

Sickness Insurance for Employed Persons in Czechoslovakia

by

Petr SVÁTEK,

Central Sickness Insurance Department, Prague

After a brief review of the evolution of sickness insurance in Czechoslovakia from its beginnings until the reform of 1952, P. Svátek describes the present sickness insurance scheme for employed persons, which is managed by the workers themselves. This article does not concern itself with other contingencies, or with sickness insurance for persons other than employees. Having decided to limit its scope to questions of administration, the author likewise makes no reference to aspects connected with sickness benefit itself.¹

THE evolution of the political, economic and social structure in Czechoslovakia since the Second World War has not been without its repercussions on the system of social security and on benefits.

To begin with the Government concentrated its efforts on amalgamating the many different social security bodies then in existence, standardising the rights of all categories of employees, extending the scope of the schemes to take in other economically active persons and improving the system of benefits. These initial steps were followed in 1952 by a reform of the basic principles on which organisation of the system was founded (Acts Nos. 102 and 103 of 1951, which came into force on 1 January 1952). Ten years have passed since this reform took place, and it is now possible, in the light of the experience gained, to assess the effectiveness of the new social security structure.

Czechoslovakia's experience in this field is instructive because it helps one to understand the social security systems of other Eastern European countries. For several decades, until imme-

¹ The present article is largely based on a paper submitted by the author at the first study course of the International Institute for Labour Studies in Geneva (17 September-7 December 1962).

diately following the Second World War, the social security system in Czechoslovakia was based on the traditional principles still followed by most of the countries of Western Europe today, and anyone who is familiar with the evolution of social security schemes of the Western type will therefore have no difficulty in making a comparison between the new and the old systems.

UNIFICATION OF SOCIAL SECURITY ORGANISATION

The long history of social security in Czechoslovakia, in which the landmarks were the introduction of compulsory sickness insurance for employed persons in 1888 and of pension insurance for salaried employees in the private sector in 1907 and for wage earners in 1924, culminated after the Second World War in the creation of a single institution to handle social security. This autonomous body, serving all workers, provided insurance coverage against all risks. It provided for medical attendance and paid cash benefit in the event of sickness, accident or maternity, invalidity and old-age pensions, survivors' benefit and family allowances. It was represented in each area and in each district by branch offices.

The unification of the social security system already marked a great improvement on the traditional conception of social security organisation ; what is more important, it resulted in an appreciable drop in administrative costs. For example, for the sickness funds these fell from some 15 to 20 per cent. of their total income just before and during the Second World War, to a mere 4 per cent.

RESHAPING THE BASIC PRINCIPLES

With the adoption of an entirely new approach to social security—direct management by the representatives of the workers—it became necessary to re-examine the basic principles on which the organisation of the system was founded. This led to the following reforms :

(1) Sickness insurance for employees has been separated from social insurance against long-term contingencies (invalidity, old-age, survivors' insurance) and placed under the direct management and supervision of the trade unions.¹ Children's allowances for employees have been fused with the sickness insurance scheme.

(2) Insurance against long-term contingencies, and sickness insurance for those not in employment, have been placed in the hands of people's committees (elective local government authorities).

¹ In Czechoslovakia there is only one trade union organisation, to which a high percentage of workers belong.

In the field in question these committees operate under the central supervision of the State Social Security Office.

(3) The medical care service is now run centrally by the Ministry of Health, and by the people's committees in the various areas and districts. This had done away with the duplication which formerly existed when medical care services were managed both by the social security institutions and by the public authorities. Among other things this has made it possible to lay the stress on preventive medicine.

PRACTICAL OPERATION OF THE SICKNESS INSURANCE SCHEME FOR EMPLOYEES

Now that the trade unions manage sickness insurance, contributions to the scheme are collected by them, and it is they who administer the funds and decide on the award and payment of benefits. Of course the funds on which the scheme draws belong to the State, which has only entrusted their administration to the unions; so the unions are obliged to keep these funds separate from other moneys and to use them only for sickness insurance. Any surplus has to be credited to the state budget, and the State makes up any deficit.

The essential difference between the old and the new systems is this: in the past insured persons had a say in the administration of sickness insurance through their representatives on the administrative boards, who took decisions on the matters submitted to them together with the other members; today the insured persons administer the insurance scheme themselves, looking after the funds and deciding how benefit should be awarded and paid under the statutory regulations. In this way the principle of self-administration of insurance by those insured has become a reality.

The basic unit for the operation of sickness insurance is the undertaking (institution, establishment, office, shop, etc.). In each undertaking (with the exception of small ones, to which reference will be made later) the workers appoint a national insurance committee, reporting to the works committee. The number of members depends on the size of the undertaking, and if the staff is very large a committee is appointed for each workshop or department in the establishment.

