



The Reform of Social Insurance in Hungary

by

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By an Act of 1928, which came into force on 1 January 1929, Hungary supplemented her system of sickness and accident insurance by covering the risks of invalidity, old age, and death, and has thus completed her system of social insurance. Dr. B. Kovrig has made this event the occasion of offering the following article to the Review. After a sketch of the present system of sickness and accident insurance as reformed by an Act of 1927, he describes the general principles of the 1928 Act, laying special stress on the provisions it contains in the domain of preventive action.

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. This Act covered all workers in undertakings and industries duly registered with the commercial courts, holding occupational licences, permits, or certificates, and also in certain cases workers in other industries. Insurance was compulsory for mining, the metal industry, large building undertakings, railways, the postal and telegraph services, and shipping and transport companies. There were 453 benefit funds in the country, but many of them were unequal to their task, owing to the small number of persons insured in them.

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.

THE 1927 ACT ON SICKNESS AND ACCIDENT INSURANCE

Organisation of Insurance

Act XXI of 1927, known also as the First Vass Act, was a great advance on the previous situation.¹ 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. As soon as it came into force, all the branches of the old Central Fund were closed down and their rights transferred to the new central body, the National Workers' Insurance Institute.

The following bodies are affiliated to this central institution : (a) district funds; (b) works' funds in undertakings employing not less than 1,000 insured persons ; (c) mining funds in mining districts. The sickness insurance of private employees is entrusted to a special institution, the Private Employees' Insurance Institute.

The National Workers' 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 bureau, consisting of ten members (five for

¹ Cf. *Industrial and Labour Information*, Vol. XXIV, No. 12, 19 Dec. 1927, pp. 396-399.

employers and five for insured persons), is elected by secret ballot by the managing committee. The compensation committees, elected by the general meeting and representing employers and insured persons in equal numbers, have power to take decisions in cases relating to accident insurance. The administration of the district funds is entrusted to autonomous district committees. These various autonomous bodies have power to deal with all questions of administration or policy concerning social welfare. Appeals against decisions on compensation may be taken to the courts; for cases of this kind, Act XXXI of 1921 set up the Workers' Insurance Court and the Supreme Workers' Insurance Court.

Finally, a president appointed by the State exercises constant supervision over the organisation. Social insurance is a public institution which, in addition to its specific obligations, also fulfils a more general social task in fighting against endemic diseases, setting up clinics, etc. In the public interest, it was therefore necessary to create a body capable of co-ordinating the activities of social insurance organisations and social welfare institutions. Moreover, the creation of two separate bodies would have meant considerable extra expenditure. This difficulty was obviated by appointing a president who has power temporarily to suspend the coming into operation of the decisions taken by the various autonomous bodies if he considers them contrary to the laws on workers' insurance or social welfare.

In return for the rights delegated to the president, the State assumes part of the expense of insurance by contributing to the budget of the National Institute. The employees of this Institute are entitled under the Act to all the rights and privileges of State officials proper. Thus they are completely independent both of employers and of insured persons, and can devote themselves whole-heartedly to their duties.

Contributions

The cost of sickness benefit 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 National Workers' Insurance Institute thus received in 1927 47,800,000 pengö for an average of 782,840 insured persons.

The accident insurance contribution is paid by the employers alone ; the rate is fixed according to the particular risk of each industry. The total sum received in contributions in 1927 was 6,000,000 pengö for 825,370 insured persons.

Sickness Insurance Benefits

The benefits under sickness insurance are as follows :

(1) Medical treatment from the first day of sickness during a full year, and for such further period as the insured person is entitled to sickness benefit. In 1927 the total fees paid to doctors under the social insurance scheme amounted in the district funds to 11.5 per cent. of the contributions paid, the proportion for the works' funds and private funds being 12.5 per cent. In absolute figures, the amount was over 6,000,000 pengö.

(2) Medicaments, medical baths, and curative waters, medical and surgical appliances (spectacles, trusses, crutches, etc.), as from the first day of sickness during a full year, and for such further period as the insured person is entitled to sickness benefit. Under this head the National Institute spent about 4,500,000 pengö in 1927.

(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 60 per cent. of the insured person's average wage, together with, in certain cases, increases raising the total to 75 per cent. of the daily wage. The sum spent on sickness benefit in 1927 was over 16,500,000 pengö.

(4) Medical treatment, medicaments, medical baths, curative waters, and 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 100 per cent. of her wage. If she nurses her child herself she receives a nursing allowance of 0.60 pengö a day after the maternity benefit expires.

