the third in Europe.

The separate organization of accident insurance took place later. First the insurance against accidents among agricultural workers and hands was regulated by the law in the beginning of the 1900's, which was rather narrow in its scope and of low standard. The accident insurance of the

workers regarded to be working at dangerous firms was realized in 1907 (irrespective of the amount of their wages), but then only factory accidents were compensated for and not occupational illnesses.

### 1.1 The insured

In the beginning, several factors constricted the mandatory nature of the insurance (less than eight days of employment, more than 8 crowns of wages per day until 1918). However voluntary insurance was possible for those who were not covered by the mandatory type of insurance (self-employed, agricultural workers, family members, etc.). **The number of insured** in the first decades of mandatory insurance was very low but it **increased continuously.** However, during the economic crises and wars the increase stopped or even a decline could be noted. (Table 1 shows the figures.)

Between the to world wars, the number of insured increased but it is worth mentioning that the agricultural workers who greatly outnumbered the industrial workers were completely excluded from the mandatory sickness insurance until 1945, their employers had to contribute to their sickness benefit on the basis of a separate law. Non-insured poor and sick people received care and medication on the basis of aid for the poor. As a result of the setting up of cooperative farms in the end of the 1950's and beginning of the 1960's, insurance covered practically all Hungarian citizens (even those working in agriculture), and from 1975 the benefit of health care was a citizen's right. After the change of the system in 1989, health care was based upon insurance and since then practically all Hungarian citizens have received care and only those are left out who do not want to take part in it.

**The number of the insured**
**(1885-1975)**

Table 1

| Year | Number of insured | In the percentage of the population (%) |
|---|---|---|
| 1885 | 147.000[1] | 0,9 |
| 1891 | 447.000 | 2,6 |
| 1900 | 594.000 | 3,1 |
| 1903 | 634.000 | 3,3 |
| 1911 | 1.155.000 | 5,5 |
| 1913 | 1.204.000 | 6,3 |
| 1915[2] | 835.000 | 4,4 |
| 1927[3] | 2.000.000 | 24 |
| 1931 | 2.200.000 | 25 |
| 1938 | 2.800.000 | 31 |
| 1947 | 3.000.000 | 33 |
| 1948 | 3.300.000 | 36 |
| 1949 | 3.800.000 | 41 |
| 1950 | 4.400.000 | 47 |
| 1951 | 4.800.000 | 51 |
| 1952 | 5.300.000 | 56 |
| 1953 | 5.700.000 | 59 |
| 1955 | 5.900.000 | 60 |
| 1956 | 6.300.000 | 64 |
| 1957 | 6.100.000 | 62 |
| 1958 | 6.400.000 | 65 |
| 1959 | 7.200.000 | 72 |
| 1960 | 8.500.000 | 85 |
| 1961 | 9.400.000 | 94 |
| 1962 | 9.700.000 | 96 |
| 1963 | 9.800.000 | 97 |
| 1970 | 10.000.000 | 97 |
| 1972 | 10.300.000 | 99 |
| 1975[4] | 10.500.000 | 100 |

[1] Except funds of industrial bodies
[2] Number of insured of all mutual sickness funds yearly until 1915
[3] Together with family members from 1927
[4] Covers practically everybody after 1975

