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1. Introduction

The objective of this study is to describe the Hungarian welfare development in the 20th century in a European context with a main focus on analysing the convergent and divergent features. There are several reasons that account for this research interest. On the one hand, no systematic comparative study of 20th century Hungarian welfare development has been carried out yet, although a comparison may lead to the identification of the unique features of 20th century Hungarian welfare development and those that followed general European trends. Furthermore, the study of a ”late-comer” country, subsequently ruled by a communist regime may yield lessons for international research as well through opening new perspectives in the study of supranational tendencies in 20th century welfare development.

Beside the general interest in the long-term comparative study of Hungarian welfare, a more specific interest in the problem of European social integration will constitute the basis of the present investigation. Current discussions of European integration focus in particular on economy and politics, but much less on the social side of the integration process. Another important feature of the ongoing debates is, that issues revolving around European integration have been dealt with little reference to historical processes. The interest in social integration also leads us to the problem of convergence in welfare development. The analysis of this issue will show the extent to which the route Hungary took in the past decades regarding social and, more specifically, welfare development conforms to Western European trends and constitutes an integration process in social areas. Consequently, in the paper we primarily seek to explore the relationship between Hungarian and Western European welfare state development by answering the following questions: Have 20th century changes in Hungarian welfare state converged to or diverged from Western European trends? In which periods and in which areas of welfare development can convergence and divergence be observed?

In the introductory chapter we first deal with some important features of comparative research carried out on welfare state and social convergence in Europe and in Hungary. Then we describe the research design, the major sources of data, as well as the limits of the present investigation, and consider other methodological problems posed by comparative research. Chapter 1 describes changes in welfare expenditures in the course of the 20th century by applying different definitions. Chapter 2 reveals the development of welfare institutions, including variables such as the timing and sequence of the introduction of programs, the process of differentiation, and the changes in the structure of individual welfare programs. Chapter 3 examines the development in eligibility for welfare benefits, primarily through the changes in those under social insurance and social security, the eligibility and the relative level of benefits. Chapter 4 focuses on the organizational forms of programs, the role of the state and control mechanisms related to the welfare systems. Finally, Chapter 5 summarises the results.

In the individual chapters, using different criteria, we will first present the 20th century development of Western European societies highlighting convergent and divergent tendencies inside that region separately. Following this, we will show the Hungarian welfare trends by relying on the same analysis criteria to the extent possible and dealing with the pre-Second World War and Communist eras separately.

Comparative Approaches to Welfare

The long traditions of the comparative study of the welfare state make it one of the most advanced fields of comparative history and historical sociology.[1] Comparative studies have significantly contributed to the analysis of the characteristics of the welfare state as well as drawing a picture of the determinants of the formation and development of welfare systems. It is the abundance of such research that makes it impossible to give even an outline of a literature review in that paper. Instead, related literature will be cited where appropriate in the discussion that follow.[2] It can be stated here, though, that international historical welfare research is highly focused in several respects, while it neglects significant areas and useful approaches. First of all, there is chronological and geographic concentration in the research as the main subject of publications is the post-Second World War era and the comparison of Western European states or that of Western European and transatlantic Anglo-Saxon countries. Research on the first half of the 20th century is rather more scarce and countries outside the regions mentioned are rarely discussed even regarding the post-1945 era. There is a striking thematic and methodological concentration in historical welfare research, too. Especially the early welfare research primarily targeted the comparison of the levels of welfare expenditures in different countries.[3]

Although the analysis of welfare expenditures constitutes an important area of research even today, ranking welfare states in a linear way, based on the levels of such expenditures has provoked criticism early on,[4] leading to the investigation of other areas, such as the number of welfare recipients, the significance of welfare institutions, the degree of redistribution, etc. Furthermore, many have argued that individual characteristics of the welfare state cannot be analysed separately. They propose as the starting point the consideration of complex welfare regimes the components of which are interrelated. Among

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[1] Citing only a few important works on comparative history of welfare, Peter Flora and Arnold J. Heidenheimer, eds., The Development of Welfare States in Europe and America. New Brunswick and London, 1981.; Peter Flora, ed., Growth to Limits. Vol. 1-4. Berlin, 1986-1987.; Jens Alber, Vom Armenhaus zum Wohlfahrtsstaat. Analysen zur Entwicklung der Sozialversicherung in Westeuropa. Frankfurt/M.-New York, 1987.; Gerhard A. Ritter, Der Sozialstaat. München, 1989.; Hugh Heclo, Modern Social Politics in Britain and Sweden. >From Relief to Income Maintenance. New Haven and London, 1974.; Peter Baldwin, The Politics of Social Solidarity and the Bourgeois Basis of the European Welfare State, 1875-1975. Cambridge, 1990.

[2] For a literature review, see e.g. Catherine Jones, Patterns of Social Policy: An Introduction to Comparative Analysis. London, 1985.; Joan Higgins, States of Welfare: Comparative Analysis of Social Policy. Oxford, 1981.; Christopher Pierson, Beyond the Welfare State? The New Political Economy of Welfare. Cambridge, 1991. 6-140.; Gosta Esping-Andersen, Welfare States and the Economy. In Neil J. Smelser, ed., Handbook of Economic Sociology. Priceton, NJ, 1994. 711-732.; For comparisons, see Allan Cochran and John Clarke, Comparing Welfare Sates: Britain in International Context. London, 1993. 1-18., 239-269.; James Midgley, Social Welfare in Global Context. London, 1997. 89-110.; Alber, Vom Armenhaus zum Wohlfahrtsstaat.; Manfred G. Schmidt, Sozialpolitik. Opladen, 1988.

[3]For a recent work on the first third of the century see Peter H. Lindert, The Rise of Social Spending, 1880-1930. Explorations in Economic History, 31 (1994) 1-37.

[4] Gosta Esping-Andersen, The Three Worlds of Welfare Capitalism. Cambridge, 1990. 19.; Michael Hill, Social Policy: A Comparative Analysis. London, 1996. 42. In the Hungarian literature, see Tóth István György and Csaba Iván, szerk., A jóléti állam politikai gazdaságtana. Budapest, 1999. 16-18.

alternative approaches, typologies for the classification of welfare systems based on both quantitative and qualitative criteria elicited especially large response. [5]

Typologies can be useful in comparative research from several respects. They can promote greater analytical depth, contribute to a greater understanding of causal relationships, and provide a tool for hypothesis formulation and testing.[6] At the same time, criticisms emerging are quite significant, too. Especially important of these here is that the data and research these typologies are based on span only one or two decades and are almost exclusively form the second half of the 20th century, even though several of them claim historical validity. For example, Esping-Andersen's model reflects only the situation of the 1970s and 1980s. This is the consequence of the method used, in a sense. Even Esping-Andersen does admit typologies are static by definition and insensible to changes and dynamics;[7] it is possible that welfare had three worlds in certain periods, but two or four in others. If the major variables introduced by Esping-Andersen (rules for entitlements, the degree of income replacement and the degree of universalisms) were applied in the investigation of welfare systems, almost all Western European countries would qualify as conservative or liberal in the first third of the century, because there would show hardly any difference between the individual systems. The welfare system termed social democrat emerged much later in Scandinavia. Consequently, typologies are not appropriate for historical comparison. Furthermore, the aspects included in the existing typologies disregard, by definition, the specialities of communist regimes (or, capitalist systems for that matter) and thus they cannot be used in a comparison like the one designed here.

Although the issue of economic convergence clearly received the most attention in research, considerable empirical research on the convergence thesis has been carried out by sociologists, historians, demographers, and other social scientists as well.[8] Sociologists have been particularly active in such areas as stratification systems, industrial sociology, and welfare systems, producing conflicting evidences with respect to convergence in all these areas.[9] In the last decade a renewed interest can be seen in convergence among sociologists, when several of them (e.g. G. Therborn, C. Crouch) took up the problem European social convergence quite explicitly.[10] In the historical research of the past few decades, it was the German social

[5] For the residual and institutional division, see Harold L. Wilensky and Charles Lebeaux, Industiral Society and Social Welfare. New York, 1965.; For a three-way division, see Richard M. Titmuss, Social Policy. London, 1974.; An earlier, less explicit formulation, Essays on 'The Welfare State'. London, 1958. 34-55.; Norman Furniss and Timothy Tilton, The Case for the Welfare State. From Social Security to Social Equality. Bloomington and London, 1979. 15-20.; Gosta Esping-Andersen, The Three Worlds of Welfare Capitalism. 21-22. Cambridge, 1990.; Gosta Esping-Andersen, Social Foundations of Postindustrial Economies. Oxford, 1999.; For a four way division, including a radical type in addition to those discussed later, see Francis G. Castles and Deborah Mitchell, Worlds of Welfare and Families of Nations. In Francis G. Castles, ed., Families of Nations. Patterns of Public Policy in Western Democracies. Aldershot, 1993. 93-128.

[6] Gosta Esping-Andersen, Social Foundations of Postindustrial Societities. Oxford, 1999. 73.

[7] Esping-Andersen, Social Foundations. 87.

[8] Citing only a few classic publications on convergence, see Clark Kerr et al., Industrialism and Industrial Man. Cambridge, Mass., 1960.; Pitirim A. Sorokin, Mutual Convergence of the United States and the U.S.S.R. to the Mixed Sociocultural Type. International Journal of Comparative Sociology, 1 (1960) 143-176.; J. Tinbergen, Do Communist and Free Economies Show a Converging Pattern? Soviet Studies, 12 (1961) 333-341.; We only refer to a widely cited theoretical work on economic convergence here, Robert J. Barro and Xavier Sala-i-Martin, Economic Growth. New York, 1995. 26-39, 382-413.

[9] John B. Williamson and Jeanne J. Flemming, "Convergence Theory and the Social Welfare Sector: A Cross-National Analysis". International Journal of Comparative Sociology, 18 (1977) 3-4, 242-253.; Robert Erikson and John H. Goldthorpe and Lucienne Portocarero, "Intergenerational Class Mobility and the Convergence Thesis: England, France, and Sweden". British Journal of Sociology, 34 (1983) 303-343.; Pekka Kosonen, "European Welfare State Models". International Journal of Sociology, 4 (1995) 81-110.

[10] Göran Therborn, Europan Modernity and Beyond. The Trajectory of European Societies, 1945-2000. London, 1995. 352-353.; Colin Crouch, Social Change in Western Europe. Oxford, 1999. 404-409.; Simon Langlois et

historian, Hartmut Kaelble, who carried out the most systematic research on social convergence according to which the developments of Western European societies have converged in significant areas of social life during the 20th century.[11]

As indicated above, no systematic comparative study has been carried out of 20th century Hungarian welfare development. With a few exceptions, only the comparison of post-1960 welfare attracted attention and, within this, mostly the changes in expenditures.[12] Regarding he solution of methodological problems involved in comparisons in this area, significant attempts have been made only with respect to the 1980s.[13] In addition, several comparative works treated Hungary only marginally, as a part of the Eastern Block, and mostly concerning in the period after 1960.[14] The latest and perhaps most notable attempt to include Eastern European welfare systems, mostly disregarded elsewhere, in analysis with Western European ones, was published by Göran Therborn. He uses three variables in his analysis, the relative size of welfare spending, the role of the state and universalism. Still, these aspects are used for a systematic comparison only regarding the 1970s and 1980s. Therborn's variables are definitely worthy of consideration, although should be supplemented and the place he assigned to Hungary is based on improper observation in some respects.[15]

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al., Convergence or Divergence? Comparing Recent Social Trends in Industrial Societies. Frankfurt/M. and London, 1994.

[11] Hartmut Kaelble, Auf dem Weg zu einer europäischen Gesellschaft. München, 1987.; Hartmut Kaelble, A Social History of Western Europe, 1880-1980. Dublin, 1990.; An excerpt from Kaelble's book, Hartmut Kaelble, Útban egy európai társadalom felé. Nyugat-Európa társadalomtörténete, 1880-1980. In Andorka Rudolf and Stefan Hradil and Jules L. Peschar, szerk., Társadalmi rétegződés. Budapest, é.n. 161-170.; Most recently, Hartmut Kaelble, Europäische Vielfalt und der Weg zu einer europäischen Gesellschaft. In Stefan Hradil and Stefan Immerfall (Hrsg.), Die westeuropäischen Gesellschaften im Vergleich. Opladen, 1997. 27-68.; H. Kaelble also deals with employment structures, social mobility, social inequality, the quality of urban life, family, labour relations, and in his recent studies he also includes the patterns of mass consumption. Kaelble, Europäische Vielfalt. 40-42.

[12] Regarding exceptions, see e.g. Susan Zimmermann and Gerhard Melinz, A szegényügy "szerves" fejlődése vagy radikális reform? Kommunális közjótékonyság Budapesten és Bécsben (1873-1914). Aetas, (1994):3, 37-70.; Susan Zimmermann, Prächtige Armut. Fürsorge, Kinderschutz und Sozialreform in Budapest. Das "sozialpolitische Laboratorium" der Donaumonarchie im Vergleich zu Wien, 1873-1914. Sigmaringen, 1997.; Susan Zimmermann, Geschützte und ungeschützte Arbeitsverhältnisse von der Hochindustrialisierung bis zur Weltwirtschaftskrise. Österreich und Ungarn im Vergleich. In Andrea Komlossy and Christof Parnreiter and Irene Stacher and Susan Zimmermann (Hrsg.), Ungeregelt und untebezahlt. Der informelle Sektor in der Weltwirtschaft. Frankfurt/M. and Wien, 1997. 87-115.; Szikra Dorottya, Modernizáció és társadalombiztosítás a 20. század elején. In Augusztinovics Mária (szerk.), Körkép reform után. Budapest, 2000. 11-27.; Az egyik legutóbbi munka a nemzetközi irodalomban, Lynne Haney, Familial Welfare: Building the Hungarian Welfare Society, 1948-1968. Social Politics, 7 (2000):1, 101-122.; Contemporary comparison for the pre-1945 period, Kovrig Béla, A munka védelme a dunai államokban. Kolozsvár, 1944.

[13] Gács Endre, Szociális kiadásaink nemzetközi összehasonlításban. Statisztikai Szemle, 63 (1985):12, 1226-1236.; Tóth and Csaba, szerk., A jóléti állam politikai gazdaságtana.; For Hungary and Finland, see Rudolf Andorka, The Use of Time Series in International Comparison. In Else Oyen, ed., Comparative Methodology. London, 1990. 103-223.; Ferge Zsuzsa, A szociálpolitika hazai fejlődése. In Ferge Zsuzsa and Várnai Györgyi, Szociálpolitika ma és holnap. Budapest, 1987. 41-48.; Zsuzsa Ferge, Social Policy Regimes and Social Structure. In Zsuzsa Ferge and J. E. Kolberg eds., Social Policy in a Changing Europe. Frankfurt/M. and Boulder, Co., 1992. 201-222.

[14]See, e.g., Francis G. Castles, Whatever Happened to the Communist Welfare State? Studies in Comparative Communism, Vol. XIX (1986):3-4, 213-226.; Also see Bob Deacon, Social policy and socialism. London, 1983. 81-89., 154-161., 199-207.

[15] Therborn, European Modernity and Beyond. 96.

If studies not applying comparative approach are taken into account, the literature on the Hungarian welfare system naturally proves to be more extensive. Still, as regards the first half of the century, only a few historical studies are available[16] and the historical perspective has obviously been secondary in economic and sociological research on welfare. Because of the late establishment of this field in Hungary, sociology concentrates on the period from the 1960s on with special significance of Zsuzsa Ferge´s studies.[17]

Research Design

In the following we shall compare the Hungarian and Western European development of welfare systems in the 20th century relying on findings from previous research on the welfare state but attempting to avoid its biases. As previous research does not offer appropriate frameworks for a study covering a long period, the first task was the selection and development of the variables and methods of the study. In this, our objectives were: a) to reflect, as much as possible, the main aspects identified in research on (Western) European welfare states, also considering the diversity of these states beyond welfare expenditures or any other single dimension; b) to make historical research possible, as well as the assessment of the dynamics of changes in some form. For the latter, quantitative analysis is an important, though not exclusive, method. Our aim was to compile data series on welfare development so that long term analysis become possible; and, finally, c) not to be biased for any welfare system, i.e. to develop a framework for the examination of all welfare systems, appropriate for identifying the characteristics of 20th century Western European as well as Hungarian welfare systems, including the post-1945, communist era.

> Considering the above, the major variables of the comparison are: 1) welfare expenditures (the relative size of welfare expenditures based on different methods of calculations, and expressed as percentage of the economic output); 2) relative importance of welfare institutions (the timing of the introduction of programs; the sequence of introduction; the process of expansion and differentiation regarding the programs; the changes in the structure of expenditures); 3) the characteristics of welfare rights (what percentage of the population receives benefits based on what principles; the level of benefits); 4) organisational forms of welfare programs, the degree and characteristics of state involvement; the control exercised by those eligible for benefits over welfare institutions and vice versa, the control of welfare institutions over those receiving benefits.

