

# SOCIAL INSURANCE IN HUNGARY

by

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**A**part from the enormous loss of human life which it caused, the war destroyed a large proportion of the wealth of the nations, brought economic ruin upon the producing classes, and substantially lowered the standard of life of the European population. The economic disequilibrium to which this has led, has been accompanied by widespread unemployment, the source of privation and distress; and when distress, instead of affecting only the individual, spreads over whole masses, it becomes a real social scourge, and the struggle to counteract its effects will tend not only to benefit the producing classes, but to protect the community and the country as a whole.

Work of this kind cannot be done by individual effort alone. It is for the State to intervene, the more so as suffering is a bad counsellor and a social calamity of this kind threatens the established order: the best guarantee against subversive forces is to prevent the development of antisocial sentiments, and on this ground social welfare institutions call for organisation, on the borders of Eastern Europe, on an even more liberal scale than elsewhere.

In the matter of social insurance, the first important measure taken in Hungary was Act XIV. of 1891, which introduced compulsory sickness insurance.

Act XIX. of 1907 modernised and unified the compulsory sickness insurance system and at the same time introduced compulsory accident insurance. The Act also extended both branches of insurance to salaried employees in commerce and industry.

Act XXI. of 1927, known also as the First Vass Act, was a great advance on the previous situation. It widened the scope of sickness and accident insurance, improved the system of benefits, and placed it on a sound basis. It also centralised the organisation of social insurance still further.

The new central body, the National Social Insurance Institute, is administered by autonomous bodies: the general meeting, the managing committee, the bureau, and the compensation committees. The members of the general meeting are elected by secret ballot in equal numbers by employers and insured persons. The members of the managing committee are elected also by secret ballot, by the general meeting.

The cost of the insurance is met by contributions, paid as to half by employers and half by insured persons. The rate of the total contribution is fixed by the Act at 6 per cent. of the insured person's wages, and the employer has the right to deduct the worker's share from his wages.

The accident insurance contribution is paid by the employers alone; the rate is fixed according to the particular risk of each industry.

## SICKNESS INSURANCE BENEFITS

The benefits under sickness insurance are as follows:

1. *Medical treatment from the first day of sickness during a full year.*
2. Medicines, medical baths, and curative waters, medical and surgical appliances, as from the first day of sickness during a full year.
3. *Sickness benefit* as from the fourth day of incapacity to work and during the whole period of incapacity up to a maximum of one year. This benefit is fixed at 50 per cent. of the insured person's average earnings.
4. Medical treatment, medicines, medical and surgical appliances *for the members of the insured person's family*, as from the first day of sickness and during not more than one year.
5. In case of childbirth, an insured woman receives the necessary treatment, pregnancy benefit during the six weeks preceding confinement, and maternity benefit during the six weeks after, both equal to 50 per cent. of her earnings.
6. The wife of an insured worker also receives the necessary treatment; she receives pregnancy benefit during the four weeks before confinement, maternity benefit during the six weeks after, and a nursing allowance during the twelve weeks after maternity benefit expires.
7. On the death of an insured person, the National Institute pays funeral benefit, fixed at thirty times the average daily wage.

At the request of the sick person or with his consent he may be sent to a hospital or curative institution. Hospital treatment is compulsory if his condition makes this necessary. While he is in hospital his dependants receive benefit equal to half his sickness benefit.

As it is very important from the point of view of social hygiene that the largest possible number of

sick persons should be treated in curative institutions, every attempt has been made during the last few years to increase the number of beds available for workers in the sanatoria, and the National Social Insurance Institute has itself set up hospitals, sanatoria, and other curative institutions.

In addition to the large central clinics, of which there are five in Budapest and three in the provinces, there are in the capital and its surroundings seven local clinics for the use of insured persons, together with a very well equipped orthopaedic clinic. In addition, the National Institute runs several sanatoria, three curative institutions for sick insured persons, and a fourth for children and apprentices, two large modern hospitals and one dental clinic.