**Services provided in the framework of health care security**

Table 2

| **Provisions** | **1891** Act no. 14 | **1907** Act no.19 | **1918** | **1927** Act no.21 | **1942** | **1945** | **1975*** Act no.2 | **1990** |
|---|---|---|---|---|---|---|---|---|
| **Medical treatment** (f.)[1] | 20 weeks | + | 26 weeks | 1 year (1919) | unlimited | + | + | + |
| **Obstetric care** | + | (f.) | + | + | + | + | + | + |
| **Family provisions** | + | (f.) | + | 1 year (1919) | + | unlimited (1963) | + | + |
| -for family members | - | + | + | 28 days | 42 days | 60 days (1947)<br>90 days (1952) | unlimited | + |
| **Medicine** (f.) | 20 weeks | + | 26 weeks | 1 year (1919) | unlimited | 15 % contri-bution (1952) | Contribution | Social security subsidy |
| **Medical helping devices** | 20 weeks | (f.) | 26 weeks | 1 year (1919) | unlimited | 15 % contri-bution (1952) | Contribution | Social security subsidy |
| **Spas, medicinal waters** | - | + | (f.) | + | unlimited | + | + | + |
| **Paid travelling costs** | - | +[2] | +[2] | + | + | + | + | + |
| **Amount of sick allowance** | 20 weeks | + | 26 weeks | 1 year (1919) | + | + | + | + |
| (basis of allowance)** | 50 % | 60 % (1918) | 60-75 %[3] (1919) | 60 % | 55 % | 65-75 %[4] (1950) | + | 60-70 %[4] (1995) |
| - during **hospital** stay | - | - | - | - | ¼ of sick allowance | half of sick allowance | sick allowance | 60 % |
| • (there is dependent relative) | half of the sick | + | + | + | (1947)<br>¾ of sick | (1950)<br>80 % of sick | + | even then<br>60 % |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | allow-ance | | | | allowance (1947) | allowance (1950) | | |
| **Sick allowance for child care** | - | - | - | - | - | (1948) | + | + |
| **Pregnant aid** | - | - | 4 weeks (1919) | 6 weeks[6] | + | **Pregnant – new mother aid** (after 1945) 12 weeks | | |
| - amount | - | - | 100 % (f. 1922) | + (f. 4 weeks) | + | 20 weeks (1963) 100 % | 168 days 65-100 %[4] | + 60-70 % (1996) |
| **New mother aid** | 4 weeks 50% | 6 weeks[5] 50% | 8 weeks 75% (f. 1919) | 6 weeks[6] 100 % (f. fix) | + + + | (50 % in hospital (1950); 80 % (1953)) | | (in hospital, too) 70 % (1998) |
| **Breast feeding aid**[7] | - | - | + (f. 1922) | 12 weeks[6] daily 60 fillér (f. 30 fillér) | + | + | Fixed amount | + |
| **Funeral aid** (basis of contribution) | 20 times | + | 30 times | + | + | Fixed amount | + | + |
| Eligibility after social insurance ceased | 6 weeks | 3-6 weeks[4] | + | 8 days-3-6 weeks[4] | 13 weeks | + | -- | 90 days (1992) 30 days (1997) **sick allowance**: 180 days (2003); 90 days (2004) |

*health care on citizens' right, only monetary provisions are given in the frame of social security

**basis of allowance: average daily wages before 1946, after this the real wages

[1] (f.) family members received it, too

[2] max. one week sick allowance

[3] depending on the length of illness

[4] depending on previous security

[5] 3-month previous security time (within a year)

[6] 6-month previous security time (9 months after 1945)

[7] maternity aid from 1949

+ allowance given (same amount as before)

- no allowance

(year) introduction in an other year than indicated

-- support given not on the basis of eligibility

## 1.2 The provisions of health and accident insurance

The services provided by miners' common chests and mutual aid societies in the industry were very different until 1891 and their degree was defined by their constitutions. Act 14 of 1891 made a unified although **low level service** mandatory but because of the fragmented material resources, the societies often could not afford to give their members even this. First, mainly the cost of short term illnesses was covered by insurance and cash support was predominant but later the scope of services widened and they could be used for longer times by the eligible people. Medical support for family members increased as well and due to a law on this in 1907, Hungary anticipated other European countries for a short time. As an effect of economic setbacks, crises and wars, the degree and quality of services were necessarily limited (for example: decrease of the amount of sick-allowance, introduction of the participation to the cost of medicines, time limitation of the aid of chronic patients, paying fees for employers' clearance), but later they were lifted.

In table 2 I gathered the smallest level of aids and health services stipulated by the laws and regulations, which could be raised even in the beginning if the incomes made it possible. Naturally several exemptions and deviations vary the whole picture, which differed from general regulations in the given period, or from other periods (for example the sick leave eligibility of TB patients grew to 2 years from 1952, then they received free hospital care without time limit from 1961 but since 1993 there has been no special law on it).

From the 1950's the differences between the eligibilities gradually ceased and the provided services became unified. The **enlargement of the services** lasted only **until the middle of the 1970's**.