(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 the maternity benefit expires. An insured person's unmarried wife has the same rights. The pregnancy and maternity benefits are fixed at 0.40 pengő a day.

The sums paid in 1927 under these various heads reached the following amounts : maternity benefit, about 600,000 pengő ; pregnancy benefit, about 1,500,000 pengő ; midwives' fees, about 500,000 pengő ; nursing allowances, about 750,000 pengő.

(7) On the death of an insured person, the National Institute pays funeral benefit, fixed at thirty times the average daily wage. The total amount spent on funeral benefit in 1927 was nearly 600,000 pengő.

The National Institute may grant supplementary benefits so far as its funds allow for the purchase of more expensive medical and surgical appliances, for sending sick persons to spas, for the free supply of milk and layettes, for increasing the sickness benefit up to 75 per cent. of the average daily wage, and for placing the members of tuberculous families in special institutions or sanatoria. In 1927 the National Institute spent nearly 2,000,000 pengő on treatment in spas and sanatoria.

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. The expenditure under this head was 6,500,000 pengő in 1927.

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 Workers' Insurance Institute has itself set up hospitals, sanatoria, and other curative institutions.

In addition to the large central clinics, of which there are five at 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

The system of accident insurance benefits dates from 1907.

An insured person is entitled to compensation in case of total or partial incapacity to work due to an occupational accident or disease. If he dies, the compensation is paid to his legal heirs. 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, medicaments, 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, 60 per cent. of his average daily wage during the first ten weeks and 75 per cent. from the eleventh week onwards.

After the expiration of this benefit the insured person receives a pension during the whole period of total or partial incapacity, the amount being fixed according to the rules for sickness benefit. These rules are also applied in case of treatment for injuries in a hospital or curative institution. In case of total incapacity, the insured person is entitled to a pension equal to $66\frac{2}{3}$ per cent. of his wages. If the incapacity is only partial, the amount of the pension varies with the degree of incapacity, but no pension is due if the incapacity is 10 per cent. or less. 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 100 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 wage 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.

The basis of these calculations is the wage earned by the insured person in an industry subject to compulsory insurance during the last 52 weeks.

At the end of 1927, the number of persons in receipt of a pension on account of an accident was 11,903, and their total pensions amounted in that year to nearly 3,000,000 pengö. The expenditure on other accident benefits amounted to about 2,000,000 pengö. It should be observed that from 1928 onwards, owing to the new provisions introduced by the 1927 Act, the expenditure on pensions has risen by about 60 per cent.

The Benefits of the Mining Funds

The benefits granted to the members of mining funds are fixed by the rules of these funds and by their special regulations. They must be at least equal to those fixed by the general Acts on sickness and accident insurance.

The average membership of these funds in 1927 was 36,000. In addition, there were 9,849 pensioners, namely, 4,126 disabled persons, 3,536 widows, and 2,187 orphans. The total of the pensions paid in 1927 by the funds was about 2,000,000 pengö. The revenue from contributions amounted to 3,200,000 pengö. It should be observed that these contributions are not calculated on the individual wages actually earned by the miners, but according to the nature of their employment. An average is struck for each category, and the rate of contribution, paid as to half by the employer and half by the insured, is fixed at 14 per cent. of this average.

THE 1928 ACT ON INSURANCE AGAINST INVALIDITY, OLD AGE, AND DEATH

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 death¹, 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.

¹ Cf. *Industrial and Labour Information*, Vol. XXVIII, No. 5, 29 Oct. 1928, pp. 156-158.

General Conception 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 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? It is also important to note that in Hungary industrial production and agricultural production have not yet reached that state of economic equilibrium in which the two harmoniously supplement each other.

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 populations separately.

Without forgetting the ideals the Government is aiming at in its social policy, the officials responsible for preparing the Act on insurance against invalidity, old age, and death had therefore to confine themselves to present possibilities. This was why it was decided to limit the application of the Act to begin with to workers and industrial and commercial employees.

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 insurance against invalidity, old age, and death were to be unified; preventive measures against invalidity were to be taken; social principles were to be introduced into the financial organisation of the insurance institutions, etc.

The question remains whether social insurance can be regarded as true insurance. According to jurists, it is not insurance properly so called, because there is no contract or policy creating a legal obligation. Economists, on the contrary, ascribe an indubitable value to social insurance, and regard it as a genuine form of insurance because its object is to spread over all persons exposed to a risk — a future event independent of the will of those concerned — the charges necessary to cover this risk.