Obviously, there are other possible aspects for analysis, e.g. the degree of redistribution through welfare institutions, the role of state and public organisations in different areas of welfare, issues of legal regulation, the decentralisation vs. centralisation of administration, the role of gender in welfare, etc.[18] Nevertheless, the aspects selected cover most of the important elements discussed in the literature, including Esping-Andersen’s major

[16] Gyáni Gábor, Könyörületesség, fegyelmezés, avagy a szociális gondoskodás genealógiája. Történelmi Szemle, XLI (1999) 1-2, 57-84.; Gyáni Gábor, A szociálpolitika múltja Magyarországon. Budapest, 1994.; Gyáni Gábor, A szociálpolitika első lépései hazánkban: Darányi törvényei. In Darányi Ignác emlékkonferencia. Budapest, 2000. 94-110.; Csöppüs István, Komáromi norma – egy szociálpolitikai kísérlet. Századok, 126 (1992) 2, 259-283.; Ferge Zsuzsa, Fejezetek a magyarországi szegénypolitika történetéből. Budapest, 1986.; For two recent syntheses, see Kövér György and Gyáni Gábor, Magyarország társadalomtörténete a reformkortól a második világháborúig. Budapest, 1988.; Valuch Tibor, Magyarország társadalomtörténete a XX. század második felében. Budapest, 2001. 344-350.

[17] Probably the most significant work regarding the social policy in the second half of the century Zsuzsa Ferge, A Society in the Making: Hungarian Social and Societal Policy, 1945-1975. New York, 1979.

[18] For possible aspects, see Ritter, Der Sozialstaat. 102.

variables, Jens Alber's aspects of analysis for social insurance, Göran Therborn's variables mentioned above or Romke J. van der Veen's economic–social rights–administrative/organisational dimensions, too.[19]

> Our most important thematic limitation is comparing the development of welfare states primarily, though not exclusively, through the development of social security, and first of all its major component, the <u>social insurance systems</u>.[20] This choice is supported by the significance of social security programs. Although
>
> social security has been associated with other welfare institutions (e.g. aid programs or housing policy) right from the beginnings, it was a basic institutional breakthrough in the process of the formation of the welfare state.[21]
>
> This limitation can undoubtedly reduce the validity of findings significantly, since other welfare programs also target the elimination or prevention of inequalities brought about by the market economy, though through means different from social security. Despite the constraints, we find that the importance of the areas examined means that they are good indicators of the main tendencies in the development of the welfare state. Thus the approach might be appropriate for the intended comparisons but would at least serve as a starting point for further, more comprehensive comparisons.

Methodology, sources, data analysis, and statistical problems

The questions we would like to answer about social convergences in 20th century Europe, obviously need the analysis of a large number of societies over a long period of time. Therefore, we have applied quite extensively – but not exclusively – a quantitative approach. Such research, by its very nature, demands greater compromises in methods than a research more limited in its scope. Thus the present comparison is constrained beyond the thematic limitations conditions indicated above.

An important methodological problem is – present in many comparative studies –, that of what is compared to what, i.e. what is regarded to be the <u>unit of comparison</u>. Hungary as the unit of comparison is given in this case. It is not evident, however, which countries are regarded as <u>Western European</u> ones. When selecting the Western European countries into the sample, an effort was made to include ones that produced similar socio-economic and political development in the 20th century. Thus among the countries analysed, beside Norway and Switzerland, the present EU member states are included with the exception of Spain, Greece, Portugal, and Luxembourg. The inclusion of the latter one was hindered by very practical reasons, namely the unavailability of sources. Nevertheless, no attempt has been made to claim that other countries could not have been considered for inclusion in the sample.

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[19] Esping-Andersen, The Three Worlds of Welfare Capitalism. 70-71.; Alber, Vom Armenhaus zum Wohlfahrtsstaat. 42.; Therborn, European Modernity and Beyond. 96.; Romke J. van der Veen, Social Solidarity: The Development of the Welfare State in the Netherlands and the United States. In Hans Bak-Frits van Holthoon and Hans Krabbendan eds., Social and Secure? Politics and Culture of the Welfare State. Amsterdam, 1996. 60-61.

[20] We use the term social security to refer to social insurance and its assimilated schemes (family allowance, maternity benefits). Although we try to employ the terms in their exact meanings, because of the relatively minor significance of the latter programmes in most countries and periods, social security is virtually interchangeable with the term social insurance.

[21] Abram de Swaan, Der sorgende Staat. Wohlfahrt, Gesundheit und Bildung in Europa und den USA der Neuzeit. Frankfurt/M., 1993. 170-186.; Gerold Ambrosius and William Hubbard, A Social and Economic History of Europe. 116.; Alber, Vom Armenhaus zum Wohlfarhtsstaat. 27.; Flora and Heidenheimer, The Historical Core and Changing Boundaries of the Welfare State. 27.; Arnold J. Heidenheimer and Hugh Heclo and Carolyn Teich Adams, Comparative Public Policy. The Politics of Social Choice in America, Europe, and Japan. New York, 1990. 229.

Comparative studies published in the past decades have amply documented that the social and welfare development of Western Europe was not unified, therefore it is not without problems if one treats this region as a unit of comparison.[22] This methodological difficulty may be balanced out in the interpretation by a differentiated treatment of developmental processes within Western Europe. Also, obvious differences between individual societies can not fade the fact that 20th century modern industrial states, and especially their Western European forms, do show certain similarities in their treatment of welfare problems. H. Kaelble considers it as an indicator of similarities that one of the three types in the most influential typology, also cited in the present work, was able to comprise the whole of continental Western Europe.[23] Besides the correct presentation of differences within the region, these similarities may form the basis for comparing Hungary to Western Europe in the above sense. In addition, the statistical methods applied do not simply assess convergent and divergent processes within Western Europe. They enable us to compare Hungary and Western Europe even when the differences in the latter are significant and even when, as will be shown, divergence can be detected between the development of individual Western European societies. It is quite obvious, however, that the comparison we are embarking on will be an asymmetrical one with all its methodological consequences; first of all, the development of the societies that make up Western Europe can not be analysed with such a depth as the Hungarian trends.[24]

The present study covers the period between 1918 and 1990 sometimes called the ”short 20th” century by historians. The end of World War I and the fall of European communist regimes were significant historical turning points for Europe and the world and there are plausible arguments to support that intra-European wars and tensions give an inner unity for this period. However, these major political changes do not necessarily demarcate major social changes as well. Especially the beginning point seems to be somewhat arbitrary in this sense, so we go back further to pre-World War I times if it is necessary.

There are several international data sets containing welfare data.[25] However, none of them covers the whole period under investigation, and all of the areas and 14 countries we intend to incorporate into the study. Using different types of sources, we compiled own our data set which contains several indicators on welfare change. This set of indicators also has its limitations. For some periods (interwar years), and some areas (welfare expenditures) we were unable to obtain appropriate data and the quality of some of the existing data might be unequal. However, we believe these limitations do not seriously restrict the intended comparison.

Based on that data set, the development of Hungarian welfare will be examined in comparison to Western Europe through statistical procedures as well.[26] Common methods for measuring convergence are the

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[22] Peter Flora and Arnold J. Heidenheimer, The Historical Core and Changing Boundaries of the Welfare State. 17-34.; Peter A. Köhler and H. F. Zacher, Hrsg., Ein Jahrhundert Sozialversicherung in der Bundesrepublik Deutschland, Frankreich, Grossbritannien, Österreich und der Schweiz. Berlin, 1981.; Hugh Heclo, Modern Social Politics in Britain and Sweden. New Haven and London, 1974.; Alber, Vom Armenhaus zum Wohlfahrtsstaat.; Peter Flora, ed., Growth to Limits. The Western European Welfare States Since World War II. Vol. 1-4. Berlin, 1986-1988.

[23] Hartmut Kaelble, Wie kam es zum Europäischen Sozialmodell? Jahrbuch für Europa- und Nordamerika-Studien, 4 (2000) 45.

[24] On asymmetrical comparisons, see Jürgen Kocka, Asymmetrical Historical Comparison: The Case of the German Sonderweg. History and Theory, 38 (1999) 40-50.

[25] ILO, The Cost of Social Security. Geneva, 1949ff. (Different volumes.); OECD, Social Expenditure, 1960-1990. Paris, 1985.; Peter Flora, ed., State, Economy, and Society in Western Europe, 1815-1975. Vol. I. Frankfurt/M., 1983.; Flora, ed., Growth to Limits. Vol. 1-4.

[26] On forms of convergence, see Alex Inkeles, ”Convergence and Divergence in Industrial Societies”. In Mustafa O. Attir, et al., ed., Directions of Change. Boulder, Co., 1981. 13.

standard deviation or variance and the coefficient of variation. We also calculate the convergence of Western European countries by using the coefficient of variation because it is adjusted for shifts in the mean (i.e. a 10 point spread is likely to have a different interpretation around a mean of 50, than, say, around a mean of 20). The greater the decrease in the coefficient of variation over a specified period of time, the greater the convergence, and the greater the increase in the coefficient of variation, the greater the divergence.

However, in contrast to several other studies, which measure convergence among countries, in the present analysis convergence is assessed between one specific country, Hungary, and a group of countries, Western Europe. For this purpose the coefficient of variation seems to be not suitable. In order to overcome this difficulty, we measure convergence of Hungary and Western European societies using the standardised Hungarian data. That indicator takes into account both the changes in the Hungarian data and the Western European standard deviations and means, and therefore provides more comprehensive information. Standardisation is the transformation of values of a distribution, so that it has mean 0 and standard deviation 1. We can reach the standardised Hungarian data through subtracting the respective Western European means from the Hungarian data and then dividing it by the Western European standard deviations. The difference of this number from zero shows the degree of diversion from the Western European data. The greater the decrease in the standardised data over a specified period of time, the greater the convergence and vice versa.[27] These indices are not only suitable for properly indicating convergent or divergent tendencies, but they also make it possible to measure the convergence of Hungarian development even when Western European societies diverge in an area of welfare development.[28] (Appendix)

2. Expenditures

In the following, the changes in welfare expenditures will be examined in four different areas. First, the major social insurance programs (accident, pension, sickness and unemployment) and public expenditure on health will be explored. The ILO data collection of social security expenditures provides information about the period following the Second World War based on a broader definition including family, maternity, invalidity and survivors benefits besides the four main social security programs and public health expenditures. Finally, the OECD data collection on social expenditures has an even wider scope, embracing education and housing-related public expenditures as well as investments in the welfare sector in addition to the programs surveyed by the ILO.

The research literature usually regards Germany as a vanguard on the turn of the century with regard to social insurance expenditures and social expenditures in general. In 1900 about 1% of the gross domestic product was spent on these services, while 2.6% of the GDP was spent on social insurance and poor relief before World War I.[29] However, a relatively large body of comparable data regarding West European social insurance

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[27] As a result, the standardised data take into account both major forms of convergence described in the literature: the absolute convergence (beta convergence), which occurs when the observed values come closer to each other; and the convergence in deviation (sigma convergence), which occurs when the dispersion of the observed values decreases over time. Barro and Sala-i-Martin, Economic Growth. 26-39., 382-413.; Xavier Sala-i-Martin, The Classical Approach to Convergence Analysis. Economic Journal, 106 (1996) 1019-1036.

[28] On types of convergences, see Inkeles, Convergence and Divergence. 14-27.

[29] Peter Flora, Solution or source of crises? In W. J. Mommsen, ed., The Emergence of the Welfare State in Britain and Germany, 1850-1950. London, 1981. 359.

expenditures is available only from as late as 1930.[30] At this point it was still Germany where the most resources, 5.2% of the GDP was allocated for these purposes.[31] Great Britain was second on the list with 4.6% with Austria closely following with 4.4%. Ireland and Denmark came in the middle of the list (2.8 and 2.6%), while other Scandinavian countries spent a markedly lower percentage of their domestic product, 0.7% (Finland) and 1.1% (Sweden), on social insurance.

From 1950 onwards complete data sets are available regarding the four main social security programs in the examined West European countries, which are of better quality and consistency than the former ones. Figures from the middle of the century exceeded those two decades earlier everywhere, though, statistics from this period onwards will include public expenditures on health as well.[32] The only exception was Germany badly hit by the war and unable to reach the relatively high level of expenditures of the first half of the century. Growth in the fifties was also steady, although its rate was lower than in the preceding two decades. It was the 1960s and the first half of the 1970s that saw the most dramatic increase. In the latter period, for example, in a number of the countries (Italy, Ireland, Switzerland and West Germany) the ratio of social insurance and public health expenditures to the GDP rose by 50% only over a few years. Although up to the middle of the 1970s growth was universal, the dynamics of expenditures and their levels were uneven across countries. In 1975 Sweden, having the highest rate of growth alongside with the Netherlands and Italy in the previous decades, spent twice as much on social security and public health than the United Kingdom. The most striking change took place in the relative position of the United Kingdom: in 1950 it was at the top of the list closely behind Germany, but, its expenditures stagnating, by the mid-1970s it was the country in Western Europe that spent the least on social security compared to its GDP.

The middle of the 1970s can be regarded as a watershed in a sense that from this time on there is an almost general decline in the growth rate of expenditures in most countries. Moreover, in the second half of the 1980s the ratio of social insurance expenditures already stagnated or even decreased in a number of the countries. The most dramatic fall took place in Ireland, Finland (which saw the fastest growth at the beginning of the 80s) and in the United Kingdom. The Western European average at the end of the 80s is lagging behind the average of five years earlier and only slightly exceeds the level of 10 years before. (Appendix) This occurred in tandem with a further differentiation between the countries of Western Europe. At the end of the period examined, the Netherlands, having the second highest ratio (20.9%) was lagging well behind the 28.6% of Sweden, while the countries spending the least on social insurance relative to their GDP were the United Kingdom (9.9%) and Switzerland (11.4%).

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[30] For social insurance and social security expenditures in Western Europe see, Flora, ed., State, Economy and Society in Western Europe. Vol. I. 456.; ILO, The cost of social security. Fourteenth international inquiry, 1987-1989. Geneva, 1996. 108-165. and other volumes of the series.; Flora, Solution or source of crises? 359.; Statistisches Bundesamt, Bevölkerung und Wirtschaft, 1872-1972. Stuttgart, 1972. 219-260.; Wolfram Fischer (Hrsg.), Handbuch der europäischen Wirtschafts- und Sozialgeschichte. Bd. 6. Stuttgart, 1987. 217.; Alber, Vom Armenhaus zum Wohlfahrtsstaat. 60.

[31] Our own computation based on the following work, Statistisches Bundesamt: Bevölkerung und Wirtschaft, 1872-1972. Stuttgart, 1972. 219-224, 260.; According to the data of Jens Alber 1930 social insurance expenditures accounted for 7.8% of GDP in Germany. Alber, Vom Armenhaus zum Wohlfahrtsstaat. 60.

[32] Between 1950 and 1977 public health expenditures includes free hospitalization, medical care, and sanitation. From 1978 onwards a narrower definition applies. In countries with state health care system (United Kingdom, Italy, Denmark, Finland, Ireland, Norway, Sweden) the costs of the systems are included in the public health expenditures until 1977 and in social insurance expenditures from 1978 onwards. ILO, The cost of social security. Eleventh international inquiry, 1978-1980. Geneva, 1985. 2-3., 78.

Beyond the methodological problems already mentioned, the comparability of the social security figures is limited somewhat for the reason that the special schemes for public employees are not included, which affects countries to different degrees, depending on whether they had a program of this kind and, if such programs existed, how developed these were. Consequently, the data of the countries where these programs had a major role (e.g. Germany, Austria) appear to be lower than they actually were, due to the fact that a proportion of their citizens received benefits through these programs and not through the normal social insurance schemes.

The ILO data collection on social security expenditures provides better figures for comparison than social insurance expenditures in the narrow sense.[33] The wider definition of ILO includes not only the four main social insurance services and public health service, but also family, maternity and social insurance expenditures to public servants and also expenditures on certain types of assistance (for example, non-contributory pensions) and benefits to war victims. By adopting this definition, most of the comparative methodological pitfalls can undoubtedly be eliminated, although some inconsistencies in statistics still remain, because the ILO survey underestimate expenditures by some percentage points for certain countries against other data sets using a similar approach.[34] However, for the decades succeeding the Second World War, social security expenditures by the ILO definition show a pattern of growth similar to social insurance expenditures in the narrow sense, with slower rise at the beginning and end of the period and rapid increase in the 60s and 70s. The path taken by individual countries was also similar to what could be seen in the case of social insurance. West Germany had the highest rate of expenditures in 1950, and France, Belgium and Austria alike spent large amounts on these purposes. At this time Scandinavian countries, the Netherlands and Switzerland were among the countries spending the least. The highest rate of growth is characteristic of exactly this latter group of countries, with the exception of Switzerland, where the rate of growth was steadily low from the middle of the 50s until the end of the examined period. Countries that had been traditionally big spenders (West Germany, Belgium, Austria) were surpassed by the Netherlands at the end of the 60s and a decade later it was Sweden heading the list. Regarding the period between 1950 and 1990, Sweden had the highest rate of growth, with the Netherlands and Denmark close behind. France also witnessed a high rate of growth in this period, while the United Kingdom had the lowest percentage of rise in social security spending and the West Germany rate of growth was also moderate. By the end of the 80s Sweden's expenditure rate of 35.9% was the highest, leaving the almost identical rates of the Netherlands (28.5%) and Denmark (28.4%) well behind.