Analysing the figures from the aspect of the state budget, it can be asserted that the government undertook greater burden than it could carry with the introduction of the **"free" medical care** for all, which resulted in unexpected increase of expenses together with the price escalation of medical services and other unfavourable processes in the economy (oil price escalation, backsliding of economic growth). To cover this, the social security contributions were raised every year. In order to reduce sick allowance costs and to devolve them to employers (counting on the more effective checking by the employers), it was introduced in 1977 that the employer has to pay the sick allowance in the first three days of sick leave (except for child care, occupational accident, occupational illness, and sickness after insurance has ceased). The sick allowance burden on employers increased in 1992, the insured was entitled for ten days of sick

leave every calendar year, which was raised to 15 days in 1996, and above this, the employer has to pay one third of the sick allowance as a contribution in case the employee is sick or needs hospital treatment.

**Since the 1990's** we have experienced mainly **austerity measures** (for example the decrease of the amount of sick allowance, pregnancy and young mother allowance), the only growth occurred in the case of child raising families (the increase of paid days for child care – 1985, the raise of eligibility age of children – 1985, 1988, the introduction of "gyed" (maternity allowance until the age of 2 of the child, amounting to 60 % of the mothers previous wage) – 1985, 2000) in accordance with demographical purposes.

### 1.3 Paying contributions

On introducing mandatory sickness insurance, mandatory contributions were also to be paid to cover customary expenses. At first, contributions were rather low (especially if compared to present time) but they rose steadily during the years. The basis of contributions was usually the daily wages before 1946 and after its abolition it was the real wages. The cost of mandatory accident insurance was totally charged on the employers in the degree of the dangerousness of the working conditions at the firm.

From 1945, all social security contributions were charged on the employers, attaining the principle of "no charge," although pension contributions had to be paid by employees as well from 1948. After 1945 the degree of social security contributions varied according to whether the insured worked in agriculture, was a member of cooperatives of small industries, an employee of the private sector, of state organizations, and later according to whether the state organization or company was obliged to pay salary tax or it is exempted from that. This differentiation lasted for decades (which was partly justified by economic-political reasons) and the unification of social security system started from 1989.

From 1975 the different **contribution rates** of different sectors ended (employers paid unified social security contributions until 1991) but the progressive pension contribution paid by employees remained, whose upper limit was raised in 1982. It can be seen from the summarising chart (Table 3) that contributions have been raised considerably since 1976.

**The contribution rates of social security**
**(1891-2005)**

Table 3

| Year | Employer | | | Employee | | | | |
|---|---|---|---|---|---|---|---|---|
| | Social security contribution | From this | | Social security contribution | From this | | | |
| | | Pension contribution | Health insurance contribution | | Pension contribution | From this | | Health insurance contribution |
| | | | | | | Pension contribution | Member-ship fee | |
| 1891 | 0,67 (1-1,67)* | - | 0,67 | 1,33 (2-3,33)* | - | | | 1,33 |
| 1902 | 0,83 | - | 0,83 | 1,67 | - | - | - | 1,67 |
| 1907 | 1,5 (1-2)** | - | 1,5 | 1,5 (1-2)** | - | - | - | 1,5 |
| 1918 | 2 | - | 2 | 2 | - | - | - | 2 |
| 1919 | 3 | - | 3 | 3 | - | - | - | 3 |
| 1928[1] | 4,75 (5,15)[9] | 1,75 (2,15)[9] | 3 | 4,75 (5,15)[9] | 1,75 (2,15)[9] | - | - | 3 |
| 1928[2] | 5,5 (6)[9] | 2 (2,5)[9] | 3,5 | 5,5 (6)[9] | 2 (2,5)[9] | - | - | 3,5 |
| 1946 | 12 | 4[3] | 8 | - | - | - | - | - |
| 1948 | 17 | 4 + 5[4] | 8 | 1 | 1 | - | - | - |
| 1949 | 12 | 4 | 8 | 1 | 1 | - | - | - |
| 1951 | 10 | 4 | 6 | -[5] | - | - | - | - |
| 1954 | 10 | 4 | 6 | 3 | 3 | - | - | - |
| 1967[6] | 10 | 4 | 6 | 3-10[8] | 3-10 | - | - | - |
| 1967[7] | 17 | 7 | 10 | 3-10 | 3-10 | - | - | - |
| 1975 | 17 | - | - | 3-10 | 3-10 | - | - | - |
| 1976 | 22 | - | - | 3-10 | 3-10 | - | - | - |
| 1980 | 24 | - | - | 3-10 | 3-10 | - | - | - |
| 1982 | 27 | - | - | 3-15 | 3-15 | - | - | - |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 1983 | 30 | - | - | 3-15 | 3-15 | - | - | - |
| 1984 | 40 | - | - | 3-15 | 3-15 | - | - | - |
| 1988 | 40 | - | - | 10 | 10 | - | - | - |
| 1989 | 43 | - | - | 10 | 10 | - | - | - |
| 1991 | 43 | - | - | 10 | 10 | - | - | - |
| 1992 | 44 | 24,5 | 19,5 | 10 | 6 | - | - | 4 |
| 1996 | 42,5 | 24,5 | 18 | 10 | 6 | - | - | 4 |
| 1997 | 39 | 24 | 15 | 10 | 6 | - | - | 4 |
| 1998 | 39 | 24 | 15 | 10 | 7 | 1 | 6 | 3 |
| 1999 | 33 | 22 | 11 | 11 | 8 | 2 | 6 | 3 |
| 2001 | 31 | 20 | 11 | 11 | 8 | 2 | 6 | 3 |
| 2002 | 29 | 18 | 11 | 11 | 8 | 2 | 6 | 3 |
| 2003 | 29 | 18 | 11 | 11,5 | 8,5 | 1,5 | 7 | 3 |
| 2004 | 29 | 18 | 11 | 12,5 | 8,5 | 0,5 | 8 | 4 |
| 2005 | 29 | 18 | 11 | 12,5 | 8,5 | 0,5 | 8 | 4 |

