

# **DOCTORAL PhD THESIS**

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**MAIN SOCIAL AND ECONOMIC ASPECTS OF SICK-PAY**

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# 1. PRELIMINARIES AND OBJECTIVES OF THE STUDY

The healthcare system and its financing is one of the topics that we are always talking about. The actuality of this theme is based on the fact that services provided within frames of health insurance can hardly meet needs, not to mention demands. Debates on changes of health insurance focus on provisions in kind (healing and preventing provisions, financial support for medication), because expenditures of provisions in kind form the vast majority of costs financed by Health Insurance Fund. (Between 1996 and 2006 the 58-68 % of costs financed by Health Insurance Fund belonged to the group of healing and preventing provisions and medication). Although we speak much less about provisions in cash (sick-pay, confinement benefit, childcare allowance), it is important for active wage-earners insured to replace their salary lost in case of sickness, accident, child-birth and later while caring children by provisions in cash provided by health insurance. Among provisions in cash the sick-pay is the most important one since on average 100 persons per day avail of this provision. Health Insurance Fund spent 100 billion Hungarian forints on it in 2006, which was 32% of total expenditures of provisions in cash.

**The aim of my thesis paper:** detailed examination of sick-pay in the Hungarian Health Insurance system from the aspects of **availing of** and **financing**. My study covers:

- *Survey on factors that influence availing of sick-pay*
- *How the original aim of sick-pay can make its way*
- *How sick-pay is financed and expenditures of sick-pay are changed in future.*

## 2. MATERIAL AND METHOD

The theoretical part of my study was developed according to the following points of view: defining the concept of social insurance; making its taxonomic place clear and defining sick-pay; outlining the theoretical model that backs up examination of the sick-pay system; processing theories and researches in accordance with the specialised literature; national and international researching trends related to availing of sick-pay; simulating methods applied in the field of social insurance and results of public political analyses (definitely in the field of social policy).

The practical part of my study is based on a secondary research. I acquired data from different sources to be able to analyse sick-pay multilaterally: I acquired data (about sick-pay) from National Health Insurance Fund and its predecessors, and from Statistical Almanac issued by Central Statistical Office (eg. data about demography). I used data (about changes of the average gross wages from 2007 to 2009) provided by Economic Research Institute, then I applied forecast on changes of employment included by Convergence Program of 2007-2011 of the Hungarian Republic.

**2.1 Discovering factors that determine availing of sick-pay:** I used data about sick-pay cases ended in 2004 or 2005, which were summarised quarterly on the basis of settlements<sup>1</sup>; furthermore I applied demographical and economic indices related to settlements and counties. I defined the aim-variables for the number of days spent on sick-pay per a thousand inhabitants at the level of settlements (sick-pay prevalence); sick-pay cases per a

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<sup>1</sup> Cases in which sick-pay is availed of by employees on their own rights. The code for this kind of sick-pay is "8" – other cases of incapability of earning and pregnancy endangered. It does not include works accident, occupation disease, road accident, other accidents, caring for children, and incapability of earning due to pregnancy or childbirth, and prohibition of working due to public health reasons or official isolation.

thousand inhabitants, (incidence); and days on sick-pay per person. I modelled aim-variables with help of the method regressive changing-selection, while searching data connected that influence their value the most.