The first responsibility of these committees is to take decisions on the payment of cash benefits and family allowances in individual cases. In doing so they of course have to observe the statutory regulations; but they are free to take into account all the circumstances of each case, with which they are thoroughly familiar. This is a point of paramount importance, particularly when they

have to decide whether to grant benefits which they are not strictly obliged by law to award, or to which an insured person is not strictly entitled because he has failed to comply with the conditions of the scheme. The interested parties may appeal against a committee's decisions to various higher trade union bodies or, as a last resort, to the Attorney-General, whose decision is final and binding.

In addition to deciding on the award of benefit, the national insurance committees have to make sure that a sick person is not in need of further assistance—for example in the case of a person living alone, or the mother of small children, or suffering from a long illness.

But the award of benefits is not the main task of the national insurance committees. Above all else they are expected to concern themselves with improving health conditions in the undertakings and workplaces, to draw the management's attention to shortcomings and to see that they are put right. They also play their part in the health education of the workers, by organising lectures and issuing instructions on the subject, and carry on campaigns to convince the workers of the importance of using the safety devices provided. In consultation with the appointed medical officer they also select workers for free treatment in spas, etc. In a word, their activities are aimed primarily at the prevention of sickness and accidents.

More than 200,000 experienced workers are now serving on national insurance committees. These workers are at the same time carrying on with their ordinary jobs; this keeps them in direct contact with their workmates in the undertaking. Thanks to this daily contact they have a familiarity with the working environment which could never be acquired by an administrative body, however able.

The work of the national insurance committees has been an important factor in the steady drop in the rate of incapacity for work, as can be seen from the following figures on the percentage of working days lost due to sickness or accident from 1952 to 1961 :

1952	4.80	1957	5.18
1953	4.88	1958	4.12
1954	5.10	1959	4.15
1955	5.22	1960	4.02
1956	5.35	1961	4.01

Needless to say, the work of the national insurance committees has to be co-ordinated and centrally directed to a certain degree. Changes in legislation have to be brought to their attention and some check must be kept to ensure that they apply the relevant regulations correctly. Supervision of this sort is exercised by higher trade union bodies, of which more will be said later.

Administrative Work

Since national insurance committees are composed of active trade unionists, who serve without remuneration, they cannot be burdened with administrative work. As we have seen, their role is quite a different one : to decide on the payment of benefit and to improve safety and health conditions in the undertaking by their advice and their influence with the workers and the management.

Administrative work is therefore handled by the staff of the undertaking. It consists primarily in keeping up to date all the information needed by the committee to reach valid decisions on the payment of cash benefits and family allowances, and for the calculation of contribution rates, etc. This being so, it may well be asked whether the administrative services of the undertaking are not overworked, and whether the tasks formerly devolving on the sickness insurance institution have not simply been transferred to undertakings. This question is even more pertinent if it is remembered that in 1951, the year before the reorganisation came into effect, administrative costs amounted to 4 per cent. of income, whereas by 1961 they had dropped to no more than 0.2 per cent.

A comparison between the administrative work done by undertakings in connection with sickness insurance now and before the reorganisation supplies the answer.

The operation of a sickness insurance scheme, whatever form it may take, entails keeping a register of undertakings, a register of insured persons and possibly a register of dependants, and compiling the data needed for the calculation and payment of contributions, and the payment of benefits. We shall examine what undertakings have to do in connection with each of these requirements in turn. On the other hand we shall deliberately leave aside the question of accounting, which was formerly handled by the social insurance institution and is now dealt with by special departments of the higher trade union bodies, and which thus involves no essential change. The cost of accounting is part of the administrative costs referred to above.

Register of Undertakings.

Previously every new undertaking had to have its name entered on the register of undertakings kept by the sickness insurance institution. Today it still has to register with the appropriate higher trade union body, which keeps the necessary accounts for each undertaking for the payment of contributions, etc. From this point of view there has therefore been no change.

Register of Insured Persons and Dependants.

Under the old system an undertaking had to inform the sickness insurance institution every time a new worker was taken on or a contract of employment terminated. Notification had to be made on a specially printed form, and the information supplied enabled the institution to keep its register of insured persons up to date.

With the reorganisation of sickness insurance and the transfer of administration to undertakings, it has become possible to use the register of employees each undertaking in any case keeps for its own use; indeed it would be pointless to keep two identical registers. As a result, undertakings no longer have to fill in and send off some ten million admission and withdrawal cards every year, and the higher authorities have been relieved of a considerable administrative burden. "Small undertakings", which do not handle their own sickness insurance, are naturally an exception and still have to send in admission and withdrawal cards; but their employees do not represent more than 3 per cent. of the total number of workers.

Data for the Calculation of Contributions.

Even under the old sickness insurance system efforts were always being made to simplify the immense administrative burden of calculating contributions. Today each worker's contribution is no longer calculated individually, and undertakings merely pay a monthly contribution equal to a specific percentage of their gross monthly payroll. These contributions are borne entirely by the undertakings, no deductions being made from employees' wages.

In practice an undertaking deducts from its monthly contribution the amounts paid out to its employees in the form of cash benefits or family allowances during that month, and transfers the balance to the appropriate higher trade union fund. If the benefits paid exceed the amount of the contribution due, the trade union fund reimburses the difference to the undertaking.