* because of the insufficient amount of income, contribution rates could be raised
** bottom and top limits of contribution rates (until 1911 contributions were paid for six days)
1 in case of the use of the system of daily wages offices
2 in case of real payments
3 1% from this is accident contribution
4 to cover family allowance, a 5% contribution was introduced (this was stopped in 1949, the state paid directly)
5 transformed into commercial tax
6 in case of exemption from salary tax
7 in case of paying salary tax
8 it became progressive in 1966
9 the MABI-insured (in case of the insured below a salary limit)

From 1992 the insurance aspect became more pronounced again, the health insurance and pension contributions split, and the mandatory payments of the employers and employees were defined separately. From 1998, the amount paid by the members of private pension schemes fell into two parts: pension contribution and member fees. Since 1996 the contributions paid by the employers have decreased, which was slightly balanced by the health contribution introduced in 1997. However, the contributions paid by the employees have not risen since 1998.

## 2. Pension scheme

### 2.1 Antecedents

Pension schemes as a form of mandatory social security looks back on hundreds of years of history. Its antecedents were self support and charities, in Hungary as well. The first traces of a security scheme for old age and disability can be found in the miners' common chests. The services of these chests included paid pension or severance pay if members were unable to work any more and the care for widows and orphans. Guilds also considered their duty to look after their disabled members and to help the widows and orphans. From the middle and the end of the 19$^{th}$ century, societies based on voluntary membership were founded (Association of Commercial Pension and Nursing in Budapest -1846, General Workers Sick Benefit and Invalid Fund – 1870, Invalid and Pension Society of Workers in Hungary – 1892). Some sectors and companies offered special pension schemes for their workers. The state regulated first the pensions of some groups of public servants but paying contributions was not introduced then.

### 2.2 Mandatory pension schemes

The introduction of mandatory pension scheme (Act XL of 1928) was rather late compared to other countries but the law was well prepared and they used all the experiences of the West European pension schemes and they managed to create a lasting regulation whose basic principles and several elements are acceptable today.

Pensions had a complementary role in the beginning because security was provided by the family that people could rely on in case they were not able to work. In the newly formed system, not only the principle of security but also that of solidarity and lack of means prevailed because a part of the benefits did not depend on the contributions. The insurance was based on the system of expectancy funds, which meant collecting a fund from the

contributions and invest it securely to make a profit, which was estimated to be annually approximately 4 %.

After the Second World War, because the accumulated sums had vanished, we had to change into a system of collection and reallocation, which means that the all-time contributions cover the all-time pensions.