It is obvious that these charges can be distributed only among those who, in case of the occurrence of the risk, are entitled to receive compensation from the institution responsible for organising the distribution in question, namely, the insurance institution. It is at this point that the special question of the share to be contributed by the State arises. If the right to insurance benefits is limited to certain categories of the industrial population, it seems impossible to justify the cost being borne also by other social categories who are excluded from the insurance system. It would follow that the State contribution is justified in principle only if the insurance covers the whole population. As long as insurance against invalidity, old age, and death in Hungary does not apply to all social categories, the agricultural population, if the State contributes to this insurance,

will be compelled to bear part of the cost of an institution whose privileges are reserved for industrial and commercial occupations.

This view, though perfectly logical, cannot, however, be defended absolutely. A system of social insurance is far from being to the sole advantage of those directly concerned. As indicated at the outset, it is of capital importance to the community as a whole. Consequently, by subsidising out of public funds an institution intended only for the industrial and commercial population, the State is not committing an injustice against other classes ; it is rather fulfilling a duty by preventing a crisis among the industrial classes from affecting the spirit and even the health of the whole community. In point of fact, insurance against invalidity, old age, and death tends to solve certain questions of economic policy and public health, in particular by granting pensions and assistance to orphans — even those of over fifteen years of age provided they are attending school or are apprenticed — and further by promoting the work of social hygiene in the field of medical and preventive action. It cannot be urged, therefore, that the cost of this work of national interest should be met by the industrial class alone, when the consequent advantages it enjoys ultimately profit the whole community.

It would be wrong to think that the State contribution introduces a factor of relief into the insurance system. The proof is that to benefit by the system it is not enough merely to pay the insurance contributions. For these contributions can be paid only during the weeks when the insured person is actually at work, that is to say, is taking part in national production. The insurance benefits are only the counterpart of the contributions paid, while the State's payments are intended to reward the insured for having contributed to the economic life of the country.

Actuarial Bases

The preparatory work for the 1928 Act was carried out with great thoroughness, and the utmost care was taken in collecting the various statistical data on which the actuarial calculations that are technically indispensable for insurance were to be based. These calculations were entrusted to Professor Frisch, who made use both of the data collected in Hungary and of similar statistics for foreign countries. As the Act in question deals especially

with invalidity, it is obvious that the chief purpose of the actuarial calculations was to determine the probability of this risk at different ages.

For this purpose use was made, for workers in the iron, metal-working, and engineering industries, and electrical generating stations, of the Zillner tables relating to workers in the German iron and engineering trade unions; for transport workers, the Zimmermann tables relating to the whole staff of the railways; for workers in other industries the tables for the operating staff of the railways; and finally, for private employees, the Riedl tables relating to German railway clerks. This method was quite consonant with the actual situation from the point of view of the distribution of the insured by risk classes, though the probabilities of invalidity have increased since these tables were prepared.

To determine the probable mortality of the insured, formulae based on the data of the Austrian sickness funds for the period 1896-1910 were used. The probable mortality among children was calculated from the statistics for Budapest.

To calculate the probable amount of widows' pensions, account was taken of the number of married insured persons and of single persons who might subsequently marry.

The Unification of Insurance

After a study of the three bases indicated by Korkisch on which social insurance can be unified (legal, organic, and material unity), it was considered that the circumstances called for the organic unification of the systems of sickness insurance and insurance against invalidity, old age, and death; and in order to reduce the cost of the operation to a minimum, it was decided to incorporate the latter branch of insurance in the system of sickness and accident insurance as reorganised by the 1927 Act. It was thus possible to entrust the central and local administration to the same organisations: the National Workers' Insurance Institute and the National Private Employees' Insurance Institute, which deal respectively with workers and salaried employees. In this way there was no need to erect new buildings for the central offices, or to incur heavy expenditure for the material requirements of administration.

Declarations concerning employees and workers subject to insurance are made by the employers on the same form and at

the same time for sickness and accident insurance and for insurance against invalidity, old age, and death. Similarly, the calculation and payment of the respective contributions are single operations. The total is not distributed between the two branches of insurance until after the contributions are actually received.

From the point of view of medical and curative treatment the unification of the two systems will mean a substantial saving. In practice, the curative institutions organised separately or jointly by the two branches of insurance will so far assist and supplement each other that only a system of cost accounting can determine which branch has borne the cost of treatment of an insured person. In addition, the cost of supervision will be lessened by the fact that the same staff will be employed for persons in receipt of sickness benefit and for those in receipt of invalidity or old-age pensions.

The unification of sickness insurance with invalidity and old-age insurance thus offers considerable advantages from the point of view of organisation, social hygiene, and expense. It might even be described as necessary for the future of social insurance in Hungary.