### ACCIDENT INSURANCE BENEFITS

An insured person is entitled to compensation in case of total or partial incapacity to work due to an occupational accident or disease. Compensation is also due to the insured person or his legal heirs if the incapacity or death is due to a disease contracted during employment.

An insured person who is the victim of an industrial accident is entitled to medical treatment, medicines, the necessary medical and surgical appliances, and medical baths and curative waters. In addition, he receives a cash benefit for the whole period of his treatment, namely, 50 per cent. of his average daily wages.

If the insured person is not merely unable to earn his living, but is also paralysed and in a condition necessitating constant attendance, his pension is fixed for the whole period of his disablement at 50 per cent. of his wages.

If an insured person dies in consequence of an occupational accident or disease, funeral benefit is paid on the same basis as in sickness insurance. In addition, his dependants receive an annuity as from the date of his death. The widow receives a pension equal to 20 per cent. of the wages of her deceased husband, during her whole life or until she remarries. The legitimate and legally recognised children of the deceased each receive 15 per cent. of his daily wages up to the age of sixteen years. If they have also lost their mother, the pension is raised to 30 per cent. The parents and grandparents of the deceased who were totally or partially dependent on him, being unable to earn their living, receive an annuity equal to 20 per cent. of his wages.

This was the position of social insurance towards the middle of 1928, when Parliament passed an Act (XL of 1928) on insurance against invalidity, old age and death, known as the Second Vass Act. This Act is a capital event in the history of social insurance in Hungary, especially owing to the great extension it gives to preventive action.

### GENERAL OUTLINES OF THE SYSTEM

The object of the system, it may be recalled, is to avert distress. Now in view of the fact that the individual and social evil of economic ruin threatens everyone, it would be only logical to insure all citizens without exception against this risk. In actual

practice, however, this idea of making social insurance quite general needs some modification.

The risk of impoverishment varies considerably with the degree of solvency, the assets, and the occupation of each person; in other words, it varies according to social class. A system applying the same rules to everyone indiscriminately is therefore inconceivable. A general insurance system cannot be considered an equitable solution unless each social class contributes to the charges of insurance in proportion to its particular risk.

Undoubtedly the ideal system would be for all citizens to provide for their own future by saving enough to cover the risks of invalidity and old age. But such a conception presupposes a perfect society, in which each member would be able to accumulate a reserve and be intelligent enough to foresee the risks to which he may be exposed. The ideal type of insurance against invalidity, old age, and death would seem to be a system in which the cost of benefits, corresponding to minimum subsistence needs, would be met by voluntary contributions, each social class contributing to the expenses of insurance according to the probability of its special risks.

But to contemplate such an ideal society is pure speculation. Every measure of social policy must be realist and take society as it is, with its possibilities, its qualities and defects, precisely with the aim of defending and perfecting it.

The politicians and sociologists who laid the foundations of social insurance in Hungary had therefore to bear in mind what Hungarian society in particular was like. They had to allow for the fact that the conditions of life of the working population are at present very difficult in Hungary. No doubt the spirit of foresight is more highly developed than in certain other countries, but what influence can this subjective factor have if the economic situation hampers individual effort?

In these conditions it was both logical and necessary that the State should itself collect the necessary funds for insurance, and should deal with the industrial and agricultural population separately.

The fundamental principles of the insurance were as follows: a new institution covering all branches of social insurance was to be set up, based on the principle of solidarity and free from any element of charity; effort was to be concentrated on transforming the old system of benefit funds into a new system of social insurance. Sickness and accident insurance and those against invalidity, old age and death were to be united; preventive measures against invalidity were to be taken; social principles were to be introduced into the financial organisation of the insurance institutions.

(To be continued.)

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*The plebiscite which is to be held in the Saar district on 13th. January next will extract a painful thorn from the body of Europe. This is an exceedingly appropriate psychological moment also for the destiny of the peoples severed from Hungary to be put to the vote. Hungary would submit herself to this decision. Then why hesitate when in this way we can finally liquidate the consequences of the war in the Danube areas?*