After the pension reform in 1988, which was mainly initiated by financing problems, our pension scheme became one with three pillars; it functions with mixed financing, which means that social security pensions are based on collection and reallocation but the mandatory private pension scheme is based on the principle of capital funds and these are complemented by the possibility of voluntary pension schemes. Thus the significance of self-care has been reinforced beside the principle of solidarity.

### 2.2.1 Pension scheme services and eligibility

After the introduction of pension schemes, the quality f provisions were rather low and there were great differences between the eligibility of different groups and in the degree of services.

The unfavourable situation of agricultural workers can be seen in the area of pensions too, which was manifested by the fact that they became eligible for the provisions much later and even then they received small amounts of pensions for a long time, which they could claim at an older age (until 1980) and after a longer period of waiting. Women working in agriculture became insured only in 1948, and they became eligible for widows' pension only after 1940.

In the 1960's and 70's a tendency of unification started and from 1975 the differences in eligibility and the quality of services gradually ended and a single, unified pension scheme was formed. In table 4 I summarize the basic provisions of and the main changes in pension schemes, but naturally showing only the most important stages, not describing the details and the several deviations from the main tendencies.

Pension expenses have steadily been rising at an ever increasing rate since the 1960's because the proportion of eligible people has grown, the age structure of the population has changed and the relative level of pensions has risen. After the introduction of compulsory indexing, the relative level of pensions increased although the pension scheme was reallocated in favour of the small pensions which rose more than the pensions of those who had longer service time. Naturally, the effect of economic regressions could be felt here, too.

**The provisions of pension schemes**

Table 4

| Eligibility, provisions | Public service (1885, Act XI) | Mine (1925) | 1928, Act XL | 1951, Act 30 | 1975 Act II | After 1990 |
|---|---|---|---|---|---|---|
| **Service Time** | | | | | | |
| - old age | 40 (30[1]) years | 40 (25)[2] | 8 years (4 )[3] | 10 years | ++ | 20 years (1991) |
| - disabled | 10 years | 10 years | 4 years (2 )[3] | depending on age | ++ | ++ |
| **Retirement Age** | 65 60 (1913) | 65 (60)[2] | 65 (60 1944) | 60-55 [4] | ++ | 62 (1998) |
| **Old Age Pension** | | | 120 pengő p.a. (150 p 1941) 19-24 %[5] of contributions | 15-30 %[6] (50 % 1954) (average wages) | | |
| - basic pension - increasing contribution | | | | | | |
| - 5-10 years | 40 % (salary) | 20 %[7] | | | (wages) | |
| - after 10 years | | | | | 33 % | 33 % |
| - yearly | +2 % (3%[1]) | +2 % | | +2 % +1 % (1954) | +2; 1; 0,5 %[8] | +2; 1; 1,5 %[8] (1998) |
| - after 40 (30) years | 100 % | 80 % | | (from 1945) | (from 1929) (1959) | |
| **Age Exemption** | - | - | - | ++ | ++ | ++ |
| **Disability Pension** (average wages) | 40 % | 20 %[7] | Old age pension | 54-45-30 %[9] 70-60-50 (1954) 60-55-50 (1959) | 43-38-33 %[9] | ++ 47,5-42,5-37,5[9] (1999) |
| **Accident Caused Disability Pension** | | | | 75-60-42 %[9] +10-10 % (1954) | 70-65-60 %[9] | ++ |
| **Service Pay** | ++ | ++ | ++ | ++ | ++ | - |
| **Child Allowance** | - | - | 5 % of allowance[10] (10 % 1941) | (the sum of family allowance) | - | - |
| **Widow's Pension** - percentage of spouse's pension | 50 % | 50 % | 50 % | Temp.-perm. 15-30 %[11]** 50-70 %[11] (1954) | 50 % | 50; 20/25/30 %[12] |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Orphan's Allowance**<br>- in percentage of pension<br>- in percentage of widows pension | *<br><br>1/6<br>1/5 (1913)<br>(20-18--16-14 years)[14] | (16 years)*<br>15 % | (15-17-18 years)[13]<br>15 % | 16 years*<br><br>50 % | 16 years*<br><br>++ | +*<br><br>30 % (1998) |
| - parentless orphans allowance | 1.5-2 times[15] | 50 % of pension | 30 % of pension | 100 % of widow's pension | ++ | 60 % (1998) of pension |
| **Parents Pension** (sum of widows pension) | - | - | - | ++ | ++ | ++ |
| **Maximum of relative's pensions** | - | 100 % (own pension) | 100 % (allowance +child allowance) | 200 % (of widow's pension)<br>250 % (1954) | 250 % (of widow's pension) | 200 %(1993)<br>(none 1998) |
| **Spouse's allowance** | - | - | - | ++ | ++ | ++(until1997) |