The insurance funds are divided into two parts and managed separately, according as they are derived from employees' or from workers' contributions. Thus each group retains its financial autonomy. For this purpose two special committees have been set up, one by the general meeting of the National Workers' Insurance Institute, the other by the Private Employees' Insurance Institute, to administer the reserve funds for workers and employees respectively.

The payment of pensions is also carried out separately for each of the two groups of insured persons, through two special committees, one for workers, the other for employees.

Similarly, the institutions for health protection, medical treatment, the prevention of incapacity for work, and the cure of temporary invalidity, for which the Act provides operate separately for employees and for workers.

Thus in spite of the nominal unification of invalidity and old-age insurance for the two groups of beneficiaries, full provision has been made for the adjustments necessary in view of the special conditions of private employees, whether in the sphere of benefits, administration, management, the payment of pensions, or medical and health services. The tendency is towards unifying

all branches of social insurance while making allowance for the special conditions of different social classes.

The same principle underlies the proposed amendment to Act XL of 1928 which will shortly be discussed by the Hungarian Parliament. The object of this amendment is to extend the activity of the National Workers' Insurance Institute to cover pensions insurance for artisans, of whom there are about 200,000 in Hungary. Hitherto these artisans, and also small traders, could insure voluntarily in the National Institute; when the amendment is passed, invalidity and old-age insurance will be compulsory for them too.

Scope of Insurance

Insurance against invalidity, old-age, and death is compulsory for all undertakings and industries, whether their working depends or not on the holding of a licence, permit, or certificate, as well as for mines, the iron and metal-working industries, large building undertakings, navigation and other transport companies, and for commercial undertakings, financial establishments, offices, etc. The result is that all persons who are employed by an employer in the above undertakings and work for regular remuneration are insured, irrespective of age, sex, or nationality.

The wage or remuneration is taken to comprise all payments, fees, daily wages, housing allowances, supplements, bonuses, commissions, payments for piece work, payments in kind, and all items of income, even if casual, arising out of services rendered to third parties (tips, etc.). Office employees, foremen, clerks, assistants, and persons in similar positions, who are generally paid by the month or year — in other words, private employees — are not exempt from the liability to insurance unless their total earnings exceed 500 pengö a month or 6,000 pengö a year.

It is estimated that the system of insurance against invalidity, old age, and death will cover more than 650,000 persons and that the contributions will amount to nearly 37,500,000 pengö, of which the State will pay about 4,500,000 pengö.

Contributions

The cost of old-age and invalidity insurance is met by a constant average contribution, calculated on the basis of a system of capitalisation of premiums with interest reckoned at 4 per

cent. The system of capitalisation as compared with that of distribution of costs has the advantage of preventing a rapid increase in the cost of insurance, such as is inevitable when it is wished to keep the initial expenses low with the system of distribution. The 4 per cent. rate of interest, although it seems, perhaps, rather low compared with the present state of credit, ultimately means a large measure of security for the insurance finances.

The average rate of contributions is fixed to cover all benefits, the cost of preventive measures and medical treatment, and general administrative expenses. This rate may not exceed 4 per cent. of the workers' wages and 5 per cent. of the actual earnings of employees.

Every five years the Minister of Social Welfare and Labour will undertake an audit to ascertain whether there has been any change in the position of the insured that may call for a revision of the rate of contributions. To this end the National Workers' Insurance Institute has set up an observation section, which collects data concerning all the aspects of insurance against invalidity, old age, and death.

From the financial year 1933-1934 onwards the State will pay an annual subsidy of 4,000,000 pengö to the insurance funds. This sum will be increased by 5 per cent. per annum during fifty years and from 1983-1984 onwards it will remain stationary. Furthermore, besides contributing 2,200,000 pengö to the budget of the National Workers' Insurance Institute, the State will pay 1,000,000 pengö a year to cover the cost of administration of the old-age and invalidity insurance branch of that Institute and of the Private Employees' Insurance Institute.

Benefits

As already stated, the workers' contribution is 4 per cent. of their actual wages and that of private employees is 5 per cent. of their actual salary, apart from the State contribution. This difference of one per cent. between the two rates enables the insurance institution to grant rather larger benefits to employees.

An insured person is entitled to an old-age pension on reaching the age of sixty-five years, on condition that he has paid his regular contribution for 400 weeks and that he has been continuously insured; his insurance is deemed to have been inter-

rupted in any salender year during which he has paid less than thirteen weekly contributions.