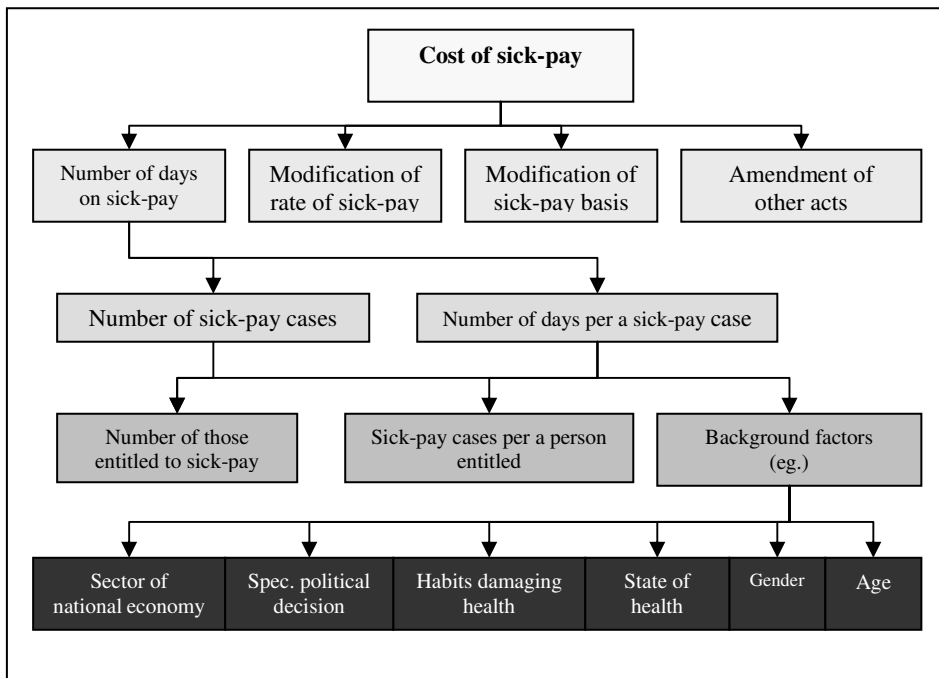
**2.2** Using acts on social insurance I revealed opportunities related to entitlement to sick-pay provided for different groups of the society. On the basis of a long period of time (1955 to 2004) **I compared data about sick-pay within different economic sectors.** It is based on the sick-pay database organised in accordance with TEÁOR. Indices used during examination are as follows: distribution of persons entitled to sick-pay in various economic sectors; proportion of those entitled out of active wage-earners; proportion of those availing of sick-pay out of those entitled; number of days spent on sick-pay per a case. Using the method of statistics describing data I applied distribution, dynamic (chain and basis) and intensity ratio in the analysis.

**2.3** In accordance with the Act of 1997 No. LXXXIII. on services provided within frames of obligatory health insurance I looked for delicate points that are restricted by regulations on sick-pay or decrease entire success of **function of sick-pay to substitute the wage lost.** So as to define all above I paid regard to minimum wage as the base of sick-pay, the rate of sick-pay availed of and the circle of incomes that can be counted in the base of sick-pay.

**2.4 Within frames of the funding system for sick-pay** I am the first one to define the probable value of the natural indices of sick-pay and the expenditures of sick-pay from 2008 to 2010 on the basis of facts and with the help of a trend-function. Then I analysed the effect would have been imposed if the act related had not been amended to decrease the cost of sick-pay. In addition, I took the effect taken by economic changes (number of employed ones and the average monthly gross earnings) into consideration to prognosticate indices.

### 3. RESULTS

The complex analysis of sick-pay deals with factors that connect closely with one another and play role in changes of expenditures. These are, for example, effects imposed by changes of the number of the insured in connection with changes of employment, changes of the natural indices of sick-pay, effects taken by amendment of acts, changes of earnings (gross average monthly earnings), and other so-called background factors (gender, age, state of health, occupation, etc.).



**Graph 1.: Aspects of sick-pay**  
(Source:Compilation on my own)

#### 3.1 Analysis of availing of sick-pay while using data about settlements

In this paragraph I tried to find the answer to the following question. **What kind of factors can influence a person when deciding to avail of sick-pay?** Regression models (see Material and Method) explain the following proportion out of all variants of aim-variables.

- A. Number of days spent on sick-pay per a thousand residents (prevalence)  **$R^2 = 0,39$** ;
- B. Number of sick-pay cases per a thousand residents (incidence)  **$R^2 = 0,29$** ;
- C. Number of days spent on sick-pay per case  **$R^2 = 0,29$** .