[1]teachers
[2]25 years underground work
[3]in case of total blindness
[4]men-women
[5]insured by MABI-OTI
[6]from 5 years higher age (65-60)
[7]basic sum of pension security
[8]after 11-25; 26-32; 33-42 years – max. 75%,
1993: it increased by .5 % after 42 years,
from 1995 max. 100%; from 1998: 26-36 years
1% each, above 36: 1.5 % each
[9]in disabled degree I, II, III
[10]Until 1940 max. 20 % of allowance
[11]higher in case of occupational accident ** average wage
[12]temporary; permanent widow' pension: from 1998/2003/2004
[13]further education, insured by MABI
[14]clerk - attendant, boy-girl (uniformly 24-16 years from 1913)
[15]depending on no. of children (more than 2 children, 1-2 children) (child allowance)
*in case of further training 24 years, 1950: 18 years, 1959: 19 years, from 1975 25 years
(year) indicates the date of introduction
++allowance given (same amount as before)
- no allowance

Not only the expenses grew but because of the unfavourable demographic, economic and workforce market processes, the incomes decreased as well, so the reform of the pension scheme became inevitable. In order to be able to finance it, there have been austerity measures in eligibility, the most important of which was raising the minimal service time to 20 years and the introduction of a higher retiring age.

### 3. The system of management and organization

The organization of **miners' common chests** was regulated by their constitution based on the mining law and government decrees, and the handling of common chests was in the hands of the miners self-government. They were supervised by the master miner boss, the magistrate of the town and on second level the Lord Chamberlain and the Court Chamber. The funds of the industrial bodies were handled by the tradesmen and journeymen in equal proportion.

The first general country-wide society of Hungarian health insurance, the **General Workers' Sick and Disabled Allowance Fund** (General Fund) was established in 1870. The fund functioned independently, it was administered solely by workers and its self-governing body was the assembly of the delegates. Its superintending authority was – similarly to all societies in the capital – the Council of the Capital City of Budapest.

According to the **Act XIV of 1891** there were funds of companies, factories and industrial bodies, miners' common chest, sick-relief funds of private societies, and the newly established district funds. Sick-relief funds with self-governments were supervised by the locally competent industrial authority, and were superintended by the Minister of Commerce but the funds at tobacco factories were under the jurisdiction of the Ministry of Finances. Two thirds of the members of the self-government were elected from the employees and one-third from the employers.

The Minister of Home Affairs assented to the constitution of **Workers Invalid and Pension Association in Hungary** (1892). The General Fund and the **District Sick Relief Fund of Budapest** established in 1892 were merged in 1906 with the support of the Minister of Commerce under the new name of **District General Workers Sick Relief Fund of Budapest.**

The legislation of the accident insurance of agricultural workers and labourers took place in 1901 with the establishment of **Country-Wide Economic Relief Fund of Workers and Labourers**.

After passing **Act XIX of 1907** the mandatory sickness and accident insurance organization became country-wide and centralised. The **Country-**

**Wide Workers' Sick Relief and Accident Insurance Fund** (Country-Wide Fund) was founded, whose intermediate local bodies for insurance and relief were the district workers insurance funds and the company and private sick relief funds. All the sick relief funds of industrial bodies and constructions were wound up. Miners' common chests participating in mandatory workers' sick relief insurance, the sick relief funds of tobacco factories and the sick relief fund of Ferenc József Commercial Hospital remained independent organizations and did not belong to the local organizations of the Country-Wide Fund.

The insurance organizations worked on the principle of **self-government** and the leadership was equally divided by employers and workers. The owners of the companies were able to influence the company funds henceforward.