This extremely simple system has made it possible to do away with a substantial part of the administrative work that would otherwise have to be done by undertakings.

Data for the Calculation of Cash Benefits and Family Allowances.

The amount of cash benefit is calculated on the basis of the average net wage received by the worker during the three months immediately preceding incapacity for work, or the beginning of maternity leave. If the worker has not been employed by the undertaking throughout this period, account is taken of the net wage he has received during the time he has been working in the

undertaking, or in some cases the wage it had been planned to pay him. The rate for the sickness cash benefit and other benefits is a specified percentage of this wage.

Under the old system, undertakings had to inform the sickness insurance institutions of the wages received by each claimant during the three months in question, using a form specially printed for the purpose.

Today, as we have seen, benefits are paid within the undertaking in accordance with the decisions of the national insurance committee. So, instead of supplying the necessary data to the sickness insurance institution, the undertaking supplies them to a works trade union body and calculates the amount of benefit in accordance with its decisions. The committee decides what part of the wage, if any, should be disregarded (as allowed for by the statutory provisions in the case of occasional income, for example), and which jobs should be taken into account in determining the seniority of a worker, on which the rate of the daily allowance depends. Finally, it evaluates all the circumstances of each individual case: it may, for instance, decide to award benefit even though all the requirements of the law have not been met, or it may continue payment of benefit for longer than the maximum statutory period.

Determination of the rate of benefit is extremely simple: undertakings merely use tables specially supplied for the purpose, with the aid of which they can fix the rate of the allowance directly without any need for calculation. The maximum period of benefit entitlement can be calculated with no great difficulty from the undertaking's own registers. And decisions regarding family allowances give rise to no difficulty, either for undertakings or for the trade union bodies, since all the data relating to dependent children will have already been obtained by undertakings for fiscal purposes (income tax rebate).

It therefore appears that neither the payment of cash benefit under the sickness insurance scheme for employees, nor the payment of family allowances, has brought about an appreciable increase in the administrative work to be done by undertakings. On the contrary, reorganisation has made a large part of the administrative work unnecessary, thereby substantially reducing administrative costs.

HOW THE SICKNESS INSURANCE SCHEME FOR EMPLOYEES OPERATES IN THE CASE OF SMALL UNDERTAKINGS

For sickness insurance purposes "small undertakings" are those employing fewer than 20 workers, in which it is unnecessary to set up a collective trade union body; as a rule the employees of these undertakings simply appoint a representative to act on their behalf.

Sickness insurance for employees of small undertakings is handled by special establishments—the district sickness insurance departments attached to the district trade union councils—which keep a register of the employees of small undertakings in their district and pay them cash benefits and family allowances. The necessary benefit payment data are supplied by the administrative services of the undertakings, and district committees of active trade unionists examine claims for sickness benefits and family allowances.

REGIONAL AND CENTRAL MANAGEMENT

As we have already mentioned, trade union bodies at higher levels—namely the district trade union councils, the area trade union councils and the Central Council of Trade Unions—direct and supervise the national insurance committees, as well as administering the insurance funds and maintaining liaison with the health services. All of them have set up special sickness insurance departments for the purpose.

The district trade union councils direct the work of the trade union bodies in individual undertakings, and instruct and help them. The area trade union councils oversee the operation of the sickness insurance scheme at the area level, and contributions are paid into the specially established accounting sections of their sickness insurance departments. Both district and area trade union councils also keep abreast of what the undertakings are doing in the field of sickness insurance, and co-operate closely with the Health Department and with their opposite numbers for the pensions insurance scheme. Finally, the Central Council of Trade Unions, through its Central Sickness Insurance Department, administers the sickness insurance scheme in the State as a whole. At the same time it drafts Bills for submission to the Government and to Parliament, draws together the financial resources of the scheme and administers them, and credits any surplus to the state budget. In matters which do not affect the national territory as a whole, the sickness insurance scheme in Slovakia is administered by the Slovak Council of Trade Unions.

The district and area trade union councils may hear appeals against the decisions of trade union bodies in undertakings regarding the award of sickness benefits and family allowances. Appeals from the decisions of these bodies may be made to the Attorney-General.

The administrative staff of the trade union bodies responsible for administering the sickness insurance scheme for employees is comparatively small, numbering no more than 500, as against 5.3 million insured persons.

CONCLUSION

Experience since the reorganisation of sickness insurance has shown that on the whole the results are favourable. The most important of these would seem to be, however, that the active part now played by insured persons in the effective management of the scheme is not confined to the award of benefits and the administration of the sickness funds. Thanks to systematic co-operation with the health services and the bodies concerned with occupational safety and health, together with the efforts made to educate the workers in these matters, it has made an important contribution towards the prevention of illness. The result is an improvement in the working environment and in the state of health of the workers, with a corresponding drop in the number of cases of incapacity for work.