Social security plays a special role among social welfare programs for the above mentioned reasons, and its development is also in the focus of the present study. It has to be noted, though that this category, even with public health expenditures and family and maternity benefits included, covers only a part of all the welfare expenditures. Social assistance in the broader sense, education and housing expenditures as well as investments

[33] Cf. ILO, The cost of social security. Eleventh international inquiry, 1978-1980. Geneva, 1985. 57-58.; ILO, The cost of social security. Fourteenth international inquiry, 1987-1989. Geneva, 1996. 74-75.; ILO, World Labour Report 2000. Income Security and Social Protection in a Changing World. Geneva, 2000. 313.; Flora, ed., State, Economy, and Society in Western Europe. Vol. I. 456.

[34] The difference in 1983 is 4.8 percentage points in the case of Germany, 3.7 of Great Britain as compared to EC-statistics. The Nordic Statistics shows a deviation of 3.4 percentage pints for Finland in 1984 and some 7-8 percentage points for Norway at the end of the 1980s. Nordic Social-Statistical Committee, Social Security in the Nordic Countries. Scope, expenditure and financing, 1990.; Pekka Kosonen, European Integration: A Welfare State Perspective. Helsinki, 1994. 52.

in the welfare sector not included in the statistics above can all be included among social expenditures. Therefore, it seems expedient to give a brief account of the OECD data collection based on such broad definition for the last decades.[35] These data are not complete either for the first half of the 20th century, but for the second half they can be practically regarded as complete.

Employing this broad definition, the ratio of expenditures to the GDP will significantly increase, in some cases it will double or even triple compared to social insurance expenditures. This was the case already in the beginning of the century. In 1913 Germany spent 6.1% of its GDP on welfare purposes in the wider sense, such as social insurance, education, public health, which was the highest ratio in Western Europe. In the early 20th century Switzerland, the United Kingdom and Ireland also had a high expenditure ratio.[36] In the interwar period the ratio of social expenditures showed a steady growth and exceeded 5% in all the countries with the exception of Finland and Italy. Growth after the Second World War shows little divergence from that of social insurance and social security, reaching their peaks at about the same time, and the countries with the highest and

lowest expenditure ratio roughly coincide, too. In the years following the Second World War welfare legislation intensified, which affected welfare expenditures as well. Great Britain is a very obvious example here and so is Finland, a country with modest welfare state between the two world wars, where the annual growth of social expenditures amounted to 22.2% between 1945 and 1950. In Ireland social policy gained momentum as well.[37] The 1950s, on the other hand, can be considered a period of relative stagnation, because the relative level of resources spent on welfare increased only slightly. From approximately 1960 a new era began, spanning to the middle of the 1970s, which is characterised by the highest rate of growth in Western European social expenditures for the whole period examined. Denmark and Norway had the most dynamic rise in this period with more than 8% per annum in real value, while the United Kingdom and Austria had the lowest rate (less than 4%).[38] The average rate of growth approximately halved between the mid 1970s and the mid 80s. The relative ratio of social expenditures to the GDP reached their peak at the beginning or middle of the 1980s in most of the countries. In 1980 the Netherlands and Sweden headed the list with around 40%, while Switzerland and the United Kingdom spent the least on these purposes; the Western European average was at about 30%. Expenditures in the 1980s increase further but the steady growth characterising the previous decades in all the countries was superseded by a more complex pattern. While the rate of expenditure growth remained high in Finland and Norway in this decade as well, in other countries it stagnated or even decreased slightly (e.g. in the United Kingdom, Ireland, the Netherlands and Belgium).

Various indicators examined show that in terms of the relative level of welfare expenditures there were significant differences between West European countries in the first half of the 20th century, but these

[35] At the same time the OECD-data exclude special benefits for public employees, such as pensions probably based on the usual consideration that these benefits constitute a part of the income. Fraternité Rt., Jelentés a társadalombiztosítás reformjáról. Budapest, 1991. 57.; For OECD-data, see Peter Flora, ed., Growth to Limits. The Western European Welfare States Since World War II. Vol. 4. Berlin and New York, 1987. 325-815.; OECD, Social Expenditure, 1960-1990. Paris, 1985. 80.; OECD, Social Expenditure Statistics of OECD Members Countries. Labour Market and Social Policy Occasional Papers. No. 17. Paris, 1996. 19.; UNESCO, Statistical Yearbook. 1993. Paris, 1993. 416-418.; OECD, National Accounts. Main Aggregates, 1960-1997. Vol. I. Paris, 1999.
[36] Christopher Pierson, Beyond the Welfare State? Cambridge, 1991. 111.
[37] Pierson, Beyond the Welfare State? 136.
[38] OECD, The Future of Social Protection. Paris, 1988. 11.

significantly decreased by the 1950s, and the tendency of convergence continued steadily in the next two decades. Subsequently, the coefficient of variation from the middle of the 1970s onwards displayed different patterns for the various types of expenditures. With social insurance expenditures narrowly defined, the trend reversed and variation increased until the end of the examined period.[39] Though this indicated a significant divergence, differences between Western European countries were slightly smaller in 1990 than in 1950, and were far smaller than the differences between the two world wars. On the other hand, social security expenditures by the ILO definition, which detected smaller differences between individual countries from the start, show only a slight increase of the coefficient of variation at the end of the period examined. In the case of social expenditures based on the broad OECD definition, in contrast with the two indices discussed before, the trend of levelling out continued, and in 1990 the coefficient of variation indicating the differences between individual countries was only one-fourth of the coefficient found four decades earlier (Appendix).

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Only a small body of data is available regarding Hungary's welfare expenditures in the first half of the century. However, available sources clearly suggest that in 1930 the 1.6% ratio of social insurance expenditures relative to economic output is lagging well behind the 2.5% average of the examined Western European countries accompanied by high variance (we have no data on Italy, France and Belgium from this period), but surpasses the countries at the end of the list such as Finland, Norway, Sweden and Switzerland.[40]

Although not affecting the 1930 figures, the 1927 pension insurance reform, to be discussed below, can be regarded as an important move, a sort of breakthrough in the social security of Hungarian population employed outside the agriculture and the public sector. In his contemporary analysis Béla Kovrig already argued convincingly that this reform set pensions at a level that compares favourably with the international standard, though it applied only to new pensioners and contributors. His statements were supported by the contemporary ILO surveys as well.[41] Therefore, with the gradual maturation of eligibilities the significant increase of welfare expenditures was to be expected, although due to the waiting periods the reform's impact on social security expenditures can hardly be detected sooner than from the end of the 30s. Expenditures stagnated during the years of depression only to pick up again after it was over: their ratio to economic output amounted to 2.3% in 1935 and 2.7% in 1940. We have comparable data from Germany for this decade, where social insurance expenditures

[39] Alber, Vom Armenhaus zum Wohlfahrtsstaat. 161.; Schmidt, Sozialpolitik. 137.
[40] For the Hungarian social security data, see ILO, International Survey of Social Services. Studies and Reports, Series M, No. 11. Geneva, 1933. 361-390.; Magyar Statisztikai Évkönyv. 1940. Budapest, 1941. 59.; Statisztikai Évkönyv. 1970. Budapest, 1971. 419.; Népesség- és társadalomstatisztikai zsebkönyv. 1985. Budapest, 1986. 208.; Magyar Statisztikai Évkönyv. 1980. Budapest, 1981. 387.; A magyar állam zárszámadása az 1930-31. évről. Budapest, 1932. 60-153.; A Világbank szociálpolitikai jelentése Magyarországról. Szociálpolitikai Értesítő, 1992. 2. szám. 54.
[41] Kovrig Béla, Magyar társadalompolitika. 1920-1945. I. rész. New York, 1954. 125-129.; Kovrig, A munka védelme a dunai államokban. 275-294.; ILO, International Survey of Social Services. Studies and Reports, Series M. 361-390.

relative to gross domestic product decreased for roughly the same period (1930-1938). Consequently, the gap between the Hungarian and German expenditure levels narrowed in the 30s.[42]

A much larger body of data is accessible on Hungarian welfare contributions from the period following the Second World War. Nevertheless, difficulties do arise when comparing these data with those from Western Europe. One type of difficulty is presented by the fact that in Western Europe welfare expenditures are calculated in proportion to either the GDP or the GNP, while in Hungary it had been the practice for decades to publish data only relative to the Net Material Product. As a result of the communist approach to economics, this latter figure only covered material production and so called material services, therefore welfare expenditures expressed in its percentages are not suitable for direct comparison with Western European figures. Surprisingly, historical calculations so far, including ILO publications and other major works used these figures with no corrections for comparative purposes. [43] Still, there exist retrospective GDP calculations for Hungary with some shortcomings as well, but they are great help in calculating Hungarian indices which are directly comparable with Western European figures. In several cases our own estimations were calculated to supply missing data.[44]

In 1950 <u>social insurance</u> and public health expenditures in Hungary equalled 3.2% of the estimated GDP.[45] This percentage can not be directly compared with pre-war Hungarian data because of the inclusion of public health expenditures (prevention of epidemics, etc.), and that of the pension and other welfare benefits of state and public employees. It is not possible to separate the latter from the benefits of other social groups, therefore corrections have been made to pre-war figures for comparative purposes.

If the pensions of state employees (public servants, teachers, railway officers, state factory employees) and those of their relatives and survivors, financed by sources other than social security, are taken into account, rather higher social expenditure percentages emerge for the pre-war period.[46] In 1930 224.7 million Pengős were allocated for these purposes from the state budget.[47] Adding this amount that significantly exceeded contemporary social insurance expenditures, the total expenditures amount to 326.7 million Pengős and account for 5.2% of the NNP.[48] This percentage further increased in the years of the recession due to the shrinking

[42] For German data, see Statistisches Bundesamt, Bevölkerung und Wirtschaft, 1872-1972. Stuttgart, 1972. 219-224., 260.

[43] Cf. ILO, The cost of social security. Eleventh international inquiry, 1978-1980. Geneva, 1985. 112.; Ferge Zsuzsa, A szociálpolitika hazai fejlődése. In Ferge Zsuzsa and Várnai (Szerk.), Szociálpolitika ma és holnap. Budapest, 1987. 53.

[44] Our analysis is based on data published by Alexander Eckstein and the partly retrospective GDP-data of the Hungarian Central Statistical Office (KSH).; NNP 1930-1940: Alexander Eckstein, National Income and Capital Formation in Hungary, 1900-1950. In Simon Kuznets, ed., Income and Wealth. Series V. London, 1955. 219.; 1950 GDP is our own estimation based on the following publication United Nations, Statistical Yearbook. 1961. New York, 1961. 486.; The NMP of 1950 was 46.5 billion Forints of which we estimated a GDP value of 20 per cent higher.; Other sources of GDP-data include Statisztikai Évkönyv. 1970. Budapest, 1971. 74-75.; Magyar Statisztikai Évkönyv. 1980. Budapest, 1981. 89.; Magyarország nemzeti számlái. Főbb mutatók. 1991. Budapest, 1993. 4.

[45] The same expenditures made up 3.8% of the NMP in 1950.

[46] For social benefits of public employees offered outside the social security programs, see Ladik Gusztáv, Jóléti intézményeink. Budapest, 1940. 342-349.

[47] A magyar állam zárszámadása az 1930-31. évről. Budapest, 1932. 60-153.; 306-310.

[48] The data refer to contributions paid by insured persons and employers and state contributions. Bikkal Dénes, Társadalombiztosítás Magyarországon. Közgazdasági Szemle, LVIII (1934), 6-8. szám. 389. ; For the pensions of public employees, see Hollós István, A közszolgálati alkalmazottak nyugdíjkérdése és a megoldási lehetőségek. Budapest, 1940. 3-55. Bikkal, Társadalombiztosítás Magyarországon. 389.; Eckstein, National

national product. In 1932, for example, the total sum allocated for pensions, including the benefits of state employees, health insurance and occupational injuries insurance expenditures amounted to 380.27 million Pengős. This means that 7.7% of the 4.9 billion Pengős NNP was allocated for these purposes.[49] Therefore, if the calculations of the 1930s are made according to the definitions of the post-1950 period, figures will indicate that the percentage of social insurance expenditures in the 30s in Hungary was considerably higher than in the fist decades of the communist era. This ratio of expenditures allocated for pensions, healthcare, other welfare services and public health services to the GDP was not reached again in Hungary until the beginning of the 1970s. [50]

The growth of social security expenditures in the 1950s turns out to be especially low in the light of the significant increase in the number of those eligible, which was due to the maturing of the eligibilities of the 1928 pension reform on the one hand and the extension of coverage after the Second World War on the other. The level of benefits and the regulation of eligibility will be discussed in more detail below.

The level of social security expenditures in the 1950s and 60s was also relatively low in comparison with Western European figures, equalling approximately two-third of the Western European average. In the 1970s the gap between Hungary and Western Europe seems to have become narrower, although it has to be noted that this can be partly attributed to the fact that from 1978 onwards Western European figures do not include public health expenditures, while Hungarian ones still do. Taking this difference also into account diminishes Hungary's rate of convergence. The 1980s saw a slight fall in the rate of growth in Hungary, but

there was a sharp increase at the end of the decade. For example, between 1989 and 1990, in just one year, the ratio of expenditures to the GDP rose from 14.5% to 15.8%. This is, however, already closely related to the so called transformation crisis, which resulted in a fall in economic output, on the one hand, and, with the actual emergence of unemployment an increase in the demand for social allowances, on the other. This growth, in parallel with the slump in the growth rate of social expenditures in Western Europe (and even the stagnation of, or fall in, expenditures in some cases), resulted in the first significant convergence under the communist regime between Hungary and Western Europe in this area in the 80s. However, social insurance expenditures in Hungary could not reach the West European average even at the end of the 1980s (Appendix).

As pointed out above in another context, there are two major differences in the methodology of post-Second World War social insurance calculations in Hungary and Western Europe. On the one hand, the special social insurance benefits of public employees by the state and on the other hand, war victims benefits are not included in West European figures, which limit the validity of the comparison. These difficulties can be mostly overcome by the ILO social security calculations based on a broader definition of expenditures (social insurance, maternity and family benefits, disabled/war widow assistance, public health expenditures).[51] These expenditures rose dynamically in Hungary as well after the Second World

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Income and Capital Formation in Hungary, 1900-1950. 165.; The NNP-indicator applied by Eckstein differs from GNP to the extent that it also contains the depreciation of capital stock. As a result, Eckstein´s NNP data only slightly differ from the GNP and GDP in the 1930s.

49 Excluding public health expenditures. Bikkal, Társadalombiztosítás Magyarországon. 389.; Eckstein, National Income and Capital Formation in Hungary, 1900-1950. 165.; Béry László and Kun Andor, Magyarország évkönyve. 1934. Budapest, é.n. 65.

50 Our computation is based on the NNP also in this case, which excludes the appreciation of the capital stock. This difference, however, only slightly affects the results.

51 ILO, The cost of social security. Eleventh international inquiry, 1978-1980. Geneva, 1985. and the other volumes of the series.; Magyarország adataira, Statisztikai Évkönyv. 1970. Budapest, 1971. 419.; Magyar Statisztikai Évkönyv. 1980. Budapest, 1981. 387.; Népesség- és társadalomstatisztikai zsebkönyv. 1985. Budapest, 1986. 208.; A Világbank szociálpolitikai jelentése Magyarországról. Szociálpolitikai Értesítő, 1992. 2. szám. 54. (Original English edition, International Bank for Reconstruction and Development, Hungary: Reform of social policy and expenditures. Washington, DC, 1992. 121.)