The state supervision of insurance was carried out by **State Workers Insurance Office** under the jurisdiction of the Ministry of Commerce (and the Croatian, Slovenian, Dalmatian Governor). Thus workers' insurance was **controlled by the state** and its self governance was curtailed. A few years later the government limited the autonomy of the funds even more and at the beginning of the war it was totally eliminated.

**During the First World War** the self-governments were paralysed. During the Károlyi government (1918-19) they were controlled by the Ministry of Labour and Welfare. The State Workers Insurance Office merged in the Commissariat of Labour and Welfare established during the Hungarian Soviet Republic (1919). After the fall of the Hungarian Soviet Republic, workers' insurance was controlled by Ministry of Public Health and after 1920 by the Ministry of Welfare and Labour. In 1919 the Minister of Public Health dissolved the self-governments and their tasks were entrusted to ministerial commissioners who served until the day of the enactment of Act XXI of 1927.

**Centralisation** was developed further by the **Act XXI of 1927**. The legal entity of local organizations of sick-relief funds were ceased and the only subject of law became the Country-Wide Workers Insurance Institution (which was the name of the State Workers Insurance Office from 1st January 1928). The new name of the Institution became **County-Wide Social Insurance Institution** (OTI), which did not only mean a change of names because this is the time since when social security has existed in Hungary. (The social security provisions of the population became complete with the establishment of old age insurance beside sickness and accident insurance.)

After the enactment of **Act XL of 1928,** the provision of accident insurance and mine pension insurance became the duty of OTI, sickness

insurance was carried out by OTI, too and ten other institutions, old age pension was paid by OTI as well (for insured not under the allowance limit) and by MABI (for insured under the allowance limit). Pension insurance of public servants were administered by the state, state companies and public bodies. Several big companies established company pension funds, mainly for their officials. The accident and allowance insurance of agricultural workers belonged to County-Wide Agricultural Insurance Institution (OMBI). Only OTI, MABI and miners' common funds had the right to initiate voluntary insurance.

From 1930 the self-governments of the insurance institutions became oversized, bureaucratic and fought with financial problems. The self-governments had only rights to initiate and recommend but not to take measures. By the middle 1930's **the scope of authority of the self-governments became even narrower**, and they were deprived of the right to manage the funds of old age pensions. The state control of the social security was transferred to the minister of home affairs.

**During the Second World War** the self-governments of social insurance institutions were suspended and the great part of their wealth was used for military causes. **After the war** more than thirty insurance companies dealt with the social security of different groups, the self-governments were functioning again with greater scope of authority and the equal proportion was changed: 2/3rds of the members were delegated by the employees and one third by the employers. The next step was an **organizational unification**: the OTI, as an independent insurance company, took over the functions of the insurance companies with the exception of Sickness Insurance Institution of the Hungarian Railways. A separate institution was set up to pay the pensions, namely the National Institution of Pensions (ONYI).

The leadership of the hugely grown OTI comprised of the Ministry of Welfare, the Council of Trade Unions, the Hungarian Workers' Party, the Economic High Committee and the Council of Ministers. **In 1950** the **OTI was nationalised**: its role was taken over by the **Trade Unions' Social Security Centre** (SZTK), so social security was managed by the trade unions, which was a copy of the system created in the Soviet Union. The management of social security was entrusted to the trade unions with the leadership of the National Council of trade Unions (SZOT). These measures meant that the real **self-government** of social security was wound up because their role became only **formal**. Health care became the duty of the state health organisation.

Between 1945-50 the state control of social security was provided by the Ministry of Welfare. The main supervisor of social security activities

was the Council of Ministers through the Minister of Labour. The supervisory authority over pensions and family allowance was later transferred to the Ministry of Finance and then to the Ministry of Labour from 1957. The insurance of small industry cooperative members was first provided by SZTK and from 1953 the Small Industry Cooperative Mutual Insurance Institute (KSZKBI). The insurance of agricultural cooperative members was undertaken by SZTK.

A **further unification** of the organizational, managing and supervisory systems happened **in 1964** when the **Chief Management of Social Security of SZOT** was established, which took over the duties of SZTK and merged - among others - the National Pensions Institute and the KSZKBI. The duties of National Pensions Institute was carried out by the Pensions Directorate of SZOT Social Security Chief Administration. The social security organizations of railway workers and the armed forces remained independent.