The right to an invalidity pension is acquired by permanently disabled persons on condition that they have paid their contributions for 200 weeks and that they have been continuously insured.

Invalidity and old-age pensions are made up of a fixed part, the basic pension, and a supplement depending on the length of employment. The basic pension is 120 pengő a year, while the variable part increases with the number of weekly contributions actually paid, being equal to 24 per cent. a year for workers, and 19 per cent. for employees, of the total contributions paid.

The Act makes special provision for insured persons' families. To each child who after the death of a pensioner is entitled to an orphan's pension the institution grants an allowance equal to 5 per cent. of the deceased pensioner's pension.

The widow of an insured person is entitled to a widow's pension provided her husband had paid 200 weekly contributions and had been continuously insured. The widow of a person in receipt of an old-age or invalidity pension has the same rights if she has reached the age of sixty-five years or is permanently incapable of work. The widow's pension is fixed at 50 per cent. of the pension to which the insured person would lawfully have been entitled.

If an insured person dies, his legitimate and legally recognised children are entitled to orphans' pensions if he himself was in receipt of an old-age or invalidity pension or if he had paid 200 weekly contributions and had been continuously insured. This pension is paid until the orphan reaches the age of fifteen years, and even seventeen years if he is completely unable to earn his living or is receiving a technical general education. For orphans who have lost both parents the pension is 30 per cent., and for those who have lost only one parent 50 per cent., of the pension to which the deceased person was lawfully entitled.

While the invalidity pension is the same for workers and employees, the conditions giving a right to this pension are not the same for both categories. A worker is considered to be disabled if his state of health or an infirmity renders him unable to earn at least one-third of the average earnings of able-bodied workers with the same technical experience as himself and employed on work suited to his intellectual and physical qualifi-

cations. A private employee, on the other hand, is considered to be disabled as soon as he is unable to earn half the average salary of employees of his category who are in good health, are engaged in non-manual work, and have similar qualifications and practical experience to his own.

For a widow's pension, too, there is a difference between workers and employees. The widow of a private employee is entitled to this pension irrespective of age, provided that her husband had paid 200 weekly contributions or was in receipt of an old-age or invalidity pension.

As regards the orphan's pension, the age limit, which is fixed at fifteen years for workers' children, is raised to eighteen years for those of private employees.

The basic pension of private employees is the same as that of workers, 120 pengö a year. The variable part, on the contrary, which increases with the contributions paid, is fixed for private employees at 19 per cent. only of the total contributions paid, whereas for workers the proportion is 24 per cent.

Calculations show that these benefits are perfectly adjusted to the contributions of the two groups, amounting to 4 per cent. of the workers' wages and 5 per cent. of the employees' salaries, exclusive of the payments made by the State separately for each group.

As stated above, the basic pension is 120 pengö a year for both categories, but the variable part is 24 per cent. and 19 per cent. respectively of the contributions paid. In spite of this difference, the variable part of the pension is ultimately the same for the two groups. It increases annually at the rate of one per cent. of wages. Since a private employee's contribution is 5 per cent. of his salary and the variable pension 19 per cent. of the total contributions paid, this pension is therefore equal to $19 \times 5 \div 100$ or 0.95 per cent. of the salary. For a worker, the contribution is 4 per cent. of wages and the variable pension 24 per cent. of the total contributions paid, so that this pension is equal to $24 \times 4 \div 100$ or 0.96 per cent. of wages. The difference between the variable pensions of the two groups is therefore only apparent.

The Act also provides for the case of a person who, being in receipt of an invalidity or old-age pension, takes a new paid post in which he is liable to insurance. If he again becomes disabled, or if he reaches the age of sixty-five years, he will receive an additional annual pension of 24 per cent. or 19 per cent., accord-

ing to his category, of the total contributions paid since the beginning of the first pension until the date the supplementary pension falls due.

A widower who is totally unable to earn his living, and for this reason was mainly dependent on his wife when she was alive, is also entitled to a pension.

It is obvious that an invalidity pension is not granted in cases of wilfully induced disablement. Similarly, no widow's or orphan's pension is granted in case of suicide of an insured person.