War, especially in the 1970s and 1980s, and their ratio to the GDP was five-times as high in 1990 than in 1950. The manifold increase, however, was to a large extent due to the low basis – 3.8% in 1950. Despite its steady growth, the ratio of social security expenditures became as high as 20% only by the end of the period examined, amounting to four-fifths of the West European average. As mentioned before, however, this was partly due to the recession of the Hungarian economy, as the GDP, and especially its officially registered portion started to shrink, resulting in the relative rise in the level of expenditures. Nevertheless, following the divergence of the 1950s, in the discussed periods of fast growth, clear-cut convergence can be observed between Hungary and Western Europe in this area (Appendix).[52]

If trends of social expenditures are measured by the broader method of calculation used by the OECD slightly different dynamics emerge both in terms of the changes in the Hungarian level and the differences between Hungarian and Western European levels.[53] In 1960 11.3% of the GDP was spent on welfare purposes, which rose to 13.9%, 19.6% and 27.8% in 1970, 1980 and 1990, respectively.[54] That is, the moderate rate of growth in the 60s was followed by a relatively sharp rise. The first half of the 1980s saw the reoccurrence of a slow down, almost equalling stagnation. At the end of the decade acceleration can be seen, which is obviously the result of recession in Hungary: for example, from 1989 to 1990, in the course of one year, the ratio of expenditures rose from 25.4% to 27. 8% .[55]

In summary, in the period between 1960 and 1990 the relative level of social expenditures in Hungary was lagging far behind the Western European average. In 1960 it amounted to 70% of the Western European average, which was followed by a sharp then a moderate increase in the difference until in 1980 it was the same as two decades before. The fast growth in the second half of the 1980s was enough only to reach four-fifths of the West European average. Moreover, the gradual decrease in the variance in Western Europe also contributed to the divergence observed in the examined period between Hungary and Western Europe except for the last few years (Appendix).

There is another problem, an even greater than the ones discussed above when comparing post-Second World War Hungarian and Western European welfare expenditures.[56] It is a dilemma whether the subsidies to consumer prices, typical of communist countries and absorbing huge resources, should be included in social expenditures or not. In one, undoubtedly plausible argument, the ILO and OECD statistics often used in the comparative analysis of welfare systems reflect the principles underlying the welfare systems of Western countries and ignore the unique structure of social rights in communist countries.[57] In these countries state subsidies for the prices of basic consumer goods and services was a major tool of welfare policy. The explicit goal of these measures, i.e. the improvement and nivellation of the purchasing power of incomes, was not unlike the other objectives to be realised by other means of welfare policy. However, we believe that including price

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[52] For other communist countries with considerably different growth patterns, see Castles, Whatever Happened to the Communist Welfare State? 213-226.

[53] OECD, Social Expenditure, 1960-1990. Paris, 1985.; OECD, Social Expenditure Statistics of OECD Members Countries. Labour Market and Social Policy Occasional Papers. No. 17. Paris, 1996. 19.; UNESCO, Statistical Yearbook. 1993. Paris, 1993. 416-418.; OECD, National Accounts. Main Aggregates, 1960-1997. Vol. I. Paris, 1999.; Unlike Western European data, the Hungarian data exclude social benefits for public employees.

[54] For the Hungarian data, see Gács, Szociális kiadásaink nemzetközi összehasonlításban. 1228.; Magyarország nemzeti számlái. Főbb mutatók. 1991. Budapest, 1993. 85.; Beruházási Évkönyv. 1980. Budapest, 1981. 18.; Népgazdasági mérlegek, 1949-1987. Budapest, 1989. 66.; A lakosság jövedelme és fogyasztása, 1960-1980. Budapest, 1984. 21.; A Világbank szociálpolitikai jelentése Magyarországról. 54.

[55] Welfare expenditures in the era of transformation crisis, see Tóth István György, A jóléti rendszer az átmenet időszakában. Közgazdasági Szemle, XLI (1994):3, 313-340.

[56] For methodological problems of international comparisons of Hungarian welfare expenditures in the 1980s, see Tóth, A jóléti rendszer az átmenet időszakában. 314-315.

[57] Therborn, European Modernity and Beyond. 95.

subsidies in welfare expenditures would also present considerable difficulties in the comparison, exactly because the principles underlying these subsidies differed so significantly from the principles behind welfare benefits discussed above. If the definition of welfare benefits was extended to include subsidies as well, it would be not welfare systems but complete social-economic systems that we were to compare. This, even disregarding the difficulties involved, is not our ambition. These subsidies served not only welfare purposes but had a more complex function, e.g. the support of inefficient firms and branches. Moreover, evidence from research shows that they had a moderate impact on social policy, primarily because affluent segments of the society had much better access to them than the average. Furthermore, in certain areas, such as health care or consumption of basic foods resulted in the large-scale waste of resources. [58]

Price subsidies in communist Hungary definitely increased the expenditures of the national budget, although never grew so much out of proportion as in the GDR in the 80s, where the funds allocated for subsidies surpassed social security expenditures.[59] The growth pattern of price subsidies was considerably different from the benefits of social policy. The growth, excluding housing benefits, was highest in the 50s, the 70s and in the first half of the 80s, and after reaching its peak in 1986-1987 it fell sharply.[60] Including price subsidies in

Hungarian welfare expenditures, we find its ratio to the GDP to equal or slightly exceed the level of the West European average in 1960, and, after a slow down, to reach it again and remain steady at this level until the end of the 1980s.[61]

> The structure of Hungarian social security expenditures diverged significantly from Western European patterns already fifteen years after World War II. Then the expenditures on pensions were especially low and funds allocated for family allowance were also way under Western European averages. For example, in 1960 38.7% of all expenditures were spent on pensions in Hungary compared to the Western European average of 50% and 12.2% on family allowance compared to the average level of 17.3% in the West. In contrast with this, the ratio of health care expenditures was more than double the Western European average in this period.
>
> From the 1960s transformations reshaped the structure of Hungarian social security expenditures. First of all, while in Western Europe the ratio of resources allocated for cash and in kind benefits of health insurance significantly grew to reach 30.3% in 1980, doubling the ratio two decades before, in Hungary such expenditures halved. These opposing tendencies can be explained primarily by the lack of price explosion of this sphere in Hungary, i.e. the more rapid rise in health care-related costs than in other areas, mostly because of the introduction of new but expensive technologies took place in Western Europe but not in Hungary. In addition, the income levels of Hungarian health care workers relative to other occupational groups did not reach Western European standards, which also tempered expenditures. At the same time, situations of shortage resulting from the low level financing of health care urged the population to try to purchase higher quality health services within the free state health care system. This, paired with a decline in moral standards as a primary cause and with other factors, created institutionalised corruption in Hungarian health care, unknown in Western Europe. The sums channelled into heath care as a result of this

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[58] Andorka Rudolf and Tóth István György, A szociális kiadások és a szociálpolitika Magyarországon. In Andorka Rudolf and Kolosi Tamás and Vukovich György (szerk.), Társadalmi riport. 1992. Budapest, 1992. 442.

[59] Therborn, European Modernity and Beyond. 95.

[60] A Világbank szociálpolitikai jelentése Magyarországról. Szociálpolitikai Értesítő, 1992. 2. szám. 54. (Orig. English: International Bank for Reconstruction and Development, Hungary: Reform of social policy and expenditures. Washington, DC, 1992.); Andorka Rudolf and Anna Kondratas and Tóth István György, A jóléti rendszer átalakulása Magyarországon: felépítése, kezdeti reformjai és javaslatok. A Magyar-Nemzetközi Kék Szalag Bizottság 3. sz. Gazdaságpolitikai tanulmánya. Budapest, 1994. 17.

[61] For price subsidies, see Barát Mária (szerk.), A magyar gazdaság vargabetűje. Budapest, 1994. 447.; A Világbank szociálpolitikai jelentése Magyarországról. 54.

practice are estimated to reach 5-10% of all official expenditures (approx. 2-4 billion Forints) in the late 1980s.[62]

Parallel to the relative decrease of health expenditures, however, there is a convergence between Hungarian and Western European expenditures regarding pensions. While between 1960 and 1980 in Western Europe the ratio of pensions compared to other social security services changed only a little, in Hungary it grew steeply, approaching Western European levels. In part, this structural shift resulted from a continuous rise and the introduction of the indexation of pensions in Hungary, and, more importantly, from the growth of the ratio of those eligible, which was related to the low retirement age even though negative mortality indices had an opposite effect.[63]

From the 60s the high ratio of family and maternity benefits among expenditures as compared to Western Europe became an important characteristic of the Hungarian welfare system. This was primarily the consequence of a major drop of amounts allocated to family allowance in Western Europe, while in Hungary such expenditures grew, even if only moderately. In addition to family allowance, maternity leave assistance (”gyes”) was introduced in 1966, paid to mothers with infants in order to enable them to care for their children at

home while preserving their job. Paid for the first two, then three years of the child’s life, the level of the assistance was not insignificant, especially compared to the average income of women workers with lower qualifications. In sum, the ratio of family and maternity benefits grew from 12.2% to 13.3% in social security expenditures between 1960 and 1980.[64] A good illustration of the significance of these supports is that they amounted to 21% of all cash benefits, or one third of the amount paid on pensions in 1975. There is no similarly high ratio in the welfare programs of any Western European country.

Another characteristic of the communist welfare system was the virtual lack of unemployment benefits. Although unemployment benefits were nominally introduced in 1957, until their termination in 1988, such benefits were actually paid only in about 5000 cases.[65] This lack was partly related to job security becoming a constitutionally guaranteed right in Hungary. Even more important, however, under the conditions of planned economy labour was subject to shortages like any other resource. With the exception of shorter periods and smaller settlements or regions, e.g. purely agrarian areas affected by collectivisation in the 1960s, those intending to take up a job could find one relatively easily and thus unemployment did not exist until the end of the 1980s, or at least not in the Western European sense. Full employment made the institution of unemployment benefits dispensable, but the lack of such benefits was obviously also meant to urge people temporarily unemployed (e.g. because of being between jobs) to start a new job as soon as possible. In other words, this structural characteristic also reflected production related considerations as shown in other social security programs. The lack of unemployment benefits meant significant structural differences in welfare expenditures compared to Western Europe from the 1970s, when mass unemployment appeared there, amounting to as much as 18% of social security expenditures in some countries. In Hungary, no such expenditures were present – or, rather, they were covered by other institutions, e.g. companies, in the form of hidden or latent unemployment.[66]

Though the present study follows welfare development through the example of social security and first of all its main component, social security, it seems necessary to highlight again a developmental trend beyond this. Compared to Western Europe, a significant structural difference in the realm of welfare resulted from the appearance of price subsidies in Hungary after World War II. This had not been unknown in Western Europe either, but, as shown earlier, in Hungary it amounted to a substantially higher proportion of welfare expenditures. While changes in the world economy resulted in the emergence of

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[62] Ádám György, Az orvosi hálapénz Magyarországon. Budapest, 1986.; For a considerably higher data of 25% see Andorka and Kondratas and Tóth, A jóléti rendszer átalakulása Magyarországon. 45-46.

[63] Andorka Rudolf and Tóth István György, A szociális kiadások és a szociálpolitika Magyarországon. In Társadalmi riport. 1992. Budapest, 1992. 413.

[64] According to Zsuzsa Ferge the the ratio of family and maternity benefits among welfare expenditures increased from 14.1% to 18.6% between 1960 and 1981. Ferge, A szociálpolitika hazai fejlődése. 53.

[65] Andorka and Tóth, A szociális kiadások és a szociálpolitika Magyarországon. 419.

[66] David Fretwell and Richard Jackman, Munkaerőpiacok: munkanélküliség. In Nicholas Barr (szerk.), Munkaerőpiac és szociálpolitika Közép- és Kelet-Európában. Budapest, 1995. 198-201.

mass unemployment in Western Europe in the early 1970s, in Hungary the same changes, or, rather, the intention of shutting these out caused a significant rise of price subsidies. In the late 1980s, however, their sum steeply decreased, which now meant a greater role given to cash benefits, as well as to state subsidies for special housing loans with reduced interests and in kind benefits in health care and education.[67]

3. Social Rights

The present chapter focuses on the following dimensions of social rights: 1., the degree of coverage, that is how extensive is the coverage of social security schemes among the population or active earners; 2., qualifying conditions for social security benefits, that is what kind of conditions should be fulfilled to qualify for a benefit; and 3., the relative levels of benefits, that is how generous are the benefits of the schemes in comparison to the previous earnings of the recipient or to the average earnings in the society.[68]

The first, pre-World War I forms of Western European social security were not comprehensive as regards the degree of coverage, since only a small proportion of the population or those employed received benefits. Perhaps the only exceptions are Germany and, in a certain respect, England and Denmark. In Germany the majority of the labour force had occupational injuries and pension insurance already at the turn of the century and the same applies to England with regard to occupational injuries insurance and Denmark to health insurance in 1910.[69]

In the development of social rights, one of the most characteristic tendencies of the following decades was the gradual growth in the ratio of those receiving social security. This process greatly progressed in the interwar years, especially in Scandinavia, but development toward universality (the inclusion of the whole population in insurance schemes) accelerated especially after the Second World War. Complete coverage cannot be declared everywhere even at the end of the period examined but the levels reached were such by the late 1980s that Western European social security systems can be called mature in this respect, applying Peter Flora's terminology.[70]

The extension of social security eligibility progressed along two paths from the beginnings. One was the inclusion of ever widening groups of employees into insurance in their own right, the other was granting share for more and more people not in their own right as benefits were extended to relatives, primarily regarding health insurance, as well as to survivors, and the number of dependants was also considered in several other benefits. On the other hand, while political rights diffused principally top down in the social hierarchy in Western Europe, it was more or less the other way round regarding social

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[67] Fraternité Rt., Jelentés a társadalombiztosítás reformjáról. 1991. Budapest, 1991. 115.; Tóth, A jóléti rendszer az átmenet időszakában. 317.; Tóth István György, Welfare Programmes and the Alleviation of Poverty. In Rudolf Andorka et al., ed., A Society Transformed. Hungary in Time-Space Perspective. Budapest, 1999. 133-134.

[68] Thomas H. Marshall, Citizenship and Social Class. Cambridge, 1950.; Another distinguished publication in this area, Joakim Palme, Pension Rights in Welfare Capitalism. Stockholm, 1990.; Palme, Pension Rights in Welfare Capitalism. 26-28.

[69] For the ratio of those eligible, see, Peter Flora ed., State, Economy, and Society in Western Europe, 1815-1975. Vol. I. Frankfurt/M., 1983. 460-461.; ILO, The cost of social security. Fourteenth international inquiry, 1987-1989. Geneva, 1996. 201-216.; ILO, Yearbook of labour statistics. 1995. Geneva, 1996. 164-169.

[70] Peter Flora, On the History and Current Problems of the Welfare State. In S. N. Eisenstadt and Ora Ahimeir eds., The Welfare State and its Aftermath. London and Sydney, 1985. 19.

rights.[71] Workers in the most dangerous occupations in the most important industries were first included in the programs, which were then extended to the other industrial workers, later to agricultural workers and to dependants, then to widows and orphans of the insured. The next step was extension to high earners and then those self-employed. The inclusion of the latter, especially farmers, was a complex process, partly because these groups themselves often rejected the burdens associated with social security. Finally other, non-employed social groups, e.g. students also became insured in their own right in several countries. Those living on the periphery of society were exceptions in this regard, sharing in these rights relatively late.[72] This type of gradual extension primarily effected countries which had a Bismarckian insurance system. As a result of continuous expansion, almost the whole population became insured in time in several of these countries, e.g. West Germany, Austria and France by the 1970s.[73] In contrast, in countries with the Beveridge type of welfare system, the growth of the coverage often took place abruptly. In Scandinavian countries and Great Britain several social security schemes were extended to the whole population in one step in the interwar period and after the Second World War. Furthermore, in Switzerland, which did not belong to this category, the whole population was included in old-age and survivors` pension insurance in 1946/48.

Analysing the principles defining the qualifying conditions for welfare benefits, the dominance of two systems can be seen in the pre-Second World War period of social security: one determined by the type of work and depending on contribution; and another, means tested system. An example of the former is the benefits of pension insurance in Germany, for which only workers were eligible at first, and even then just in proportion to their contributions paid. In contrast, in several Scandinavian countries and Great Britain eligibility for state pension services depended on age and earnings. Such means tested state pension was first introduced in Denmark in the 1890s. Great Britain adopted for a similar means-tested pension system, not tied to previous contributions in 1908.[74]

Later this double pattern of eligibility began to change. After the First World War the means-test temporarily gained ground but its importance started to fade in the interwar period and even more so in the second half of the century. For example, as regards old-age pensions in 1930 this principle was applied when determining eligibility in most of the countries, but after the war this practice was present only in about half, and then terminated everywhere by the 1980s, with the exception of supplementary pensions in Ireland, Switzerland and Italy.[75]

In addition, the principle of citizenship as a factor guaranteeing eligibility for benefits emerged early. Sweden introduced a universal, contribution-based pension system in 1913. At this point it was rather of theoretical significance because it provided very low level services.[76] However, citizenship gained a considerable practical role a few decades later, in the interwar period and especially in the years after the Second World War in the assertion of social rights. A part of this process was the introduction of health and pension insurance covering all citizens in Denmark; another important step was the reforms following and based on the Beveridge report in Great Britain. Here the citizenship-principle was clearly applied in the transformation of health insurance, the establishment of the National Health Service after the

[71] Peter Flora, Solution or Source of Crises? The Welfare State in Historical Perspective. In W. J. Mommsen ed., The Emergence of the Welfare State in Britain and Germany. London, 1981. 358. ; Alber, Vom Armenhaus zum Wohlfahrtsstaat. 52.