Despite of weakness regressive results can be regarded as significant in consequence of their special characteristic features. Data that were not counted in the calculation provide interpretation of the variance remained (e.g. types of diseases on which the sick-pay is based, individual features of settlements, coincidental circumstances at individual and national levels and at the level of settlements respectively, etc.). Availing of the sick-pay is also influenced by a couple of social factors that cannot be expressed in numbers. These days' typical phenomena are having fear for losing jobs or the financial tension causing by incapability of earning, and physiological peculiarities can also be found in the background. Availing of sick-pay mostly depends on the user's gender and age out of explaining variables. I regarded the group of 38-47-year-old men as the comparison (zero) level. Availing of sick pay is 62.1% lower than the level zero for 18-27-year-old men and 69.2% higher for 48-59-year-old men.

As the age increases, availing of sick-pay changes due to increase in frequency and duration of diseases. The group of 28-37-year-old women diverse from this tendency (23% higher). The background is pregnancies endangered that demand long and lots of cases of sick pay. In this case there are 55% more sick-pay cases per a thousand inhabitants, and a case is 43.5% longer on average.

In both cases the youngest age group avails of the shortest sick-pay cases and spends the least days on sick-pay per a thousand residents. Men of every

age-group examined avail of sick-pay in fewer cases than women. Reasons for this fact are biological and social differences, different lifestyles (smoking, consumption of alcoholic beverages, etc.) and different frequency of seeing a doctor, since women go to doctors more frequently than men do. Regarding a thousand residents as a basis, difference between availing of sick-pay by men and women is the smallest in the age group of 48-59-year-old ones. (It is 18.7% as compared to the comparison (zero) level.)

There is direct proportionality between the number of residents and the quantity of days spent on sick-pay per a case and per a thousand residents respectively. (Except the group of residents living at settlements of 2000 - 4999 persons. In this case the number of sick-pay cases is lower than at the settlements of fewer than 2000 residents.)

Availing of sick-pay is connected with two basic social risks, aging society and unemployment. In settlements of few residents where the proportion of elderly people is high, fewer people avail of sick-pay, because pensioners are not entitled to sick-pay. In remote villages the number of unemployed ones that are not entitled to sick-pay, either, is high. The least people avail of sick-pay in settlements of fewer than 5000 residents. In this case the number of days spent on sick-pay per a thousand residents is 31.8% lower than in case of middle-size settlements of 10 000-49 999 residents, which is the comparison (zero) level in my study. In cities (above 50 000 residents) this index is 8-12.1% higher due to a huge rate of active wage-earners.

The number of employed ones, which is the dominant explanatory variable, strongly influences differences of availing of sick-pay between different settlements and regions. If the number of employed ones per a hundred residents is increased by 1, the number of days spent on sick-pay per a thousand residents rise 2.2% on average. In bigger settlements the

employment rate is higher than in smaller ones; even regions differ from one another a lot. Regions in the order of increasing availing of sick-pay are as follows: Southern Plain, Southern Transdanubia, Northern Plain, Middle Hungary, Western Transdanubia, Middle Transdanubia and North Hungary (base of comparison). In the regions Middle and Western Transdanubia, which are much more developed economically than other regions, the average number of days spent on sick-pay per a thousand residents was more than in other regions. People living in territories where earnings are lower (Southern Plain, Northern Plain and Southern Transdanubia) cannot afford temporary loss of earnings, and they probably go to work while feeling sick. It is also a disadvantage that in these territories the economy is mainly based on agriculture. The changing of the employment rate in the agriculture declines and its negative effect increases uncertainty of existence in the countryside.

The examination shows connection between certain demographic indices (such as birth alive, death, divorce, marriage, moving in) and prevalence of sick-pay. For example, in case the number of ones born alive is increased by 1 %, prevalence is increased by 4.3 %.

### **3.2 Sick-pay in different sectors of economy**

This chapter analyses the effect taken by the so-called rear factor (place of employment) that is one of those influence availing of sick-pay. (It has never been examined before.)