The following table shows the nominal value of pensions paid under the systems of insurance against invalidity, old age, and death in certain European countries :

INVALIDITY, OLD-AGE, AND SURVIVORS' PENSIONS IN CERTAIN
EUROPEAN COUNTRIES

(In Hungarian pengő, per year)

Country	Invalidity and old-age pension			Widow's pension	Orphan's pension	
					Both parents dead	Father dead
	Length of insurance period in years					
	10	30	40	30	30	30
Austria	308.93	463.39	463.39	260.66	195.49	130.33
Czechoslovakia	282.79	509.17	622.36	254.59	203.67	101.83
Germany	480.51	787.78	941.41	511.89	393.89	—
Italy	268.44	475.35	577.72	—	—	—
Great Britain	723.45	723.45	723.45	723.45	541.80	—
Hungary	239.14	477.41	596.56	238.71	143.22	71.61

Large financial establishments and industrial undertakings with pension funds of their own usually offer their employees higher benefits than those of the compulsory insurance system. For this reason, employees belonging to a fund of this kind are exempt from compulsory insurance, provided that the Minister of Social Welfare and Labour has approved the fund in question, and that the latter has at least forty members if it belongs to an industrial undertaking and twenty-five if it belongs to a fin-

ancial establishment. The Act of course contains strict regulations concerning the approval of these private funds.

A private fund is a separate unit for accounting purposes and is under the direct supervision of the Ministry. An undertaking that runs a private fund is liable for all the fund's obligations. When a fund is common to several undertakings, it cannot be approved by the Minister unless its obligations are guaranteed jointly and severally by all the undertakings concerned, in accordance with the rules of the fund and with the law.

The private funds are obliged to recognise the waiting period passed by a private employee, and the contributions paid by him, in a fund of another institution of the same kind or in a compulsory insurance institution.

In order to prevent the employee from being bound to an undertaking with a private fund, the Act provides that the contributions accumulated in the name of an employee belonging to this fund must, if he changes his employment, be transferred to any other institution of the same kind recognised by the Minister or even to a compulsory insurance institution. But—and this, in the writer's opinion, is a regrettable decision—this possibility of transfer does not apply to the whole sum accumulated. It is limited to an amount equal to the total contributions with which the employee would have been credited if during the period he was employed by the undertaking he had belonged to a compulsory insurance institution. The transferable part is calculated at 5.2 per cent. of the total salary earned by the employee during his employment, 5 per cent. for the contribution paid by private-employees insured in the National Institute, and the extra 0.2 per cent. corresponding to the State contribution. According to the decisions of the Hungarian Courts, an employee who ceases to be insured before acquiring a claim to a pension is entitled to full repayment of the contributions he has himself paid during his employment, the balance standing to his credit remaining the property of the fund to which he belonged.

Every three years the Government must audit the accounts of the private pension funds recognised by the State, in order to make sure that the employers' contribution is at least equal to that of the employees, and further that the assets of these funds are invested in absolutely safe securities recognised as such by the law (national debt bonds, trustee funds, mortgage bonds, real estate, etc.).

Preventive Action

Act XXI of 1927 had already prescribed the observance of certain measures, and the use of appliances and equipment for the protection of health and prevention of accidents in offices, undertakings, factories, and industries liable to compulsory sickness insurance. Under Act XL of 1928 the National Workers' Insurance Institute must allocate 6 per cent. of the total contributions paid for insurance against invalidity, old age, and death to the creation of a special fund to be used solely for promoting public health and industrial safety.

It should be remarked that the contributions collected in accordance with the Act may not be used for other purposes than the benefits already enumerated, the prevention of invalidity or premature loss of working capacity, the application of measures of health protection and medical treatment, the restoration to health of temporarily disabled persons, the setting up of curative institutions, and administrative expenses.

The provisions of the Act concerning financial organisation and the work of health protection and medical treatment are intended to promote both the general interests of the population and the interests of social policy. The methods of protection so adopted serve three purposes: to avert premature invalidity among insured persons, to put off as long as possible the date at which incapacity sets in, and to ensure the recovery of temporarily disabled persons.

The principal object of sickness insurance is medical or therapeutical treatment; preventive measures take only second place. In invalidity and old-age insurance, on the contrary, therapeutics is subordinate to prevention. For this reason, the funds of the latter branch of insurance must preferably be spent on prevention and prophylaxis; medical treatment is neither a benefit properly so called nor a right of the insured person.

In allocating 6 per cent. of the contributions to health protection and medical work the insurance institution is again aiming at economy, for this provision will result in improved general hygiene, better protection against disease, reduced probability of premature invalidity, and a lower rate of mortality among the insured population. Protection against disease, like medical treatment, cannot be truly effective unless it accompanies the insured person throughout his life, not merely from birth but from the moment of conception, and until his death.

