

## Hungary

Exchange rate: US\$1.00 equals 211.39 forints.

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First law:** 1928.

**Current law:** 1997 (private pensions), implemented in 1998.

**Type of program:** Social insurance and mandatory individual account system.

Note: Persons insured before June 30, 1998, or who became insured after this date but before reaching age 42, can choose between the social insurance system and the mixed system of social insurance and mandatory individual accounts. The mixed system is mandatory for all others.

#### Coverage

Employees, members of handicraft and agricultural cooperatives, self-employed entrepreneurs, apprentices of professional training schools, outside workers, artistic performers, lawyers, public notaries, the clergy, and recipients of unemployment benefits.

Voluntary coverage for persons, including independent farmers, not covered by compulsory insurance.

#### Source of Funds

##### Insured person

*Social insurance only:* 8.5% of gross earnings.

*Social insurance and mandatory individual account:* 0.5% (social insurance) and 8% (mandatory individual account).

**Self-employed person:** Equal to the total employee and employer contribution.

**Employer:** 18% of payroll for social insurance only.

**Government:** Any deficit in the social insurance system.

All of the above social insurance contributions also finance work injury benefits.

The minimum earnings for contribution purposes are equal to the national minimum wage (53,000 forints).

The maximum earnings for contribution purposes for employees are three times gross average earnings.

#### Qualifying Conditions

**Old-age pension:** Age 62 (men) with 20 years of service. The retirement age for women is 59 (rising to age 60 by 2005, age 61 by 2007, and age 62 by 2009) with 20 years of service.

**Partial pension:** A partial pension is paid with at least 15 years of service at age 62.

**Early pension:** Age 60 (men) or age 57 (women) with 38 years of service; a reduced pension is paid with at least 33 years of service.

**Deferred pension:** A deferred pension is possible.

**Disability pension:** For a nonaccident-related disability pension, the required insurance period depends on age at the onset of disability, up to a maximum of 20 years at age 55. For an accident-related disability pension, there is no qualifying period. There are three classes of pension: Class I, 100% loss of working capacity and need for permanent care provided by others; Class II, 100% loss of working capacity but no need for permanent care provided by others; and Class III, with at least a 67% loss of working capacity.

The national medical board determines the assessed degree of loss in working capacity.

**Survivor pension:** The deceased was a pensioner or met the qualifying period for an old-age pension or disability pension at the time of death.

#### Old-Age Benefits

**Old-age pension (social insurance):** The pension is based on a percentage of average monthly earnings since 1988 and the length of the insurance period; 53% of average earnings is paid with 20 years of service, plus 2% for each year between 21 and 25 years, plus 1% for each year between 26 and 36 years, plus 1.5% for each year beyond 36.

Average income for calculating the pension is subject to an annual ceiling and is indexed.

The minimum old-age pension is 23,200 forints.

**Partial pension:** A reduced pension is paid with at least 15 years of service at age 62.

**Early pension:** A full or reduced pension is paid.

**Deferred pension:** The pension is increased by 0.5% for each month of deferral.

**Benefit adjustment:** Benefits are adjusted annually in January according to the average estimated annual change in consumer prices and in the national net average wage level.

**Old-age pension (mandatory individual account):** The value of accumulated contributions plus accrued interest. At retirement, the insured purchases an annuity; a lump sum is paid with less than 180 months or contributions at the time of retirement.

#### Permanent Disability Benefits

**Disability pension (social insurance):** If younger than age 35, 51% of average monthly earnings with less than 2 years of contributions (Class III). The pension increases by 0.5% for each additional year of service, up to a maximum of 25 years. If aged 35 or older, the pension is between 37.5% and 67% of average monthly earnings, depending on age at the onset of disability and the length of the insurance period (Class III). A Class II pension is paid at a rate 5% higher than Class III; a Class I pension is paid at a rate 10% higher than Class III.

Benefit adjustment: Benefits are adjusted annually in January according to the average estimated annual change in consumer prices and in the national net average wage level.

**Disability pension (mandatory individual account):** There is no benefit provision.

### Survivor Benefits

**Survivor pension (social insurance):** 50% of the insured's pension, payable to a widow(er) who at the time of the spouse's death was age 55 (age 60 for a widower), disabled, or caring for two children. A limited pension is paid to other widow(er)s for 1 year only; 18 months in certain cases.

The pension is reduced to 20% if the survivor receives a pension in his or her own right and ceases if the survivor remarries before the pensionable age for the old-age pension.

**Orphan's pension (social insurance):** 30% of the insured's pension for each orphan under age 16 (age 25 if a student, no limit if disabled); 60% for a full orphan or an orphan with a disabled surviving parent.

**Other eligible survivors (dependent parents and grandparents):** 20% of the insured's pension, if disabled or aged 65 or older.

Benefit adjustment: Benefits are adjusted annually in January according to the average estimated annual change in consumer prices and in the national net average wage level.