It covers mainly peculiarities of sick insurance in the field of agriculture and differences of availing of sick-pay in various sectors of the national economy.

Laws on social insurance have handled certain groups of the society especially in negative sense. Agriculture workers belong to this group, as



their sick insurance, entitlement to sick-pay and old-age pension insurance were arranged later than for those working in other sectors of the national economy. For a long time the social insurance remained the same as it was at the turn of the century when it was created: privilege for industrial workers and mainly for those working in the large-scale industry (**Szikra, 2008**). In spite of the fact that the Act of 1900 No. XVI. created the accident insurance for farm-servants, which was functioning as the only type of insurance in the agriculture for a long time. The order No. 6180/1945. ME. was regarded as a very significant milestone that extended the effect of sick insurance for agricultural workers owing a farm smaller than 1 cadastral acre. As a result these agricultural workers were provided with the same sick insurance as industrial workers (**Laczkó, 1968; Bodó Pálné et al., 1985**).

The number of those entitled to provisions increased as social insurance was extended and rules on sick-pay were unified. On the other hand, the number of those entitled to sick-pay in the agriculture was still few (18% of employed ones) in the middle of the last century, and the rate of availing of was low as well (2.2%). At the same time in the field of industry the proportion of those availed of sick-pay was twice as much (5%), and the proportion of those entitled to sick-pay (48.5%) was the highest here as compared to other sectors of the national economy. This tendency remained the same up to the middle of the 1980s, when the service providing sector took over the lead.

Up to 1990 the rate of those availed of sick-pay in the agriculture was under the rate of that was typical of the national economy. (In 1990 the rate achieved 7.2% in the agriculture while it was 6.9% in the level of national economy). Later in the 1990s in the agriculture availing of sick-pay was different in various parts of the country. These differences even were bigger in the agriculture than in the industry. A sick-pay case in the agriculture took

23 days on average that was a bit longer than an average sick-pay case of 21 days in the industry.

Changes in the labour market during changing of regime were also indicated by natural indices of sick-pay, availing of reached the top at the level of the national economy. The crowd losing jobs availed of sick-pay as a temporary solution to their problems.

The economic importance of the agriculture has been decreased since the political regime changed in Hungary, and it made itself felt in the social insurance, too. The roots of this effect were as follows: losing national markets (decrease in living standard to a considerable extent) and international markets from 1990 to 1994 (Council for Mutual Economic Assistance broke up); then the industry and especially the service providing sector were developed. From 1990 to 2006 approximately 800 thousand people left this sector. The decreasing number of those entitled to sick-pay in the agriculture reflects this fact. Decrease in the employment rate in the agriculture has continuously increased social uncertainty. The number of those ones availing of social insurance services either legally or in their own rights declines. In the past employees of big factories were covered by social insurance (**Varga, 2002**). But the social insurance for self-employed agricultural workers is reprehensible. According to statistical data, in 2006 approximately 190 thousand people worked in the sectors of agriculture, forest- wildlife- and fish farming. Some 90 thousand persons out of them were covered by health insurance. Despite of being employed statistically, the rest made a precarious living. Most of them were not covered by pension insurance, either (**MOSZ, 2007**).

### **3.3 Examination of success achieved by original role played by sick-pay**

I looked for answer to the following question: **To what extent can sick-pay replace the wage lost within frames of the present-day sick-pay system?**

**A.) Minimum wage as the basis of sick-pay.** I classified those ones availed of sick-pay in 2006 on the basis of their monthly average wage. The 33.5% of them were given sick-pay based on the minimum wage or even smaller amounts. From 1992 to 2006 the minimum wage was 40% lower than the average wage. I examined the wage-replacing role played by the sick-pay as compared to levels of the minimum of subsistence for different types of families fixed by Central Statistical Office.