In the work of improving the vitality of the individual and of the race the principles of eugenics are acquiring more and more importance. The Hungarian Act provides for the establishment of a matrimonial consulting office, where instruction will be given on the responsibilities of the married from the point of view of the reproduction of the species, and where everyone will be able to obtain ante-natal advice. This office will be maintained by the National Workers' Insurance Institute. Although recourse to it is not compulsory for the insured, its work will ultimately popularise the idea of medical consultation before marriage, and it may be hoped that the insured will make increasing use of it.

For infants, too, prophylactic measures have been taken. The plan of the "Krankenschwestern" who are so widely employed in Germany has been followed, and the Insurance Institute makes use of the services of so-called "protectors of families", whose duty it is to visit new-born infants and instruct the mothers how to bath, clothe, and swaddle the child. The mother's mistakes or clumsiness may have very serious consequences, affecting the whole life of the child and sometimes leading to a considerable reduction in his future working capacity or to premature invalidity. It is therefore necessary that these "protectors" should visit the infants frequently, and give repeated instructions to ignorant young mothers, explaining to them the serious consequences of any mistakes they may make.

Another duty of these "protectors" (who are of both sexes) is to inspect dwellings and draw up reports containing any observations they have to make. These reports are very valuable as a guide to the Government in its housing policy. Furthermore, the quarters and streets that are notified as unhealthy and dangerous lose the right to the credits allocated from insurance monies, as shown below, to promote the construction of modern dwellings.

As soon as the child reaches school age, the invalidity and old-age insurance inspectors responsible for health protection examine the physical and moral condition of the parents in order to see whether the child should be given a change of air, so as to increase its resistance to tubercular infection. The children of tuberculous parents, i.e. those who are exposed to infection, are sent into the country every three years, to protect them against the risk of premature invalidity. In addition, the insurance institutions, in co-operation with the educational authorities,

have opened forest schools for children exposed to tubercular infection.

To reduce the ravages caused by endemic disease, it is indispensable for the invalidity and old-age insurance system to pay special attention to combating tuberculosis, and it is among children that the fight against this disease should begin. This fight is of the highest importance, not only from the point of view of the vitality of the race, but also of national economy, for tuberculosis chooses its victims chiefly among persons at an age when their productive powers are at their height. Statistics show that in Hungary, as elsewhere, a very large proportion of the cost of invalidity and old-age insurance is due to cases of premature invalidity or death caused by tuberculosis. Thus, by devoting a considerable proportion of its funds to fighting tuberculosis, the medical and health protection service actually reduces the charges that would otherwise have to be met, and the money the Institute spends on this fight ultimately comes back to it with interest.

One of the indispensable conditions of the health protection service is that insured persons and their dependants should undergo systematic and periodical medical supervision. This is the only means of discovering which children need to be protected against tubercular infection and of detecting the cases of infectious disease that ought to be isolated.

This systematic medical supervision begins in Hungary with the worker's first year of employment, if he becomes insured before his seventeenth year. The Act provides that in this case he must undergo a double examination twice a year, the first medical, relating to his physical condition, the second psycho-technical, relating to his intellectual and mental aptitudes. On the basis of this double examination the insured person is informed of the occupations that are counterindicated in his case. This advice obviously cannot be binding in any way, but it is interesting for two reasons: first, because it is the first stage in the systematic and periodical supervision already mentioned; and secondly, because it is an attempt to neutralise the most frequent causes of premature invalidity. As a matter of fact, most young persons choose their trade without any very sound reason, according to the opportunities of the moment, their parents' occupation, their personal inclination or whim, but very rarely according to their mental equipment, physique, or apti-

tudes. Many even choose an occupation that is injurious to their health and ultimately causes premature invalidity.

For this service the Institute employs an experienced medical staff with a full knowledge of the workers' conditions of life. The psychotechnical examination is carried out by means of instruments that are cheap and easily operated, and the most up-to-date methods are used.

This process is not intended as a means of advising the individual on the choice of an occupation, but of keeping him out of posts for which he is not fitted, which, in other words, may have an unfavourable effect on his capacity for work. If the writer is not mistaken, Hungary is the first country to have introduced an examination of this kind in connection with invalidity and old-age insurance.

Under the Act a person who, while not actually ill, is found on examination to be threatened by premature invalidity, receives free medicaments to avert this danger in properly substantiated cases. The periodical medical examination intended to determine the need for this gratis supply of medicaments may be continued even after the person in question ceases to be insured, provided that he or a member of his family is in receipt of a pension paid by the Institute. The object of this continued control is to determine, on the one hand, whether the condition of the temporarily disabled person has improved sufficiently for his pension to be reduced or withdrawn, and on the other, whether medical intervention might remedy his condition.