[72] The 1906 Austrian pension insurance is the most important exception in this respect, for a long time applying to employees (Angestellte) only. Though in theory it was extended to workers in 1927, this became practice only during the Nazi occupation. Alber, Vom Armenhaus zum Wohlfahrtsstaat. 52.

[73] Hans Günter Hockerts, Die Entwicklung vom Zweiten Weltkrieg bis zur Gegenwart. In Köhler and Zacher (Hrsg.), Beiträge zur Geschichte und aktueller Situation der Sozialversicherung. 155.

[74] Therborn, European Modernity and Beyond. 90.

[75] Palme, Pension Rights in Welfare Capitalism. 52.; For conditions of eligibility between the world wars and in the 1980s, see also, ILO, International Survey of Social Services. Studies and Reports. Series M. No. 11. Geneva, 1933. 42-618.; U.S. Department of Health and Human Services ed., Social Security Throughout the World. 1981. Washington, D.C., 1982. 12-261.

[76] Ritter, Der Sozialstaat. 152.

Second World War. In spite of this, the great expansion of welfare systems in the two decades after the Second World War seems to have been based on former eligibility principles. It was only in the 1960s or, in other interpretations, in the 1970s, that citizenship was beginning to be considered as a determining factor in eligibility.[77] This especially applies to the Danish,

Swedish and Finnish systems, which belong to the welfare model often referred to as social democrat, in essence open to all relevant social groups. For example, in Denmark those self-employed could join voluntary unemployment insurance, just like they were eligible for the basic state pension having reached a certain age and on condition of being resident in the country for a defined period. Nevertheless, the supplementary state pension was tied to being actively engaged and paying contributions even here.[78]

An increasing application of the citizenship principle in welfare eligibility does not mean, however, that equality of social rights in every aspects would have been even approximately complete in Western Europe in this period. On the contrary, in most countries benefits were tied to contributions paid and were also determined by occ3upational type. For example, in France social security systems gradually expanded and merged, and the level of their services became more similar – but still, considerable differences remained all through the period between insured groups regarding the conditions for eligibility, with 12 occupationally distinct public pension schemes. At the end of the period examined Germany was another typical example of the welfare type referred to as conservative or corporatist, where also different social security systems existed for different occupational groups. Those employed in the private sector had their own insurance schemes, but, within this sector, there were separate systems for, e.g., agriculture, mining, or the self-employed. Belonging to a distinct social security scheme was part of the benefits of public employees.[79]

At the same time, a convergence can be observed between the different eligibility systems. In the countries where universal and unified insurance existed, benefits were somewhat differentiated in relation to incomes, i.e. the contributions paid. This was the case in the United Kingdom and in Scandinavia between 1959 and 1966, where an earnings-related supplementary pension was introduced besides the flat-rate state pension. In contrast, in countries where an earning-related pension system was in operation, flat-rate elements were introduced, e.g. in the Netherlands (1956), Italy (1965) and Germany (1972).[80] Later in the 1980s, the convergence continued, but rather on the bases of the "workfare state" model, which implied an emphasis on entitlements tied to labour market position rather than citizenship.[81]

The level of the benefits provided by early social security programs were rather modest and also quite static, because they were not connected to price changes or to the growth of earnings and economic output. This was even more the case because roughly until the Second World War it was not supposed that the beginning of the payment of pension benefits would coincide with retirement and therefore the pension alone would enable the insured to live off it alone.[82] However, as an important development of social security, the benefits were approaching earnings levels, a process beginning on a small scale in the interwar period and then growing after the Second World War.[83] Thus these relieved not only the most serious emergencies, but could increasingly contribute to the maintenance or approximation of the living standard and the relative social status of the insured. An instrument of this was the adjustment of benefits to growth in economic output and/or the income of the active population, thus offering a share of economic growth to inactive generations and those eligible for

[77] Therborn, European Modernity and Beyond. 92.

[78] Hans Hansen, Elements of Social Security. Copenhagen, 1998. 9-11.

[79] Esping-Andersen, The Three Worlds of Welfare. 70.

[80] Alber and Flora, Modernization, Democratization. 53.; Harold L. Wilensky, The Welfare State and Equality. Berkeley, 1975. 39.

[81] Kosonen, European Welfare State Models. 100.

[82] Christoph Conrad, The Emergence of Modern Retirement: Germany in an International Comparison (1850-1960). Population. An English Selection, vol. 3 (1991) 191.; Hockerts, Die Entwicklung vom Zweiten Weltkrieg. 156-157.

[83] Conrad, The Emergence of Modern Retirement. 192.

benefits. Denmark introduced this principle in the pension system as early as 1933, but the other Western European countries adopted for it only between 1955 and 1965, the exceptions being Switzerland (1968) and Great Britain (1975).[84] In the terminology of the 1957 German pension reform this meant the "dynamisation" of pensions, being significant mostly because of its long term effects, but it also resulted in the immediate and radical rise of pensions, by 65.3% for workers and 71.9% for employees.[85] In the next decades the same principle was applied to the other benefits in Germany (the latest being sick pay in 1974) and other countries followed suit, though using different methods.[86]

The changes in the levels of the two most significant cash benefits, pension and sick pay can be presented as good examples of the changes in the relative levels of benefits. Before the Second World War pensions were relatively modest amounts, afterwards, however, they increased rapidly, both regarding the minimum pension and the average worker pension. The average of minimum pension in 18 OECD countries, expressed in the percentage of wages in the processing industry, was 10% in 1930, 19% in 1950, 25% in 1965, and 37% by 1985. It first reached 40% in Austria in 1960, and exceeded 50% in 1970 in the Netherlands and Denmark. By the 1980s this ratio was surpassed also by France and the other Scandinavian countries.[87] The other index examined, the average worker pension amounted to 14% of the net average wages in the processing industry in this group of countries. This ratio doubled by 1950 to reach 43% by 1965, 50% by 1975 and 58% by 1985.[88] There was no significant variation in this regard in the development of the Western European countries included in the present study, where in 1939 the average pension was about 12% of the average income of workers.[89] In the 1930s the relative level of German and Italian average pensions was the highest. In 1950 pensions amounted to 20-30% of the average income of workers in Western Europe (1/3 in Denmark, 1/5 in Sweden, and 1/6 in Norway), and there were only a few countries where they exceeded its half (Austria and France). First in this regard since the Second World War, Austria was joined by Belgium only in the 1970s. In 1985 the average levels of pensions exceeded two-thirds of incomes in Austria, Belgium, Italy, Finland, Norway and Sweden. The lowest level (slightly below 50%) was found in Ireland. Altogether by then the Western European average itself was well above 50%.[90] In parallel with this, the relative levels of pensions also converged in these countries. J. Palme finds convergence in the case of OECD countries as regards the levels of pensions after 1930. Exceptions were the 50s, when the coefficient of variation temporarily grew, and the period between 1975 and 1985, when no considerable change occurred in this respect.[91]

Similarly to pensions, a dynamic growth can be observed in the levels of cash benefits of health insurance relative to wages, which nearly tripled between 1930 and 1985. In the latter point in time 90 to 100% of wages were paid as sick leave in a number of Western European countries including Austria, Finland, Germany, Norway and Sweden. The lowest ratio of sick pay was given in Belgium, Great Britain and France.[92]

Several researchers claim that trends observed in the development of social rights support the existence of a convergence in Western Europe in the development of social security, first of all in the post-

[84] Alber, Vom Armenhaus zum Wohlfahrtsstaat. 55.

[85] Ritter, Der Sozialstaat. 160.

[86] Hockerts, Die Entwicklung vom Zweiten Weltkrieg. 157-158.

[87] Joakim Palme, Pension Rights in Welfare Capitalism. Stockholm, 1990. 48.

[88] Palme, Pension Rights in Welfare Capitalism. 48.

[89] Our own calculation based on Esping-Andersen, Three Worlds od Welfare Capitalism. 99.

[90] Palme, Pension Rights in Welfare Capitalism. 49.

[91] Palme, Pension Rights in Welfare Capitalism. 68.

[92] Comission of the European Communities, Comparative Tables of the Social Security Schemes in the Member States of the European Communities. Luxembourg, 1989. 46-47.

Second World War period.[93] Hartmut Kaelble regards the systems of the 1980s as ”highly uniform”.[94] In accordance with this, our results also show a steady decrease in the differences in the coverage of the population in Western European countries over the 20th century (Appendix). In the early, pre-World War I period Germany, Denmark and the United Kingdom had a great advantage over the other countries, but already in the interwar years cross-country differences were significantly reduced. In this period the Northern countries (the United Kingdom, Sweden, Denmark and Norway) had the highest growth rate in coverage, while Finland, Switzerland, France, Belgium and Italy stayed well under the average. After the Second World War Western European social security systems reached or approximated universality as regards the degree of coverage. In the mid 70s the majority of total work force did belong to social security systems almost in all Western European countries. This especially applies to health and pension insurance. The exceptions were Germany, Austria, Ireland and, regarding health insurance, the Netherlands, where 10-20% of the work force, mostly those self employed were still not insured. Undoubtedly less important, occupational injuries insurance covered the majority of employees by a later period. After the Second World War convergence continued in the coverage: By the late 80s the coefficient of variation dropped to a very low level in health and pension insurance, signalling only slight differences in Western Europe in these areas (Appendix).[95] The decrease of differences took place on a smaller scale in occupational injuries insurance, and was even less pronounced in unemployment insurance. This latter progressed through the slowest development and J. Alber did not find convergence in this regard.[96] Moreover, in interpreting the processes it must be taken into consideration that there was complete coverage in certain types of insurance in several countries in the 60s, thus the smallest increase in the others could result in convergence.[97]

As regards the qualifying conditions for welfare services, in the interwar period no clear tendency of convergence or the opposite can be seen in Western Europe, but after the Second World War forces pointing to growing similarity dominated. On the one hand, means tested services gradually faded to give ground to benefits granted on the basis of the insurance or the citizenship principle everywhere. Besides, the systems based on these two defining principles approached each other. The cash benefits of insurances universal for all citizens, most of all pensions, were differentiated relative to incomes, thus moving closer to the principles of the traditional Bismarckian social security system. At the same time, in countries where the level of benefits depended on contributions, new, flat-rate elements were introduced for all who qualified. However, in the 1980s, the convergence of systems was realised rather on the basis of the insurance principle and the citizenship principle had smaller importance in this process.

It was a new objective in the post-Second World War development of social security in Western Europe not only to relieve the most dire poverty, but to maintain the level of income of the insured.[98] Accordingly, the level of services rapidly improved in all areas examined and, at least till the 70s, after which no clear trends emerge, the services insurances provided in different countries became increasingly similar. Besides the changes in the structures of expenditures, this is evidenced by the development of individual areas of social security, especially pensions.

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[93] Ritter, Der Sozialstaat. 183.; Kaelble, A Social History of Western Europe. 127.; Schmidt, Sozialpolitik. 137.; Heikki Niemelä and Kari Salminen and Jussi Vanamo, Converging Social Security Models? The Making of Social Security in Denmark, France and the Netherlands. Helsinki, 1996. 43.

[94] Kaelble, A Social History of Western Europe. 127.

[95] Palme, Pension Rights in Welfare Capitalism. 67.

[96] Jens Alber, Government Responses to the Challange of Unemployment: The Development of Unemployment insurance in Western Europe. In Peter Flora and Arnol J. Heidenheimer eds., The Development of Welfare States in Europe and America. New Brunswick, 1981. 177.

[97] A somewhat different dynamics is indicated in Flora and Alber, Modernization, Democratization, and the Development of Welfare States in Western Europe. In Flora and Heidenheimer eds., The Development of Welfare States in Europe and America. 57.; Flora and Alber weigh individual insurances in their calculations: pension insurance is given a weigh of 1.5-health insurance 1, unemployment insurance 1, and occupational injuries insurance 0.5, corresponding to the significance attributed to them.

[98] Ritter, Der Sozialstaat. 219.

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Basic social security programs were introduced early (1892, 1907) in Hungary in a Western European comparison. However, at that time and for a long period following, these lagged behind the pioneering Western European countries considerably in their degree of coverage.[99] This can be explained primarily by two factors. On the one hand, early programs applied to fewer social groups than in Western Europe. The benefits of the first schemes were applied to workers in the industry, commerce and groups of public employees. The considerable body of agricultural workers was excluded completely, as were private white-collar employees. On the other hand, social groups first to be insured in Western Europe and in Hungary, especially workers, represented a significantly smaller proportion of society in the latter.

The earliest data are available on the degree of coverage in health insurance. In 1924, approximately one-fourth (24.8%) of active earners were eligible for sick pay in Hungary, while the ratio of those entitled to in kind benefits may have been somewhat higher.[100] This rose only slightly by 1930 (26.5%). At this point 39.3% of active earners had occupational injuries insurance and 16.1% had old-age insurance.[101]

Though the extension of eligibility progressed in the interwar years and during the Second World War, reforms did not point primarily in this direction. Instead of significant improvements in coverage, the level of benefits was raised and, especially with the introduction of pension insurance, additional risks were covered for groups already insured. Thus all the elements of the Hungarian social security system (accident, health and pension insurance) applied only to industrial, mining, commerce and transportation workers and domestic servants even after the 1927 and 1928 reforms. It must be noted, though, that the family members of the insured also enjoyed relatively extensive rights. Near relations (wife and children), the woman keeping the household of the insured or siblings without independent earning were also qualified for the benefits of compulsory health insurance, and the orphans' allowance was paid generously up to age 24 in case the orphan was engaged in studies.[102] By the Second World War compulsory occupational injuries insurance was extended to apprentices. Health insurance now covered them as well as domestic servants but not higher paid members of specific occupational groups. Old-age and disability pensions covered even smaller numbers. In this case, although the earning limit of private white-collar employees was different which mandated membership for a higher proportion of this group, for other important occupational categories (e.g. public employees, railway employees with company insurance, etc.) it was not compulsory to join the scheme.[103]

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[99] For the ratios of the eligible in the first half of the 20th century, see Statisztikai Havi Közlemények, (1925):1, 119.; ILO, Compulsory Sickness Insurance. Geneva, 1927. 105.; Magyar Statisztikai Évkönyv. 1930. Budapest, 1931. 30.; ILO, International Survey of Social Services. Studies and Reports. Series M., No. 11. Geneva, 1933. 363-370.; Statisztikai Negyedévi Közlemények, XLIII (1940), 204.; ILO, Compulsory Pension Insurance. Studies and Reports. Series M. No. 10. Geneva, 1933. 106-107.; Time series of historical statistics. 36., 97..

[100] Susan Zimmermann and partly relying on Zimmermann`s data, Dorottya Szikra report considerably lower coverge. Their data, however, contradict both the ILO surveys, and the compulsory official Hungarian statistics. Cf. Zimmermann, Geschützte und ungeschützte Arbeitsverhältnisse. 91.; Szikra, Modernizáció és társadalombiztosítás a 20. század elején. 18-19.; For the ILO-data and that of the Hungarian Statistical Office, see ILO, Compulsory Sickness Insurance. 105., 106-107.; ILO, International Survey of Social Services. 363-370.; Statisztikai Havi Közlemények, (1925):1,. 119.; Magyar Statisztikai évkönyv, 1930. 30.; Magyar Statisztikai Évkönyv, 1940. 47., 56-57.

[101] Excluding welfare benefits for public employees based on non-contributory schemes.

[102] For the favourable and less favourable characteristics of Hungarian social security system in the interwar period in international comparison, see Kovrig Béla, A munka védelme a dunai államokban. Kolozsvár, 1944. 279-282.

[103] Kovrig Béla and V. Nádujfalvy József, Társadalombiztosítási kézikönyv. Budapest, 1938. 9-22.

In most Western European countries certain benefits of social security had already been extended to agricultural workers before, during or immediately after the First World War (e.g. health insurance in Germany in 1886 and 1911, in Great Britain and Ireland in 1911, in Norway in 1915 and Austria in 1921).[104] This makes it especially striking that in Hungary agricultural workers, who significantly outnumbered those in the industry, were only partly covered by social security, moreover, for certain agricultural groups even this was completely missing.[105]

Only the number of those covered by pension insurance increased dynamically in Hungary in the interwar period. On the eve of the Second World War health insurance was available for about 1/4 of the active population, while pension insurance covered slightly less than one third, and occupational injuries insurance somewhat more. These figures appear low in a Western European comparison, though ratios were similar in Finland, Belgium and Switzerland. Therefore the changes in the population covered by insurance followed the Bismarckian pattern until the Second World War regarding both the groups insured first and the dynamics of extension. Similarly to Germany, in Hungary it was workers who first received the benefits of social security and expansion was a process spanning several decades.