Let see an assumed case, and say there was a family raising two children in 2006, and both parents, who earned minimum wages, lost their jobs. In case they both earned minimum wages and got child benefit for two children, the monthly gross income for the family was less than 200% of the food-normative (113 912 Hungarian forints) for this type of households. This amount was 60 459 Hungarian forints less than the minimum of subsistence for this type of families (174 371 Hungarian forints /month). If merely one of the parents lost job and got a sick-pay of 70% level, the loss of income was 44 121 Hungarian forints. If the rate of the sick-pay was 60%, the monthly income of this family was 50 371 Hungarian forints less than the subsistence level. In 2006 the net value of the minimum wage, which was 54 063 Hungarian forints, was 6 065 Hungarian forints less than the minimum of subsistence (**HR portál, 2008**). The net value of the minimum wage was 10 313 Hungarian forints more than the sick-pay fixed as 70% of the minimum wage, and it was 16 563 Hungarian forints more than the sick-pay fixed as 60% of the minimum wage. Consequently, if the sick-pay based on the

minimum wages had been as much as the net value of minimum wage, it would have still been much below the minimum of subsistence per person.

### **B.) The insured's position changed and proportions of those ones availing of sick pay**

The rate of those ones availing of sick pay tended to fall from 1994 to 1996, then it was stagnant for some years, and from 2003 it has decreased again. There are several reasons for this tendency. The unemployment rate, new employment category and concern about losing job make people avail of sick-pay where it is absolutely necessary. This phenomenon relates to the burden of sick-pay imposed on employers (15 days of sick-pay, and contribution to sick-pay with one-third).

In case of burdens like that mentioned above employers do not back up employees availing of sick-pay. The employers have to cover the labour force lost and besides they have to pay the contribution above. So, these days an employee avails of sick-pay if it is absolutely necessary. They are trying to arrive at a compromise, and do the most to meet employer's requirement to keep their jobs.

### **C. Group of incomes belonging to the basis of sick-pay**

Lately more and more mistakes have been made while creating the definition of the basis of sick-pay:

- Since 2002 incomes that constitute the basis of sick-pay, which is the amount get by one being incapable of earning, have been classified (as regular and irregular incomes). In addition, the government has several times narrowed the group of regular incomes.
- The average of the two groups of incomes above per a calendar year is calculated in different ways.
- While examining if the insured was received income for 180 days, only the regular income is taken into consideration. In case of self-employed

ones when calculating the amount of sick-pay, the income that constitutes the basis of the health insurance contribution is regarded as a regular income.

A couple of elements of the system show that predominance of economic political programmes aimed at reducing expenditures, and it led to flurry and antagonism.

### **3.4 Question of coverage and prognosis for costs of sick-pay**

Health Insurance Fund has had to cope with problems with sources ever since it was established. This phenomenon could be seen in case of financing provisions in cash. The expenditure of sick-pay, within frames of costs for Health Insurance Fund, stagnated at around 7% from 1999 to 2003 when it was increased up to 7.4%. The reason is *increase in the number and duration of passive sick-pay cases above the average*, and it was already 14% of the total expenditure of sick-pay in 2003. So as to stop further increase in expenditures in 2004 two significant steps were taken.<sup>2</sup> As a result, while the gross average income was rising (and the proportion of ones availing of sick-pay decreased), expenditures were decreased by 8.8 billion Hungarian forints if calculating at the prices fixed in 2003. The following year the nominal value of costs of sick-pay were increased by 0.8 billion Hungarian forints (0.8%), due to increase in the average wage. The tendency of changing expenditures and the financial situation for Health Insurance Fund made prediction of expenditures necessary. As a first step I predicted sick-pay indices influencing expenditures of sick-pay on the basis of facts and data between 2000 and 2006. As a second step, I took amendment of the Act of 1997 No. LXXXIII. enforced in April of 2007 into consideration.

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<sup>2</sup> It decreased duration of passive sick-pay, and made medical judgement on incapability of earning much stricter.

This amendment diminished the number of days of 90 to 45 that can be spent on sick-pay after insurance is cancelled. If the law had not been amended, Health Insurance Fund would have spent 100 072 billion Hungarian forints on sick-pay in 2007. Amendment saved 1.8 billion Hungarian forints for the Health Insurance Fund.