In view of the fact that at least 90 per cent. of the persons insured against old age and invalidity are also liable to compulsory sickness insurance, which provides for compulsory hospital treatment in certain cases, the Act on invalidity and old-age insurance empowers the Institute to insert supplementary measures to this effect in its regulations. Thus it is the duty of the doctors employed by the sickness insurance authorities, when visiting sick persons and supervising convalescents, to study not only the symptoms of diseases calling for treatment, but also the general health conditions of insured persons and their families. If they observe the characteristic symptoms of some endemic disease, they must immediately send a report to the Chief Medical Officer of the Institute, who takes the necessary steps. This measure is all the more important in that it is indispensable to keep up to date the list of insured persons suffering from tuberculosis, venereal disease, etc.

It is equally important to isolate persons exposed to tubercular infection or suffering from an infectious disease and to place in a curative institution persons suffering from or exposed to the risk of premature invalidity, and those who fail to carry out the doctor's orders in their own homes or are in need of constant medical supervision.

Owing to the general aversion to hospital felt by the less educated classes it was necessary to provide in the Act for compulsory hospital treatment. This compulsion may be applied to persons not living with their families and therefore not likely to receive sufficient care at home, those whose sickness is dangerous to the persons they live with, those who run the risk of infection at home or need continual medical supervision, those for whom medical treatment cannot succeed without their admission to a curative institution, and finally, those who wilfully disobey the doctor's orders and thus retard their recovery.

The Principles of Financial Organisation

The financial aspect of the problem of social insurance is particularly important in Hungary.

To prevent the cost of invalidity and old-age insurance from becoming too heavy a charge on national production, it is indispensable that the sums paid by private undertakings in the form of contributions should be put into circulation again as soon as possible. Furthermore, the administration of the National Workers' Insurance Institute must see to it that the funds thus obtained should, as far as possible, return to the productive organisations that supplied them. Finally, great prudence is called for in the investment of the insurance funds, whose administration is centralised at Budapest.

As regards the investment of the funds, security has been the first consideration, economic and social reasons coming next. The burden of insurance is hardly tolerable unless the accumulated reserves serve to consolidate the productive organisations that, in spite of their difficult situation, have assumed the material charges of the social institutions.

All the aspects of the problem have therefore been taken into account in organising the administration of the funds derived from the process of capitalisation. The most important factor, as already stated, is security of investment. The second factor

is political and economic: the Government can use the accumulated funds to solve certain problems of economic policy not provided for in the national budget. The third point of view, that of social policy, also demands that the capital should be invested with absolute security, but, at the same time, with due regard for the economic side of the question; the necessity of encouraging production, which has to bear the cost of social insurance. In other words, the problem is twofold, because economic interests have to be safeguarded and social necessities satisfied at the same time.

To realise the necessary harmony between these various points of view, a considerable proportion of the reserve funds of the Institute must be invested in national debt bonds, while 30 per cent. of the accumulated funds are by preference invested in redeemable interest-bearing mortgage bonds. Important sums are thus placed at the disposal of the undertakings and employers liable to insurance to help them to construct workers' dwellings.

In view of the success of the work of economic restoration in Hungary, the financial equilibrium that has been established, and the stability of the national currency, the Act does not fix a maximum for investment in national debt bonds.

From the economic and social point of view, it is of the highest importance that part of the reserve funds should be employed to consolidate and develop the building industry. Seventeen principal industries and over forty secondary industries benefit directly or indirectly by these credits; this means that ultimately the whole of industrial production benefits.

There can be no doubt that, conceived on these lines, the financial administration of invalidity and old-age insurance offers an excellent foundation for a modern housing policy. The economic impetus resulting from the special facilities thus given to building will also prove of considerable advantage to the finances of the State, since a necessary result will be a perceptible increase in the revenue from taxation.

CONCLUSION

To sum up, the extensive service of protection organised by the insurance system may be considered as the basis for a policy of health and social welfare on a wide scale, whose practical success will depend primarily on the financial resources at its

disposal, the intelligence of the insured population, and the devotion and conscientiousness of the medical profession. Whether these conditions are fully realised or not, the system of invalidity and old-age insurance in particular is already achieving a triple result : by the benefits it pays it alleviates the effects of certain risks; by its method of working it gives effect to a systematic policy of public health; by the way its funds are administered it facilitates the adoption of a sound housing policy. The combination of these three principles cannot fail to strengthen and protect the physical and moral health of insured families, by reducing their anxieties, improving their conditions of life, and in a general way increasing the vigour of the race.