Regarding the <u>qualifying conditions</u> for social security benefits in the first half of the century it was clearly the type of occupation and the contribution paid that played a definitive role in Hungary. Means-test hardly existed neither in the earliest programs nor after the 1928 pension reform. The conditions for pensions in 1930 (the age limit and waiting period) largely corresponded to the Western European practice, though the latter cannot be labelled unified.[106] Exceptions include perhaps the regulation applied to the blind, which was more favourable than the average and the unfavourable payment conditions of old-age pensions and widows' allowances. The latter was unfavourable because it required a relatively long, 20 year waiting period, consequently, considering the introduction of 1928, no payments were made in this program between the wars. In addition, the prospective amount of pensions strongly depended on the length of the contribution period in Hungary, more markedly than elsewhere. At the same time, in contrast to most Western European countries, there was no waiting period required for health insurance in Hungary.

For industrial workers, health and occupational injuries insurance guaranteed rather high <u>level</u> services in Hungary already from 1891 and 1907, respectively. Although in the period of economic disorganisation and inflation following the world war social rights were difficult to realise, the 1927 social security legislation

reinforced them. The 1928 pension insurance law introduced similarly high level benefits for industrial and commercial employees.[107]

The relative level of the benefits is well illustrated by the regulation of health insurance and <u>sickness payments</u>. In the early 1930s Hungarian industrial workers received 60% of their wages as sick pay from the 4th day of their illness, or, if their scheme could afford it, this could rise to 75%.[108] Consequently, sick pay exceeded the German, French and Belgian levels, and only in the Netherlands can a more favourable service be found.[109] Furthermore, Béla Kovrig's surveys indicate that the interwar Hungarian regulation was considerably better than the conditions guaranteed with regard to health benefits by the 1948 British social security legislation.[110] Of course, all this concerns the <u>relative</u> level of benefits, as compared to wages, and not the absolute level of services. In an international context further features of the conditions of payment appear pioneering. As regards old-age pension, a contemporary calculation suggests that around 1930 Hungarian old-age pensions and disability benefits, based on 30 years of

[104] ILO, Compulsory sickness insurance. 35-36.

[105] Gyáni, A szociálpolitika múltja Magyarországon. 14.; Kovrig Béla, Magyar társadalompolitika. II. kötet. Társadalompolitikai feladatok. Kolozsvár, 1944. 384-389.

[106] ILO, Compulsory Pension Insurance. 106-107.

[107] Cf. Kovrig, A munka védelme a dunai államokban. 211-294.

[108] Országos Társadalombiztosító Intézet, A magyar társadalombiztosítás tíz éve, 1919-1929. Budapest, é.n. 153.

[109] ILO, International Survey of Social Services. 368.

[110] Kovrig, Magyar társadalompolitika. 126-129.

contributions would be 477 Pengős, equalling the Austrian level converted into Pengő. Taking 40 years into account (596 Pengős) it significantly exceeded Austrian and Italian levels, equalled Czechoslovakian services but was under the English and especially the German level.[111]

The development of social rights in Hungary between the Second World War and 1990 was determined by a combination of different factors, such as the Bismarckian traditions of the previous periods, political discrimination, and solidarity or the principle of citizenship. These elements gained different weights from time to time and their significance also varied in different areas of welfare influencing both the relationship to the previous period and to Western European trends.

The extension of coverage was almost continuous in the post-Second World War period, though three major waves can be distinguished, the first following the war, the second in the late 50s and early 60s, and the third in the mid- and late-70s.[112] As a result the pattern of growth of coverage occupied a mid-position: it was not so abrupt in Hungary as had been earlier in several Scandinavian countries or in Great Britain, but was not so gradual either as in the majority of countries following Bismarckian traditions. (Appendix)

In the development of the qualifying conditions of social security there are discontinuities between the interwar and the post-Second World War periods in several respects. As an element of this, the political discrimination of certain social groups had already appeared immediately after the war, which affected qualifying conditions and existed for decades, even though it was gradually losing its weight. Discrimination primarily affected the agricultural population. From the late 50s the agricultural population also became insured, but was not granted rights equal to those who worked in the state sector. However, the divide in social rights was not only drawn between the self- and state employed. There were privileged categories within the latter group as well, depending on what importance rulers attributed to them with regard to the production process or to the preservation of their own power. Certain occupations (e.g. soldiers and miners) enjoyed benefits much more advantageous than others in the 50s; and several of these privileges had been maintained for decades (e.g. age limits in pension qualifications). The loss of social rights previously secured and other forms of discrimination were in sharp contrast with the practice of the interwar period as well as with contemporary Western Europe, where the inclusion of the self employed in insurance was slow but the extension of social rights did not take place at the expense of any other groups.[113]

At the same time, from the very beginnings of the communist transformation of the welfare system, the unification of qualifying conditions on the basis of solidarity was a clear tendency. First these applied only to or within certain groups, primarily in the case of state employees, and thus, paradoxically, they coexisted with the discrimination of certain other groups. In time, however, state employment and coverage increased, leading to the loss of ground for discrimination. The gradual unification of qualifying conditions also provided the basis for granting benefits on the citizenship principle.

The mid 1970s can be seen as a turning point in the regulation of qualifications, principally because in 1975 health care and the assimilated occupational injuries insurance become citizenship rights. This meant the realisation of universality in the broadest sense in health care with not only insurance coverage for the whole society but also theoretically the same levels of services with the exception of the cash benefits already mentioned.[114] This was obviously a favourable change compared to the interwar period, even though the elimination of the waiting period in health and industrial occupational injuries

[111] Emerich von Dréhr, Die soziale Arbeit in Ungarn. Budapest, 1930. 60.

[112] The coverage ratios are own our computation based on the following publications A társadalombiztosítás fejlődése számokban, 1950-1985. Budapest, 1987. 52-59.; Statisztikai Évkönyv. 1990. Budapest, 1991. 17.; Time ser3ies of historical statistics, 1867-1992. Vol. I. Budapest, 1993. 36.

[113] For the discrimination in other communist countries, see Jack Minkoff and Lynn Turgeon, Income Maintanance in the Soviet Union in Eastern and Western Perspective. In Irving Louis Horowitz ed., Equity, Income, and Policy. Comparative Studies in Three Worlds Development. New York and London, 1977. 178-180.

[114] Botos, A magyar társadalombiztosítás kialakulása és fejlődése. 30-31.

insurance as well as the unlimited period of the payments could be regarded universal in Western Europe, too, at this time. Also by this time, the differences between employees and other insured groups had disappeared with regard to qualifying for pension.

Besides the signs of discontinuity, i.e. the ideologically rooted discrimination and the introduction of benefits based on the citizenship principle, continuity with the interwar period is also clear in the area of qualifying conditions. On the one hand, similarly to the earlier period, the means-test principle was not given a significant role after the Second World War in state welfare provisions, and its significance further diminished with the dissolution of voluntary charity organisations and other welfare institutions.[115]

On the other hand, though benefits were paid increasingly by the same principles for the whole population, among which the citizenship as a source of rights was clearly gaining ground in some welfare areas, these principles also showed unambiguous continuity with the pre-1945, Bismarckian traditions based on individual insurance. A proof of this is that for decades the precondition for all social security benefits was the payment of contributions, or, rather, being employed. The inclusion of great numbers of farmers in social security schemes from the late 1950s was possible because they had ceased to be self employed and became employees of state farms or joined agricultural cooperatives. Universality with regards to the in kind benefits of health insurance emerged also at the time when the private sector virtually disappeared and the distinction between cooperative and state ownership became insignificant. This provides further support for the important role of the workplace and especially the status of state employment in qualifying for social rights.[116]

In contrast to health insurance, the pension system preserved such important features of the Bismarckian insurance system as compulsory contribution, relatively long waiting periods and, consequently, the

differentiated calculation of pensions until the end of the period examined. Other benefits of social security, e.g. sick pay were also associated with contributions and calculated on the basis of one's income. In addition, family benefits, which played an important role in the Hungarian welfare system, also depended on employment and contributions. These characteristics are similar to those appearing in the conservative Western European welfare systems of Germany, Austria and the Benelux countries.

With respect to the level of benefits, efforts in the post-Second World War years seem to have been principally directed at a strong levelling off, rather than a general improvement of standards. This meant, for example in the case of pensions, evening out differences between public employees and other occupational groups. A procedure springing from strong political motivations used the assessment of political reliability as a pretext and employed administrative means to decrease or nullify qualifications already secured in the case of those formerly in public service and their relatives. In addition, financial measures were taken to eliminate differences in benefits which were regarded as excessive.[117]

In spite of the politics of levelling off, the employment and the corresponding social security contribution was decisive in the determination of the level of benefits in this period, and later the moderation of the differences in benefits was attributed not a priority at all. The most important elements of cash benefits were linked to earnings even at the end of the period examined, as shown by the calculation methods of pensions and sick pay.

The emphasised role of work and employment in the benefits of social programs was reflected in the more generous regulation of benefits of occupational injuries insurance, which directly resulted from work. In the early 1980s occupational injuries insurance did not require a waiting period and guaranteed a 100% income replacement.

Considering the low retirement age limit it is noteworthy that the relative levels of Hungarian pensions increased significantly by the early 1980s compared to the very low post-Second World War

[115] Endre Sik, New Trends in the Hungarian Welfare System. In A. Evers and H. Wintersberger eds., Shifts in the Welfare Mix. Frankfurt/M., 1990. 283.

[116] For similar observation, see Endre Sik and Ivan Svetlik, Similarities and Differences. In Evers and Wintersberger eds., Shifts in the Welfare Mix. 276.

[117] A magyar társadalombiztosítás húsz éve. 24-25.

levels. The 57% ratio in 1982 practically equalled the average of OECD countries (58%) and was considerably above that of communist countries, e.g. the GDR (30%) and even Czechoslovakia (45%).[118] An obvious explanation here is that, unlike other communist countries, pensions in Hungary were continuously raised (indexed) from the 1960s on. This raise was a fixed amount for a long time, e.g. 2% p.a. and a minimum 70 Forints between 1972 and 1986. The galloping inflation of the 80s, however, made this increasingly insufficient. Therefore repeated ad hoc measures were taken to preserve the purchasing power of pensions, with less and less success and with consequences to the relative level of average pensions.[119]

4., Organization and Control

In contrast with the areas analysed above, the issues of who and in what arrangement administers the social security system and who exerts the final control over it have drawn little attention in international welfare research. The fact that the communist transformation of the welfare system brought about considerable changes in this area as well justifies the inclusion of these aspects in our inquiry. Accordingly, the following aspects will be discussed in the present chapter: 1. the organizational forms of social security, with special emphasis on the role of the state; and, closely related to this, 2. the functioning of control mechanisms, that is, what scope of control the organizational framework offered over clients, and vice versa, what means those who were eligible had at their disposal to control the operation of social security.

At the end of the 19th and the beginning of the 20th century, a period hallmarked by the dissolution of the traditional forms of social protection, mutual insurance associations, independent of state intervention were real alternatives to state welfare systems in Western Europe.[120] The emergence of the German *Hilfskassen auf Gegenseitigkeit*, the English *Friendly Societies*, the French *mutualités* and their Belgian, Swiss and other counterparts preceded the first governmental welfare measures.[121] These voluntary institutions had several shortcomings, though. In terms of their organisation, being fragmented in nature, they were too small to share risks effectively. Moreover, the service they provided covered only a small circle of risks (e.g. they provided no old-age pension), the standard of services was low, and only available for more well-to-do members of the workers' elite, those who did have the capacity for advance savings.

The intervention of the state can be regarded as a response to these problems. It unfolded at a different pace and in diversified ways in the Western European countries, resulting in considerable differences regarding the organizational forms of the early, pre-First World War social security systems. One of the major types was referred to as compulsory insurance, where the state mandated membership in a specific form of insurance without prescribing the actual company that the client was to take out the insurance policy with. Beside Germany, this arrangement was characteristic of the Austrian and Norwegian system in the pre-First World War

[118] Therborn, European Modernity and Beyond. 94.

[119] Gabor Hegyesi, Anna Gondos and Eva Orsos, Hungary. In John Dixon and David Macarov eds., Social welfare in socialist countries. London and New York, 1992. 113.; Andorka-Tóth, Szociális kiadások és szociálpolitika Magyarországon. 415.

[120] Gerhard A. Ritter, Social Welfare in Germany and Britain. Origins and Development. Leamington Spa/New York, 1986. 134.

[121] Kaelble, A Social History of Western Europe. 80-81.; Ogus, Landesbericht Grossbritannien. 299.; Saint-Jours, Landesbericht Frankreich. 204.; Maurer, Landesbericht Schweiz. 764.

period, and it can also be detected in the British social security system from 1908 onwards. Both the German and the British systems integrated voluntary insurance institutions, of which existed in great numbers by then but, nevertheless, respected their independence.[122]

The other type, state subsidised voluntary insurance was typical of Belgium, France, Italy, Sweden, Denmark and Switzerland initially. Here the state played a much less dominant role, limited to defining the operational framework of the social security system, controlling and subsidising its operation. The right to define the scope of benefits, other conditions of payment, and the amount of contributions was left with the individual insurance fund. Benefits were proportionate to contributions paid. Vertical re-distribution between social strata was modest, however, unlike with private insurance, contributions were calculated irrespective of individual risks, that is, solidarity prevailed in this regard.[123]

Between the two world wars the economic intervention of the state became more extensive throughout Western Europe, which also affected the role the state undertook in welfare provisions. Mostly as a result of governmental and legislative initiatives, compulsory insurance became more widespread at the expense of voluntary insurance schemes. On the one hand, already existing voluntary, state subsidised social security schemes were transformed into compulsory ones and newly introduced programs were compulsory from the start. Beside compulsory insurance thus becoming dominant, in most countries (Belgium, France, Ireland, Italy, etc.) a new type, national insurance also appeared on the scene. This type of insurance covers the whole population and is administered by the state, thus gaining a more central role here than in earlier types of social security programs. The national programs are co-financed by the clients resembling the insurance schemes. However, there is only a weak relationship between the contributions or special taxes paid and the benefits received. The Swedish social security system was the first one to have been organised along these lines in 1913, followed by other Scandinavian countries introducing national pension schemes between the two world wars.[124] Beyond Scandinavia there were new benefits introduced in several other countries, exclusively financed by the state, such as family allowance and unemployment benefit in Germany in the 1930s.[125]

After the Second World War different types of compulsory or national insurance requiring a considerable state involvement were introduced even in countries and for risk groups that had only voluntary insurance up to that point. Compulsory occupational injuries scheme was set up in France (1946), Great Britain (1946), Ireland (1966) and Belgium (1971), compulsory health insurance in Belgium (1944), Sweden (1953) and Finland (1963) and compulsory pension insurance in Ireland (1960). Following in the wake of Scandinavian countries, national pension insurance was introduced in Great Britain, the Netherlands and Switzerland. Great Britain, Italy and the Scandinavian countries also restructured their health insurance along the principles of national insurance. By the beginning of the 1980s, the various types of voluntary occupational injuries, health and pension insurance were superseded, Switzerland was the only to maintain such forms in the first two areas.

[122] Alber, Vom Armenhaus zum Wohlfahrtsstaat. 47.
[123] Alber, Vom Armenhaus zum Wohlfahrtsstaat. 43.
[124] Alber, Vom Armenhaus zum Wohlfahrtsstaat. 45.; Gordon, Social Security Policies in Industrial Countries. 203.; Kaelble, A Social History of Western Europe. 124.
[125] ILO, Financing social security: The options. An international analysis. Geneva, 1984. 7-10.

Unemployment insurance still remained an exception to this trend, as compulsory forms did not become widespread in this area in Western Europe.[126]

These social security systems, especially the national insurance, shifted more responsibility to the state in terms of both administrative operation and control. The spreading of national insurance schemes, however, was not a steady process. The model sometimes referred to as continental started gaining ground at the expense of state-administered systems from the 1970s. In this, social security systems were increasingly constructed along the principles of insurance and was overwhelmingly financed by the contributions of employers and employees.[127] The prevalence of the insurance principle is supported by the fact that state contributions to the expenditures of social security were rather limited in most of the countries in the period after the Second World War. Our calculations suggest that the average state contribution to the financing of social security remained unchanged in Western Europe between 1960 and 1980, being 39.7% and 40% in the opening and the closing year, respectively (Appendix).[128] True, the average evens out significant differences between the individual countries: in Great Britain, Ireland and the Scandinavian countries it was well above the average, as in these countries an average of 60% of social security expenditures were financed from state resources not only in the above discussed period but also between 1949 and 1974.[129] Although our calculations reveal neither convergence nor divergence in the sample as regards the ratios of contributions between 1960 and 1980, other studies

highlight the similar methods of financing and diagnose convergence for the 1980s.[130] The state also provided incentives for forms of private insurance to expand, for example, in the form of tax breaks,[131] however, its role increased in terms of providing the legal framework and administration and not in terms of financing social security in Western Europe in the decades after the Second World War.