**Table 1. : Data of sick-pay estimated**

<b>Year</b>	<b>Number of sick-pay days, (million)</b>	<b>Cost of sick-pay per a day (Hungarian forint)</b>	<b>Gross average wage index (previous year =100%) adjusted (data from GKI )</b>	<b>Cost of sick-pay (million Hungarian forints)</b>
<b>2007 estimated</b>				<b>98 259.0<sup>3</sup></b>
<b>2008 plan</b>	31.6	3174.5	107.5	<b>100 314.5</b>
<b>2009 plan</b>	31.3	3330.0	104.9	<b>104 229.0</b>
<b>2010 plan</b>	31.2	3503.2	105.2	<b>109 229.9</b>

**(Source: Data from OEP and GKI; calculated on my own)**

On the basis of macroeconomic factors, in the following years the number of sick-pay days is supposed to decrease a bit. The reasons are as follows: the number of those entitled to sick-pay has slowly risen and the number of sick-pay cases and the average duration of sick-pay have decreased. Despite this fact above, expenditures will increase while (yearly) increase in average wage will slow down. (The sick pay is based on wages (mainly earned in the previous year) and the sick-pay days availed of.) In 2008 the expenditure of sick-pay paying out in case of incapability of earning is expected to reach 100.3 billion Hungarian forints, and it will be over 109.3 billion Hungarian forints in 2010.

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<sup>3</sup> When researching into this field, there was no data about 2007 available, accuracy of estimation is 99%, which justifies keeping results calculated. Data by 2007 is 97 389.5 Million HUF.

## 4. CONCLUSIONS

The sick-pay, which was introduced as long ago as obligatory insurance was, did not play the original role intended for decades. It means that sick-pay could not properly for a long time replace wage lost. The insured ones were not covered equally (type and place of employment). In the beginning there were big differences between sectors of the national economy. Then terms of entitlement were gradually unified, but the effect of improvement was felt slowly and a bit late in the agriculture.

Availing of sick-pay reached the top in the years of change of regime in both agriculture and other sectors; however, there were huge differences between territories. This phenomenon was connected with decreasing number of active wage-earners that are entitled to sick-pay.

Between 1<sup>st</sup> January 2004 and 31<sup>st</sup> December 2005 availing of sick-pay was - out of factors examined - mainly determined by the gender and the age of those availed of sick-pay. It was also influenced by the number of population of the settlements where those availed of sick-pay lived. Regional differences between numbers of days spent on sick-pay were definitely parallel with the economic development of regions, and the regional differences were more explicitly expressed by numbers of cases than the average duration of a case.

Examination of sick-pay threw light upon strict rules applied in this field. If strict rules are applied, why has it been a question repeated over the past few years to create rules on fixing sick-pay even stricter, decrease in the rate as well as duration of sick-pay? Trustee of the Health Insurance Fund tries to manage the fund strictly to compensate losses and restore a state close to balance. So as to ensure this tendency, the system of sick-pay gets the insured to meet strict requirement. The needy would expect provisions at

the level adequate in return for it, but they get only contradictory signs, such as the bases of sick-pay and contribution that are disadvantages to them.

Restrictive measures managed to slightly diminish expenditures of sick-pay by 2004. I would like to emphasise that as a result of shortening duration of sick-pay available after insurance is cancelled and making medical audition much stricter the cost of sick-pay was decreased by 11.7 billion Hungarian forints in 2004. From the following year, however, the nominal value of the amount spent on sick-pay increased again. The rate of increase was 0.8% in 2005 and 3.02% in 2006 as compared to the year of 2004.

The source of income for National Health Insurance Fund is given, so expenditures need adjusting so that the values of provisions in cash could be preserved while being allocated. The solution is to create a more advantageous allocation system. It is also important to “whiten” contributions and ensure the optimal level of contribution to be paid. The sick-pay should provide safe living for those availing of it in case of sickness, instead of playing a titular role.