**Survivor pension (mandatory individual account):** There is no benefit provision.

### Administrative Organization

**Social insurance:** Ministry of Health, Social, and Family Affairs supervises the program.

Central Administration of National Pension Insurance administers social insurance benefits through its local branches.

National Health Insurance Fund collects contributions through its local branches.

**Mandatory individual accounts:** Ministry of Finance supervises the mandatory individual accounts.

Authorized private pension funds administer the mandatory individual accounts.

### Sickness and Maternity

#### Regulatory Framework

**First law:** 1891.

**Current law:** 1997.

**Type of program:** Social insurance system.

### Coverage

**Cash sickness benefits:** Employees, members of cooperatives, apprentices of skilled labor, the self-employed, and outdoor workers.

**Cash maternity benefits:** All pregnant employed or self-employed women who have worked for at least 180 days in the 2 years before childbirth.

All resident women in Hungary are entitled to in-kind benefits.

**Medical benefits:** All insured persons entitled to cash sickness benefits, pensioners, unemployment beneficiaries, recipients of social assistance and allowances, beneficiaries of pensions provided by churches, regular students (if Hungarian citizens), and all dependent family members and children.

### Source of Funds

**Insured person:** 4% of gross earnings.

**Self-employed person:** 15% of earnings.

**Employer:** 11% of payroll.

**Government:** Any deficit. The government reimburses the National Health Insurance Fund for the cost of the child care fee.

All of the above contributions also finance short-term work injury cash benefits and medical benefits for work injuries.

### Qualifying Conditions

**Cash sickness benefit:** Currently insured or a loss of earning capacity due to illness within 3 days after the cessation of insured employment.

If the insured has less than 1 year of continuous insurance, the benefit is reduced in proportion.

**Maternity benefit (maternity and confinement allowance):** Currently insured or the expected date of childbirth is within 42 days after the cessation of insured employment and the insured has 180 days of insurance during the last 2 years.

**Maternity benefit (child care fee):** Paid to a father with 180 days of insurance in the 2 years before the birth of his child.

**Birth grant:** See Family Allowances.

**Medical benefits:** Provided to the beneficiaries of cash sickness and maternity benefits; family members supported by the insured person; pensioners; beneficiaries of unemployment benefits, social assistance, and allowances; beneficiaries of pensions provided by churches; regular students; and dependent children.

### Sickness and Maternity Benefits

**Cash sickness benefit:** 60% of daily average net earnings in the previous calendar year; 70% with 2 years of continuous employment. The benefit is payable from the first day of

incapacity for up to 1 year (or for the length of the continuous insurance period immediately before the onset of illness, if less).

The employer pays benefits for the first 15 days.

**Maternity and confinement allowance:** 70% of daily average net earnings in the previous calendar year. In the absence of earnings, the current minimum wage is used. The benefit is payable for the period of maternity leave (4 weeks before and 20 weeks after the expected date of childbirth).

The national minimum wage is 53,000 forints.

**Child care fee:** Up to a maximum of 83,000 forints a month, until the child is age 2.

**Birth grant:** See Family Allowances.

### **Workers' Medical Benefits**

Medical benefits are provided directly through the facilities of the public health services in contractual relationship with the health insurance scheme. Benefits include preventive care; general and specialist care, including basic dental care; hospitalization; maternity care; medical rehabilitation; sanatorium care; and ambulance services.

Cost sharing: Copayments for medicines, appliances, dental prosthetics, orthodontic services, and spa treatment.

Life-saving medicines and medicines for maternity and infant care are provided free of charge.

Travel expenses are covered by the health insurance scheme.

There is no limit to duration.

### **Dependents' Medical Benefits**

Same as for the insured person.

### **Administrative Organization**

Ministry of Health, Social, and Family Affairs supervises the program.

National Health Insurance Fund, with county health insurance funds, administers cash sickness and maternity benefits.

Hungarian Tax Authority collects contributions.

Specified health care providers, including private providers contracted by the National Health Insurance Institute, provide medical care.

### **Work Injury**

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#### **Regulatory Framework**

**First laws:** 1900 (agriculture) and 1907.

**Current law:** 1997.

**Type of program:** Social insurance system.

### **Coverage**

Employees, members of cooperatives, apprentices in industrial training, artisans, the self-employed, independent farmers, artistic performers, and lawyers.

### **Source of Funds**

**Insured person:** See source of funds under Old Age, Disability, and Survivors and Sickness and Maternity, above.

**Self-employed person:** See source of funds under Old Age, Disability, and Survivors and Sickness and Maternity, above.

**Employer:** See source of funds under Old Age, Disability, and Survivors and Sickness and Maternity, above.

**Government:** See source of funds under Old Age, Disability, and Survivors and Sickness and Maternity, above.

### **Qualifying Conditions**

**Work injury benefits:** There is no minimum qualifying period.

### **Temporary Disability Benefits**

100% of average net earnings is payable from the first day of incapacity for up to 1 year. In some cases, the Medical Experts Institute can extend entitlement to 2 years.