The emergence of social security was a great move compared to 19th century poor laws in that it was free from their repressive and stigmatising features. Nevertheless, the operation of social security was characterised by mechanisms of discipline and control as well. The aim of these mechanisms was to motivate clients to pay the contributions on the one hand and, on the other, to detect those who wanted to take advantage of the benefits but not qualified for them.

These control mechanisms became more relaxed on the long run. For example, the various time limits loosened up: waiting periods became shorter, maximum periods of entitlements became longer or were eliminated altogether. In Germany, for example, for all the four major social security programs waiting periods decreased or were abolished between the time of their introduction and the mid-1970s.[132] However, the trend of decreasing control, as pointed out in the previous chapter, holds primarily for the beginning and the middle of

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[126] Kaelble, A Social History of Western Europe. 126.; Alber, Vom Armenhaus zum Wohlfahrtsstaat. 28., 44-48., 232-235.; Gordon, Social Security Policies in Industrial Countries. 203.

[127] Kosonen, European Welfare State Models. 81-110.

[128] Own computations based on the following publicaton ILO, The Cost of Social Security. Eleventh international inquiry. Geneva, 1985. 46-51.

[129] Peter Flora, On the History and Current Problems of the Welfare State. In S. N. Eisenstadt and Ora Ahimier, eds., The Welfare State and its Aftermath. London and Sydney, 1985. 20.

[130] Hansen, Elements of social security. 14-16.; Robert Hagfors, The Convergence of Financing Structure, 1980-1995. In Juho Saari and Kari Välimäki, eds., Financing Social Protection in Europe. Helsinki, 1999.

[131] The level of tax benefits was significant in some countries: At the end of the 1980s alone with regard to the pension insurances accounted for 1% of the GDP in Denmark, and 0.7% in Great Britain. Esping-Andersen, The Three Worlds of Welfare Capitalism. 101-102.

[132] Alber, Vom Armenhaus zum Wohlfahrtsstaat. 64.

the century, after which it stopped, to give way again to the trend of stricter control of receiving services prevailed alongside with the establishment of a new, extensive organizational network of this control in welfare states. The term ”welfare crime” illustrates the link between the welfare state and the institutions of state control. This became a central theme of the public discourse on the welfare state in the 70s and 80s, when there was less of a social consensus on welfare programs than before. The lack of consensus in tandem with the increase of tax burdens and the increasing complexity of fiscal legislation resulted in more willingness to tax avoidance.[133] The state at this stage was already facing problems fulfilling its extensive welfare responsibilities, therefore, it made more efforts to fight ”welfare crime”, which manifested itself in the establishment of a number of new institutions of inspection and control.[134]

The increased engagement of the state in the security schemes, and in welfare services in general did not necessarily limit the citizens' scope of action, as it is not so much the degree of state participation than its nature that is of major importance. It is not only that the prerequisite for exercising the social rights requires reliable and transparent operation of social security and other welfare organisations, which state measures aimed at on often not transparent insurance markets. It is also that states directly intervened to help the insured to exert control over the schemes. Laws passed at the early stage of development institutionalised the participation of contributors in the management in several countries, which was a major claim of the workers' movement, too.[135]

Employers and employees of other countries obtained a major role not only in financing but also in operating welfare institutions.[136]

Participatory administration, however, did not become the dominant and effective means of control in Western Europe either in the first half of the century or after First World War. Especially in the second half of the century, in parallel with the increasing coverage of the population by social security, i.e. the increasing complexity of the systems, the indirect control of the clients over welfare programs through the institutions of political democracy became of great importance beside, or, rather, instead of the direct control of social security institutions. A significant part of the welfare research consider the institutions of political democracy as crucially important in the emergence and expansion of the welfare state, maintaining that this development directly resulted from left-wing parties articulating the interests of the working class assuming power.[137] Even if a direct connection cannot be clearly found between the expansion of welfare services and specific political wings, mass democracy can obviously be regarded an important determining factor of this process in Western Europe.

Summing up, the organizational forms of social security became more alike in Western Europe in the course of the 20th century. There were considerable differences at the beginning of the century and between the

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133 Uriel Rosenthal, Welfare State or State of Welfare? Repression and Welfare in Modern State. In Richard F. Tomasson, ed., The Welfare State, 1883-1983. Greenwich, Connecticut and London, 1983. 279-297.
134 Rosenthal, Welfare State or State of Welfare? 294.
135 Göran Therborn, Classes and States: Welfare State Developments, 1881-1981. In Wallace Clement and Rianne Mahon, eds., Swedish Social Democracy: A Model in Transition. Toronto, 1994. 27-28.
136 Franz-Xaver Kaufmann, The Blurring of the Distinction 'State Versus Society' in the Idea and Practice of the Welfare State. In Franz-Xaver Kaufmann et. al., ed., Guidance, Control, and Evaluation in the Public Sector. Berlin and New York, 1986. 133.
137 Korpi, The Democratic Class Struggle. 198.

two world wars ranging from state supported voluntary to compulsory and national schemes. Convergence began in the interwar period, then it gathered momentum after the Second World War. As part of this process, voluntary schemes were transformed into compulsory in an increasing number of countries, and national systems also took shape in Great Britain, Ireland, Italy, and Scandinavia. Consequently, voluntary insurances contracted by the 1970s and only the other two types operated. On the other hand, the growth rate of national schemes and state subsidies came to a limit, which is also illustrated by the trends in the sources of financing. After this point Beveridge-type systems introduced more elements of the insurance principle thus converging to the structure of the Continental welfare model.

The increasing role of the state in welfare did not exclude the right of the clients to exercise control, what is more, from the very beginnings state regulation often aimed at transparency and providing contribution payers with opportunities to protect their own interests. Although there no empirical research is available in this area, several signs indicate throughout the 20th century there were considerable differences between the institutionalisation of direct control of the clients in Western European countries. With the expansion and growing complexity of the welfare systems after the Second World War, direct control lost importance and indirect control through the converging institutions of political democracy became of increasing importance.

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The first social security laws in Hungary openly relied on German and Austrian models, which also manifested itself in the regulation of organizational issues. Social security programs took the form of compulsory insurance already at the initial stage of development regarding health and occupational injuries insurance for industry workers (1891: XIV.tc.; 1907: XIX.tc.) and the same form was applied to the pension insurance set up between the two world wars (1928: XL.tc.). Agricultural workers were an exception to this, regulations introducing voluntary insurance for them (1900: XVI.tc., 1902: XIV.tc.), which was modified before the Second World War when compulsory insurance for this social group had been partially established (1938: XII.tc.).[138]

The compulsory health insurance of 1891 created a fragmented system along the principles of self-government, features that the Hungarian social security system shared with its German counterpart. In 1892 there were 92 legally acknowledged health benefit funds, their number growing to 409 by 1906.[139] Moreover, there were various forms of funds to choose from, such as district, crafts union, mine, company, and others. The high costs due to the fragmented nature of the system and the lack of transparency that caused hitches in the operation of the system resulted in the Health and Accident Insurance Act (1907) that made attempts to centralise the institutions of social security. The various types of funds were merged and only the operation of three types of funds was allowed: that of mine mutual funds, company and district funds. Moreover, the Országos Munkásbetegsegélyező és Balesetbiztosító Pénztár (National Fund for the Aid of Sick Workers and Accident Insurance, OMBP) was established, which administered the operation of district and company funds in accordance with national standards. The costs of its operation were covered by the state as well as the costs of

[138] For social security legislation, see Gyáni, A szociálpolitika múltja Magyarországon. 11-14.; Laczkó, A magyar munkás- és társadalombiztosítás története. 151-155.
[139] Bikkal, A társadalombiztosítás Magyarországon. 344-345.

administration of the controlling body, Állami Munkásbiztosítási Hivatal (State Office of Workers' Insurance, ÁMH). However, not only the individual funds but also the OMBP continued under their respective self-governments.[140]

Further legislation was also hallmarked by centralisation, and by 1930 all industrial workers and domestic servants belonged to the same institution of health and pension insurance (Országos Társadalombiztosító Intézet, National Social Security Institute, OTI) which provided equal rights for them. There were only a few sectors (the railways, the post, the tobacco industry and mining) that managed to preserve their own, independent institution of social security. Therefore, at this stage the organizational form of Hungarian social security was considerably different from the German system, which continued to be decentralised.

In the first half of the century the state in Hungary had the role of the organiser and supervisor of welfare programs, while the direct role of the state as provider of welfare services was far less significant. In accordance with the Bismarckian tradition, social security was subsidised by the state to a small extent. 2.4 million Pengős p.a. were allotted in the budged for contributing to the operational costs of the OTI and the other major fund, the MABI (Magánalkalmazottak Biztosító Intézete, Institute of Insurance for Private Employees), which sum accounted for less than 2% of their total expenditures in 1930. The social security Act of 1928 proposed a higher percentage of support, continuously increasing by 5% p.a. for social security regarding the old-age pension and the disability allowance but the dissolution of the Ministry of Welfare and Labour in 1932 prevented the launch of this project.[141]

The first Hungarian act of social security already created self-governments of social security funds and these institutions were heavily relied on by laws passed later. Although self-government were temporarily abolished after the 1918-19 revolutions, but the need for them re-emerged when drafting the reform of social security in the second half of the 1920s, supported not only by József Vass, the Minister of Welfare and Labour but also by Prime Minister István Bethlen.[142] Act XXI of 1927 therefore reintroduced the self-government of social security funds by insured employees and their employers. They elected self-governments in the OTI, the MABI, operating in Budapest and its environs, the Magyar Hajózási Betegség Biztosító Intézet [Hungarian Health Insurance Institute for Shipping] and the miner's mutual funds.

The election process in the new regulations were in many respects more democratic than before. In the first election taking place in 1929 employees and employers delegated members of national and district self-government bodies by a secret and direct ballot.[143] These bodies of self-government had a real control over social security in the 1930s, making decisions regarding contributions of insurance, qualifying conditions for social security benefits and supervised the work of the administration. The state, however, had considerable control rights, too. The constitution was to be approved by the minister of domestic affairs, who supervised the self-governments and had the right to dissolve them in the case of a legal offence. The administrative body comprised of public servants, who, therefore, were entitled to appropriate protection and were responsible to the minister.

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[140] Dréhr, Die Soziale Arbeit in Ungarn. 42-44.; Lőrincz, A munkaviszonyok szabályozása Magyarországon. 192-204.
[141] Kovrig, Magyar társadalompolitika. 124.
[142] For self-governance, see A magyar társadalombiztosítás ötven éve, 1892-1942. Budapest, 1943. 66-76.
[143] Kovrig Béla, A társadalombiztosítási választások eredményei. Társadalombiztosítási Közlöny, 1929. május-június. 3.; Kovrig Béla, A társadalombiztosítási önkormányzati választások eredményéről. Munkaügyi Szemle, 1935. 5. szám. 1-22.

The government had the right to veto the budget of the self-government, its investment policy, the operation of health and other institutions of the self-government.[144] The government had a similar but more limited control over the company pension funds.[145] As a result, self-governments of social security funds in Hungary exercised their control function just as effectively as their Western European counterparts in the 1930s. Self-governments could even do some actual work for some time during the Second World War, assessing qualifications and the amount of benefits and participating in the definition of the funds' investment policies.[146]

The communist takeover brought about fundamental changes in the organizational form of the Hungarian social security system. The most striking difference in terms of organizational transformation was the fast and practically complete centralisation of the social security system rather concentrated between the two world wars anyway. The first step was the unification of OTI and MABI in 1949, followed by the merger of other independent institutions such as the OTBA (Országos Tisztviselői Betegsegélyezési Alap, National Clerk's Health Insurance Fund), company pension funds, etc., with the exception of the social security institutions of the railways.[147] And, more importantly, in accordance with the exclusive responsibility of the state, the fundamental principle of the communist welfare system, social security, the major welfare program, had been taken under state control already by the end of the 1940s, and from 1950 onwards social security funds were administered by the SZOT (Szakszervezetek Országos Tanácsa, National Council of Trade Unions) and the SZTK (Szakszervezeti Társadalombiztosítási Központ, Social Security Centre of Trade Unions), the latter fulfilling its task with through local branches. The SZOT had practically no authority to make decisions and was only an administrative executive body. The social security budget was incorporated in the national budget, that is, contributions and expenditures were not administered separately.[148]

The organizational form of social security had been restructured many times. In 1964 the SZOT Társadalombiztosítási Főigazgatósága (SZOT Central Administration for Social Security) was established, taking over the responsibilities of SZTK alongside with some governmental tasks, such as the drafting of social security laws or supervision. In 1984, social security related responsibilities of trade unions were taken over by Országos Társadalombiztosítási Főigazgatóság (National Central Administration for Social Security), now a formal governmental body. However, despite all these changes, social security was kept under exclusive state control until the fall of the communist regime. Social security expenditures were separated again from the national budget only as late as 1989, and a year later the national health service was also financed by the social security schemes.

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[144] Kovrig, Magyar társadalompolitika. 123.; Kovrig, A munka védelme a dunai államokban. 218-219, 238-239, 258-260.; For the self-governance see the reports of the National Social Security Institute, Az Országos Társadalombiztosító Intézet jelentése az 1940. évi működéséről. Budapest, 1941. 10-19.

[145] For state supervision, see Ladik Gusztáv, Jóléti intézményeink. Budapest, 1940. 265-277, 298-300.

[146] See the statement of Dr. Oswald Stein, ILO delegates, in his introductory lecture at the First International Social Security Congress at Budapest in 1936, as reported by Kovrig, Magyar társadalompolitika. 123.; Kovrig, A munka védelme a dunai államokban. 238-239., 258-260., 273-274.

[147] A magyar társadalombiztosítás húsz éve. 6.

[148] For the social security after the years following the Second World War, see Laczkó, A magyar munkás- és társadalombiztosítás története. 156-176.

The increasing role of the state after the Second World War is reflected by the distribution of social security revenues. As we showed earlier prior to the Second World War only a small percentage of these came from the national budget, which then increased to 37.1% and 43.6% by 1960 and 1980, respectively. This basically conforms to Western European figures, however, with the role of the state as an employer also taken into account, Hungarian figures will significantly surpass Western European ones. The change in the contributions paid by employees is another sign of the new welfare concept of the state. Prior to 1945, with the exception of accident contribution, which was completely covered by employers, half of the contributions was paid by the employee, which fell to 13-15% in the coming years and both in 1960 and 1980 their level was lagging well behind West European figures in proportion to the total revenues of social security schemes (Appendix).[149]

At the end of the 1940s, communist Gleichschaltung eliminated all types of control over social security by self-governments, and these institutions, were not restored again in the communist era. The central role assigned to trade unions in the operation of the welfare system meant, by definition, the violation of the self-government principle, as qualification for social security and trade union membership did not necessarily coincide. Although trade unions and their local branches could have represented interests of thee social security clients, having acted as ”transmission belt” of the communist party, they were incapable of fulfilling this task. Regarding the control-rights of the clients of social security, it was even of higher importance than the lack of self-governments, that the state operating the system was not subject to democratic control either, a unique feature as compared to the practices of Western European countries. Although the communist regime obviously made efforts to consider the interests of those eligible, no democratic mechanisms institutionalised to articulate these interests. The communist leadership was hostile even in the era of soft dictatorship to all initiatives that questioned its monopoly – or, rather, its claim to monopoly – in welfare in any way. Authorities, for example, deployed police forces in the 1970s to isolate and eliminate the SZETA (Szegényeket Támogató Alap, Fund Aiding the Poor), a civil initiative.[150]

In tandem with the organizational merging of social security into the party state bureaucracy, control mechanisms of the social security system over the clients also took new forms, moreover, social security became part of the mechanism of control and discipline of the one-party state.[151] ”Sick pay tricksters” and ”pretenders”, those not qualifying for social security benefits and still obtaining them, had been fought against already at an early stage, from the speech of Mátyás Rákosi at the Third Congress of the Communist Party in 1948. The intervention of authorities resulting in a long sequence of prosecutions intensified in the following years, with more than 6,000 prosecutions of social security frauds initiated by the authorities in 1952 alone. After 1954 the system became less repressive and prosecutions became scarce but the problem of welfare frauds reappeared on the agenda of the regime from time to time in the next few decades.[152]

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[149] A magyar társadalombiztosítás húsz éve. 12.; Maltby, Social Insurance in Hungary. 209-210.
[150] Deacon, Social policy and socialism. 155.
[151] For the broader control functions of the welfare system, see Philip K. Armour and Richard M. Coughlin, Social Control and Social Security: Theory and Research on Capitalist and Communist Nations. Social Science Quarterly, vol. 66 (1985): 3, 770-788.; Pierson, Beyond the Welfare State? 53-56.
[152] Ferge, Fejezetek a magyar szegénypolitika történetéből. 162-167.; Huszár Tibor, Gondolatok a munkaerkölcsről. Budapest, 1982. 126-127.