Healthcare reform of these days has not yet been finished. Among others, problems such as “Which organisation will finance provisions in cash within frames of healthcare<sup>4</sup>?” arise (**EUM, 2007a**).

In my opinion financing sick-pay should stay within frames of the present system. Provisions in cash (eg. sick-pay) are related to sickness, giving birth to children and bringing them up, and they have always been an integral part of sick-insurance. They have nothing to do with old-age pensions. Incapability of earning is judged by a doctor. If provisions in cash were out of this system, it would increase importance of bureaucracy, because the

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<sup>4</sup> Hungarian Exchequer; National Pension Insurance Administration; National Institute for Expertising Rehabilitation and Social Cases, possible legal successor of National Health Insurance Fund.



patient should return to the branch of health insurance to see the doctor. In Hungary a lot of ones have abused the system for disabled persons, and a number of people have similarly escaped from unemployment to passive sick-pay. This is the common feature of these two provisions above; however, they are basically different. The aim of the sick-pay is to replace wage lost during incapability of earning. It means that sick-pay eases financial tension during the insured's sickness (etc.), so that the insured can finance costs related to their sickness and family. It helps the insured return to the labour market as soon as possible. Disability pension is given to patients that will not probably become 100% active wage-earners, so they might not pay contribution any more.

If the sick-pay and provisions in cash got out of the health insurance system, it would take the same effect on Heath Insurance Fund as restoration of the top level of contribution paying by individuals would do. Both of them would cut revenues as well as decrease costs. (In the first case provisions would get out of the system, and in the latter case the basis of the sick-pay would be smaller.) A survey proved that settling again the top level of contribution paying by the insured would decrease revenues more than how much has to be covered by Heath Insurance Fund as expenditures of provisions in cash (e.g. sick-pay, pregnancy and confinement aids). The reason is wages earned by those paying contribution differ from wages earned by those availing of provisions in cash. (The proportion of those earning a lot of money is higher than their proportion of availing of provisions in cash.) Therefore it is not worth renouncing a part of revenues, because in this case the cost would decrease at a lower extent.

Financing the present system is not freed from obstacles, because the sick-pay largely depends macroeconomic factors (amounts of wages, structure of employment, etc.), and on the basis of macroeconomic factors

future increase in costs are prognosticated. A dominant element of expenditures is, for example, the passive sick-pay that can be availed of after insurance is cancelled. Passive sick-pay can be controlled by legal regulation. That is why I compose potential amendments of acts in my suggestions.

While composing suggestions I tried to take present burdens imposed on employers in the sick-pay system, interests for the budget for Health Insurance Fund as well as the insured's interests into consideration. In my opinion employers bear lots of burden related to financing the sick-pay system. In foreign examples we can see cases where the employer provides even 100% of the wage for more than 15 days in case of incapability of earning. Therefore, the following question arises: "If the competitive position of Hungarian enterprises and businesses would be further ruined, how could they be compensated?"

## 5. NEW SCIENTIFIC RESULTS

**Long-term review on social insurance applied to agriculture, especially regulation on availing of sick-pay, and comparison with other sectors of the economy.** On the basis of my examination I stated that for decades those working in the field of agriculture received sick-pay in case of incapability of earning under more disadvantageous circumstances than those working in other sectors of the national economy.

**Discovering problems and contradictions within the sick-pay system and the system financing Hungarian health insurance.** The analysis has multilaterally proved the present sick-pay system's controversiality and financing difficulties.

**Mathematical-statistical analysis of factors on availing of sick-pay.** On the basis of data about sick-pay cases at regional levels with help of the method called regressive changing-selection I modelled factors determining Hungarian population's availing of sick-pay. I discovered close connection between certain demographic indices (gender and age) and availing of sick-pay. The number of residents of those ones' settlement that avail of sick-pay as well as location of settlements influences sick-pay prevalence and incidence.