The **National Social Security Council** was founded as an advisory body, in which the delegates of trade unions, state organizations and the insured not belonging to trade unions participated. **Social security was a chapter in the central budget** and its assets had to be dealt with separately from the other assets of SZOT.

**In 1975 health care** opted out from social security and its services were offered to the population as a **citizens' right**; social security provided only cash benefits. The National Social security Council changed into an important self-governmental organization from an advisory committee. The social security organizations were supervised by the Ministry of Health from 1951 to 1988.

**From 1989** social security functioned as an independent fund that was separated from the state budget but was still guaranteed by the state (**Social Security Fund**). The fund was managed by the Chief Administration of the National Social Security, its annual budget and the administration was accepted by the Parliament. Between 1988-1990 social security was supervised and managed by the Ministry of Social Affairs and Health.

**In 1993 social security self-governments were elected** and they were supervised by the Parliament and the Government. After the establishment of these self-governments, the social security organizations (OTF) with formerly unified management were split and the management bodies of the self-governments were established: the **National Pension Insurance Chief Administration** (ONYF) and the **National Health Insurance Fund** (OEP). The funds were separated as well into health insurance fund and pension insurance fund. Between 1990-1998 the Ministry of Welfare supervised this area.

After the parliamentary elections of 1998, the relative independence of social security ceased, the Parliament **dissolved** the social security **self-governments** and the funds were supervised directly by the government; and the administrative bodies were lead by the Government through the Ministry of Health, Social and Family Affairs. Since 2003 the ONYF and the OEP have been functioning as central state organizations with national competence. The Ministry of Health controlled the area from 1998, then the Ministry of Health, Social and Family Affairs from 2002, from which the social and family affairs separated again in 2004 creating the Ministry of Youth, Family and Social Affairs and Equal Opportunities.

## IV. Publications on the theme of the dissertation

### Studies

1. *Mennyit költünk egészségügyi ellátásunkra?*
   Egészségügyi Gazdasági Szemle, 1999. 4. sz. 384-390. o.

2. *Változások a magyar egészségbiztosítási rendszerben*
   Egészségügyi Gazdasági Szemle, 2000. 5. sz. 505-511. o.

3. *Egészségbiztosítás kialakulása, fejlődése – egészségbiztosítási járulékok nagysága Magyarországon*
   Heller Farkas Füzetek Közgazdaság- és Társadalomtudományi Folyóirat II. évf. 2004/2. 114-121. o.

4. *Egészségbiztosításunk kialakulása, szolgáltatásainak fejlődése, 1. rész*
   Egészségügyi Gazdasági Szemle, 2005. 3. sz. 52-57. o.

5. *Egészségbiztosításunk kialakulása, szolgáltatásainak fejlődése, 2. rész*
   Egészségügyi Gazdasági Szemle, 2005. 4. sz. 5-13. o.

### Presentations in Conferences

1. Mennyit költünk egészségügyi ellátásunkra?
   Előadás, Népegészségügyi Tudományos Társaság 1999. évi Kongresszusa, Sopron, 1999. április 22-24.
2. Változások a magyar egészségbiztosítási rendszerben
   Előadás, Népegészségügyi Tudományos Társaság IX. Nagygyűlése, Hévíz, 2000. április 13-15.
3. Magyar egészségbiztosítás a II. világháború után napjainkig
   Előadás, Népegészségügyi Tudományos Társaság X. Nagygyűlése, Gyula, 2001. április 26-28.
4. Egészségbiztosítás kialakulása, fejlődése – egészségbiztosítási járulékok nagysága Magyarországon
   Előadás, Pázmány Péter Katolikus Egyetem Bölcsészettudományi Kar Történettudományi Doktori Iskola Gazdaságtörténeti Műhelyének minikonferenciája, Budapest, 2003. május 14.
5. Hatékonyság – egészségügy – hatékonyság
   Előadás, IV. Magatartástudományi napok, Pécs, 2003. június 4-5.
6. Egészségbiztosítás kialakulása, fejlődése Magyarországon
   Előadás, Népegészségügyi Tudományos Társaság XIII. Nagygyűlése, Szekszárd, 2004. május 6-7-8.