5. Summary

In this study we examined the development of welfare systems in Hungary and Western Europe in the course of the so-called ”short 20th century” (1918-1990) from a long term comparative perspective. An effort was made to incorporate important characteristics besides the changes in expenditures most frequently analysed in the literature and to focus on aspects of analysis allowing for long term investigations as well as the assessment of the dynamics of changes and not biased regarding any welfare system. Accordingly, the most important areas under investigation included the relative levels of social expenditures, the basic structural characteristics of welfare institutions, social rights, organisational forms of welfare programs and the realisation of the right to control by the clients of welfare schemes.

Convergent and divergent processes between Hungarian and Western Europe were in the focus of our comparison. In addition, largely due to practical considerations, such as the availability of data, it was not the whole of the welfare sector we analysed. Rather, we primarily compared the development of social security systems. Although this may lessen the validity of the results regarding the whole welfare systems, we believe that the central significance of the areas targeted makes them appropriate to show major tendencies of the development of the welfare sector.

The comparison we carried out was asymmetrical in its nature. As a result we could study individual Western European societies to a considerably lesser degree than Hungary. The comparison, however, made it possible to refine some of the existing notions of 20th century Hungarian welfare development and might contribute to a new interpretation of welfare both in the interwar and communist period.

One result of such significance is related to the level of welfare benefits in the first half of the 20th century. Due to the lack of appropriate data and methodological problems both in the case of Hungary and Western Europe, considerable difficulties arise in the comparison of welfare expenditures. Still, based on the definitions of welfare services most often applied by international organisations (ILO and OECD) and in international research, it can be stated that although Hungary did lag behind Western Europe in welfare expenditures relative to the GDP all through the period examined, the difference is smaller between the world wars – and greater in the second half of the century – than has been supposed in the scarce literature on the

subject. Furthermore, when also taking into account the benefits of those in public employment, expenditure levels appear high even in a Western European comparison in the interwar period.

Nevertheless, due to the lack of long-term data sets it is hard to make any definitive statements about the first half of the century regarding the convergence/divergence of Western European and Hungarian welfare expenditures. Considering trends in Germany, intensifying Hungarian welfare legislature in the late 1920s and in the 1930s as well as the welfare programs launched in this period provide sufficient grounds only to formulate the hypothesis that social insurance and social security expenditures in Hungary converged to those of Western Europe in the 1930s.

In the pre-Second World War period the developmental direction of Hungarian welfare institutions coincided with Western European trends. On the one hand, the early introduction of social security in comparison with Western Europe and the timing of programs in accordance with Western European trends made social security and the assimilated schemes the most important instrument of welfare policy in Hungary, too. In addition, convergence, but at least similarity can be seen in the differentiation of social security programs and in the structure of social security. Although the pace of differentiation is difficult to measure, the maturing of health insurance in Hungary in the first half of the century is obvious, which considerably expanded the types of services financed by social security even in a Western European comparison. Similarly to many countries in Western Europe, the growth of expenditures on pensions was the most rapid in Hungary, too, making it the most important among the programs.

The comparison of the social security development of interwar Hungary and Western Europe in the area of social rights reveals a dichotomy. On the one hand, the available data indicate that the ratio of those covered by social security schemes was rather low in Hungary, and diverged from the Western European level. On the other hand, however, the relative level of benefits, especially as regards state employees largely approached the conditions in Western Europe and with the maturing of the generous 1928 pension insurance further convergence could be expected. Interwar Western European trends were also reflected in the changes of the qualifying conditions for social security benefits. The means-test principle was assigned a secondary role behind the insurance principle and specific qualifying conditions such as the age limits and waiting period of pension insurance, or the waiting period of health insurance also approached Western European standards. At the same time, the pattern of coverage with high benefit levels conforms to the Bismarckian tradition, and constitutes the application of the Bismarckian principles to a dominantly agrarian society with a relatively small working class.

Before the Second World War the organisational features of Hungarian social security programs resembled those of the countries following Bismarckian principles. Similarly to Germany and Austria, programs were introduced in the form of compulsory insurance. The unique feature of Hungarian development is the centralisation that took place within the framework of this system. Moreover, several types of schemes had self-governments before the First World War and in the 1930s, which operated just as democratically as many of their Western European counterparts.

Turning to development in the second half of the century, in welfare expenditures the most striking feature of the communist regime just establishing itself was the moderate nature of welfare efforts both compared to efforts in Hungary in the interwar period and in international comparison. In terms of social insurance expenditures, social security expenditures and social expenditures relative to the GDP, Hungary diverged from Western Europe until the end of the 1970s. Moreover, in 1980 Hungary was still more behind the West than in 1930.

Regarding the relative levels of Western European and Hungarian welfare expenditures, the 1970s or, rather, the 1980s may be seen as the beginning of a new era. In terms of social insurance and social security expenditures the gap was narrowing from the 1970s, a process accelerating at the end of the 1980s. This was due to, first, the recession in Hungary that was reflected in the stagnation of the GDP, and, secondly, also the stagnation of Western European social expenditures. This dynamics does not hold for total social expenditures, as these also show divergence between Hungary and Western Europe in the 1970s and 1980s, with the exception of the last few years of the observed period, mainly due to an increasing uniformity of the countries of Western Europe.

In the realm of the institutional features, differences between Western Europe and Hungary began to increase from the middle of the century as well. The changes in the functions of social security were specifically contradictory in communist Hungary. On the one hand, the elimination of traditional institutions of poor relief increased the significance of social security programs, and, on the other, the influence of social policy in other areas, which enjoyed relative autonomy in Western European societies (such as price mechanisms or the labour market), decreased the importance of social security within the whole welfare system. The differentiation of social security programs continued in Hungary but with priorities different than in Western Europe, with its prime considerations related to the efficiency of production and the mobilisation of the work force. The differences in the relative significance of institutions are also shown by the structure of expenditures. In the first two decades, the most important characteristic was the low ratio of pension-related expenditures and the relatively high ratio of those receiving health care compared to Western Europe. The changes observed between 1960 and 1980 signalled an advancement toward Western European pattern only in the growth in the proportions of pension expenditures. As regards other expenditure items, the trends were opposite. In contrast to Western Europe, the relative decrease in health expenditures and the opposite process in family benefits represent especially strong divergences. As a significant difference, it is also important to mention the complete lack of unemployment expenditures in Hungary.

After the Second World War the degree of coverage increased at a significant pace in Hungary, with ratios close to the Western European average even in the first decades. In contrast, the politically motivated discrimination of certain social groups, most of all, farmers, in the 50s meant more of a divergence from Western Europe regarding qualifying conditions, even if these could not have been regarded unified for all walks of social security in the given period either. The marked levelling off in the level of benefits, even eliminating rights obtained earlier, is another characteristic of the early communist welfare system that had no parallel phenomenon in the West. The level of benefits relative to earnings was also low in comparison to Western Europe. However, the crudest forms of discrimination were eliminated in Hungary in the second half of the 1950s. The growing significance of the solidarity principle of the 1960s and 1970s in the area of qualifying conditions, paired with the rapid increase of the coverage, can be regarded as moves toward universality in accordance with Western European processes. Moreover, in Hungary the whole population was covered by social insurance sooner than in most Western European countries. The relative level of benefits does not turn out so favourably in a Western European comparison, although the ratio of pensions relative to earnings corresponded to the Western average in the early 1980s. By the 1980s in Hungary an increasing number of benefits were granted on the basis of citizenship, and from the mid 1970s all in kind benefits of health care belonged to this category, similarly to the British or Swedish systems. At the same time, other important social security services, e.g. pensions or sick pay were closely tied to the contributions paid, regarding both their qualifying conditions and their levels, which is similar to the Western European welfare type called conservative or corporatist. These similarities to a different type of Western European welfare regimes suggest that by the 1980s the Hungarian social insurance system applied a combination of elements customary in Western Europe as qualifying conditions. Although this is not a distinct feature compared to the interwar period, in this area it signals a new convergence to Western Europe in contrast to the 1950s.

Thus, besides the characteristics discussed earlier (for example in the structure of expenditures, in the functions of social insurance and in the principles of qualification) the Hungarian welfare – or, rather, social security – system shared features both with the Scandinavian social democratic and the continental Western European conservative models by the end of the period under examination. At the same time, after the Second World War a strong divergence began to appear between Hungary and Western Europe with regards to organisational issues in social insurance and such differences basically persisted all through the communist period. In most Western European countries the state commanded an increasing role in the operation of social insurance in the decades following the Second World War. However, the complete nationalisation of social security in Hungary allowed considerably greater influence for the state than anywhere in Western Europe and resulted in an organisational construction unknown there. Until the mid 1980s the operation of social security was in the hands of trade unions, themselves an organic part of the power structure of the party state. In addition, there was no democratic control of any kind over social security schemes. Elected self-governments did not exist and the lack of democratic control over the state administration made even indirect control impossible, thus turning this aspect of social security into the welfare area where divergence from Western Europe was of the greatest degree.

Furthermore, one of the most important lessons of the study of Hungarian welfare development is that neither economic nor other factors are able to explain the characteristics of the emergence and development of welfare programs in themselves. That is, there is no single-cause explanation of the emergence and development of the welfare state. Moreover, the determinants of development changed over time and individual determinants had different relevance in different periods. On the one hand, it is indubitable that there existed a correlation between socio-economic development and the development of welfare systems in Hungary, too. Economic development and, in its wake, the changes in demographic factors and the maturing of programs contributed to the long term development of social security programs. On the other hand, however, the emergence of welfare programs or their timing is not explained in the least by the level of socio-economic development. In contrast, diffusion, i.e. the demonstration effects of German and Austrian welfare legislature and practice could have had an important role in this. Political factors such as the constitutional monarchy, the legitimisation claims of the elites, the relative weakness of liberalism and national emancipatory efforts vis-à-vis Austria promoting industry are additional factors influencing the expansion of social security programs at an early date, to workers and in a compulsory form. In the interpretation of the interwar development the political constellation, i.e. the political influence of Christian parties and the assertion of landowners' interests, can also be attributed greater weight than economic and social conditions. The welfare system of the communist era was not simply defined by economic and social development, either. The dynamics of the changes were influenced to a much greater degree by ideological and political factors, crises, and legitimisation efforts.

All this discussed above can have important consequences regarding the study of social convergences. The convergence theory of the 1960s claimed that important features of societies become increasingly similar in

the process of modernisation, independent of political regime and cultural or other characteristics, merely as a result of needs and possibilities created by technological and economic development. Hungarian welfare development contradicts this, because differences in this area were diminishing in the first half of the 20th century, to be on the rise in the second between Western Europe and Hungary. As regards demographic and family development, discussed elsewhere, convergent and divergent processes in the respective periods were even more pronounced. These trends reflected the changes of the political system, especially its strong divergence from Western Europe following the Second World War. Although Hungarian welfare development studied here does not necessarily contradict that economic and technological change may bring about social convergence, it calls attention to the circumstance that this convergence can be hindered by differences in political conditions.

Appendix

Indicators of welfare development in Western Europe and Hungary, 1900-1990

Year	Hungarian data (1)	West. Eu. mean (2)	West. Eu. standard deviation (3)	West. Eu. coeff. of variation	Standardized Hungarian data = (1–2)/3
		Social insurance expenditures (as % of GDP)			
1930	(1.60)	2.53	1.67	.66	(-.56)
1940	(2.70)	4.30	.	.	.
1950	3.20	4.99	1.62	.32	-1.11
1960	5.00	7.23	1.47	.20	-1.51
1970	7.50	11.12	1.86	.17	-1.94
1980	11.50	15.45	3.59	.23	-1.10
1990	14.50	16.86	5.10	.30	-.46
		Social expenditures of central government (as % of GNP)			
1890	.	.67	.30	.44	.
1900	.	.79	.38	.48	.
1910	.	.99	.46	.47	.
1920	.	1.18	.68	.58	.
1930	.64	2.16	1.42	.66	-1.07
		Social security expenditures (as % of GDP)			
1950	3.80	9.38	2.88	.31	-1.94
1960	5.80	11.43	2.38	.21	-2.36
1970	8.90	15.77	2.96	.19	-2.32
1980	14.20	22.82	5.12	.22	-1.68
1990	18.40	24.03	5.77	.24	-.98
		Social expenditures (as % of GDP)			
1950	.	12.31	3.57	.29	.
1960	11.30	15.62	3.50	.22	-1.24
1970	13.90	21.44	4.33	.20	-1.74
1980	19.60	29.99	5.84	.19	-1.78
1990	27.80	30.23	5.19	.15	-1.32

Distribution of social security expenditures and family allow. in 1960 (%)					
Health care	33.1	15.39	9.61	.62	1.84
Pensions	38.7	49.98	11.31	.23	-1.00
Unempl.	.00	4.32	4.09	.95	-1.06
Family allow.	12.20	17.28	10.66	.62	-.48
Others	16.00	13.02	5.31	.41	.56
Distribution of social security expenditures and family allow. in 1980 (%)					
Health care	17.50	30.32	7.52	.25	-1.70
Pensions	55.10	45.99	9.94	.22	.92
Unempl.	.00	6.45	5.56	.86	-1.16
Family all.	13.30	8.04	4.47	.56	1.18
Others	14.10	9.19	3.61	.39	1.36
Distribution of social security revenues in 1960 (%)					
Employees	13.10	20.78	10.12	.49	-.76
Employers	49.20	34.73	17.80	.51	.81
Special taxes	.00	.36	.86	2.37	-.42
From governm.	37.10	39.71	21.97	.55	-.12
Capital rev.	.10	2.95	3.00	1.01	-.95
Others	.40	1.46	2.11	1.45	-.50
Distribution of social security revenues in 1980 (%)					
Employees	14.60	19.15	12.76	.67	-.36
Employers	41.10	36.69	13.69	.37	.32
Special taxes	.00	.22	.54	2.52	-.40
From governm.	43.60	40.0	19.87	.50	.18
Capital rev.	.00	3.15	2.94	.94	-1.07
Others	.60	.78	.93	1.18	-.20

Coverage of employment injury insurance (as % of economically active population)					
1900	.	16.17	20.39	1.26	.
1910	.	30.67	22.72	.74	.
1920	.	39.85	22.77	.57	.
1930	39.00	50.46	14.45	.29	-.79
1940	35.00	52.92	17.18	.32	-1.04
1950	47.00	60.77	16.33	.27	-.84
1960	85.00	71.54	14.79	.21	.91
1970	97.00	78.15	12.52	.16	1.51
1980	100.00	85.13	13.24	.16	1.12
1990	100.00	88.88	17.85	.20	.62
Coverage of health insurance (members as % of the labour force)					
1900	.	9.83	12.56	1.28	.
1910	.	15.42	18.61	1.21	.
1920	(25.00)	33.23	30.46	.92	(-.27)
1930	(27.00)	46.62	28.00	.60	(-.70)
1940	(27.00)	56.58	28.89	.51	(-1.02)
1950	47.00	66.69	29.44	.44	-.67
1960	85.00	73.69	28.41	.39	.40
1970	97.00	90.23	12.85	.14	.53
1980	100.00	93.40	8.81	.09	.75
1990	100.00	97.40	5.27	.05	.49
Coverage of sickness cash benefits (insured persons as % of the labour force)					
1900	.	9.83	12.56	1.28	.
1910	.	15.42	18.61	1.21	.
1920	25.00	33.23	30.46	.92	-.27
1930	27.00	46.62	28.00	.60	-.70
1940	27.00	56.58	28.89	.51	-1.02
1950	46.00	66.69	29.44	.44	-.70
1960	63.00	73.69	28.41	.39	-.38
1970	79.00	90.23	12.85	.14	-.87
1980	83.00	93.40	8.81	.09	-1.18
1990	(100.00)	97.40	5.27	.05	(.49)

Coverage of pension insurance (members as % of the labour force)					
1900	.	5.83	15.21	2.61	.
1910	.	8.25	16.54	2.01	.
1920	.	22.69	31.31	1.38	.
1930	16.00	44.00	36.40	.83	-.77
1940	30.00	66.83	32.48	.49	-1.13
1950	47.00	76.85	22.77	.30	-1.31
1960	85.00	90.54	11.49	.13	-.48
1970	97.00	92.69	10.53	.11	.41
1980	100.00	95.90	6.94	.07	.59
1990	100.00	98.50	4.74	.05	.32

Notes: Brackets refer to serious limitations in the comparability of data.
Sources: For Hungarian data see Tables 1-18, in Bela Tomka, The welfare state in 20th century Hungary in comparative perspective (Unpubl. Manuscript).; Western European data are own calculations based on Tables 1-18 in the same work.