### **Permanent Disability Benefits**

**Permanent disability pension:** There are three classes of pension: Class I, 100% loss of working capacity and need for permanent care provided by others; Class II, 100% loss of working capacity but no need for permanent care provided by others; and Class III, at least a 67% loss of working capacity. The Class I pension is 70% of monthly average earnings; Class II, 65%; and Class III, 60%.

The minimum pension varies according to pension class.

**Work injury allowance:** Paid for a permanent disability of more than 15%. The allowance rises in steps from 8% of monthly average earnings with an assessed degree of disability of between 16% and 25% to 30% of monthly average earnings with an assessed degree of disability of between 50% and 66%.

Benefits are limited to 2 years if the loss of working capacity is less than 25%.

**Benefit adjustment:** Benefits are adjusted annually in January according to the average estimated annual change in consumer prices and in the national net average wage level.

### **Workers' Medical Benefits**

Medical benefits are provided directly to patients through the facilities of the public health services in contractual relationship with the health insurance scheme. Benefits include preventive care; general and specialist care, including basic dental care; hospitalization; medical rehabilitation;

sanatorium care; and ambulance services. Medicines and appliances are free of charge.

### Survivor Benefits

**Survivor pension:** 50% of the insured's pension, payable to a widow(er) who at the time of the spouse's death was at least age 55 (age 60 for a widower), disabled, or caring for two children. A limited pension is paid to other widow(er)s for 1 year only; 18 months in certain cases.

**Orphan's pension:** 30% of the insured's pension for each orphan under age 16 (age 25 if a student); 60% for a full orphan or an orphan with a disabled surviving parent.

**Other eligible survivors (dependent parents and grandparents):** 20% of the insured's pension, if disabled or aged 65 or older.

**Benefit adjustment:** Benefits are adjusted annually in January according to the average estimated annual change in consumer prices and in the national net average wage level.

### Administrative Organization

National Health Insurance Fund administers work injury benefits.

Hungarian Tax Authority collects contributions.

National Pension Insurance Directorate administers cash benefits.

Specified health care providers, including private providers contracted by the National Health Insurance Institute, provide medical care.

## Unemployment

### Regulatory Framework

**First law:** 1957.

**Current law:** 1991.

**Type of program:** Social insurance system.

### Coverage

Wage earners and salaried employees.

### Source of Funds

**Insured person:** 1% of gross earnings.

**Employer:** 3% of payroll.

**Government:** None.

### Qualifying Conditions

**Unemployment benefit:** Insurance coverage for at least 200 days in the last 4 years. The insured must be involuntarily unemployed, actively seeking employment, and without entitlement to an old-age or disability pension.

**Unemployment assistance (means-tested):** Paid when entitlement to unemployment benefit ceases.

### Unemployment Benefits

65% of the gross average salary of the previous calendar year, for a maximum of 270 calendar days.

The minimum benefit is 90% of the minimum old-age pension (20,880 forints).

The maximum benefit is 1.8 times the minimum old-age pension (41,760 forints).

**Unemployment assistance (means-tested):** 70% of the minimum old-age pension (16,240 forints).

### Administrative Organization

Ministry of Employment and Labor provides general supervision.

State Employment Service administers the program.

## Family Allowances

### Regulatory Framework

**First law:** 1938.

**Current law:** 1998.

**Type of program:** Universal system.

### Coverage

All residents with one or more children.

### Source of Funds

**Insured person:** None.

**Employer:** None.

**Government:** Total cost (90% from central government and 10% from local government).

### Qualifying Conditions

**Family allowances:** Child under age 16 (age 20 if a full-time student) or disabled.

### Family Allowance Benefits

**Family allowances:** For the first child, 4,600 forints a month; for two children, 5,600 forints a month per child; and for three or more children, 7,100 forints a month per child.

Family allowances (single parents): For the first child, 5,400 forints a month; for two children, 6,500 forints a month per child; for three or more children, 7,600 forints a month per child.

For families with a child with a long-term illness or serious disability, 12,600 forints a month per child.

For a child in a foster home or living with foster parents, 6,500 forints a month per child.

**Child home care allowance:** The minimum monthly old-age pension (doubled for twins) is paid up to age 3; until twins begin primary education; up to age 10 if disabled.

**Child-rearing support:** The minimum monthly old-age pension is paid to parents rearing three or more children. The benefit is paid when the youngest child is age 3 until he or she reaches age 8.

**Birth grant:** Paid to a mother (or adopting parents) on the condition that the mother completed at least four prenatal examinations. A lump sum equal to 225% of the minimum old-age pension is paid after each birth; 300% for twins.

Income-tested cash and in-kind benefits are provided by local government to bring family income up to a minimum level.

### ***Administrative Organization***

Ministry of Health, Social, and Family Affairs provides general supervision.

Regional Directorates of the Hungarian State Treasury pay benefits.