**Prognosis on availing of and expenditures of sick-pay.** On the basis of the prognosis for the period of 2008 to 2010 I stated that expenditures of the sick-pay would increase slowly, which is based on the number of employed ones and the value of the gross average salary predicted.

## **NEW SCIENTIFIC RESULTS ACCEPTED BY THE APPRAISING COMMITTEE**

- 1. Elaboration of the simulation model for resolving actual social and economic situations in the field of financing health protection and health recovery.**
- 2. Applying indicators based on her search to reveal regional differences and demonstrate connection between availing of sick-pay and regional state of development.**
- 3. Elaboration of a bonus system for members of the society in order to protect their state of health.**

## 1. 6. PROPOSALS

### **6.1 SUGGESTIONS RELATED TO SICK-PAY SYSTEM:**

#### **6.1.1 RATE OF SICK-PAY:**

○ The rate of sick-pay should be differentiated on the basis of duration of paying out: below 30 days it should be 60%; between 30-90 days it should be 70%; more than 90 days it should be 75%.

Those entitled to sick-pay on their own rights and having covered for more than two years, depended on duration of incapability of earning, should be entitled to a higher rate of sick-pay than they receive these days. This opportunity would not apply to accident sick-pay (100%), passive sick-pay (60%-70%); those are nursed in hospitals (60%), and those having continuously been covered by insurance for less than two years.

#### **6.1.2 DURATION OF PAYING OUT PASSIVE SICK-PAY:**

On the basis of the length of being covered by insurance it could be divided duration of passive sick-pay in two.

○ In case of having been covered by insurance for 0 to 20 years, the length of passive sick-pay could last for 30 days;

○ In case of having been covered by insurance for more than 20 years, the length of passive sick-pay could last for 45 days if the insured was continuously covered in the past 12 months just before being sick.

Analyses definitely prove dominance of passive sick-pay in increase in expenditures. Considering the whole situation of health insurance, therefore, expanding duration of sick-pay available is not expected; however, further reduction is supposed. (Adopting together these proposals could save 3-3.5 billion HUF for the National Health Insurance Fund.)

### **6.1.3 BONUS SYSTEM:**

I suggest that a bonus system should be introduced. Similarly to obligatory insurance for vehicles it would grant advantages and awards to those insured that availed of sick-pay for a short period of time or did not avail of it at all during a certain period. According to my idea, it would be a system zoned that grants bonus points to the insured on the basis of duration of sick-pay availed of (e.g. 3 bonus points for not having availed of sick-pay for a year; 2 bonus points for having availed of sick-pay for 1 to 5 days over the previous year; 1 bonus point for having availed of sick-pay for 6 to 10 days over the previous year). Various services (such as package holidays, health preserving and medical treatments improving state of health, optical services etc.) could be availed of by beneficiaries. Naturally, patients cannot influence the commencement dates and frequency of diseases, but this system is very useful. This system does not punish but award the insured that is in contrast with the Hungarian attitude.

## **6.2 GENERAL SUGGESTIONS:**

### **6.2.1 PREVENTION:**

The population has to be made interested in preventing diseases by all means. It ends in a positive result in the long-term. Therefore, it is necessary to improve the population's living standard and their working conditions. Safety provisions for workers and healthy lifestyle (eating habits, doing exercises) should be much more emphasised on internet, radio, TV and in the press. These all above can indirectly promote decrease in number and duration of sick-pay cases.

### **6.2.2 VOLUNTARY MUTUAL HEALTH INSURANCE FUNDS :**

Advantages provided by membership of Voluntary Mutual Health Insurance Fund, which was established in 1993 (Németh, 1999), should be advertised for the wide circle of the population. Voluntary Mutual Health Insurance Fund makes possible for every member to supply provisions in cash financed by the obligatory pillar with a higher amount; it contributes to improving the level of provisions provided for patients; gives the feeling of being an owner; partly or entirely covers certain services such as diet programmes, using swimming pools and spas, etc.).<sup>5</sup> The group of services financed by voluntary funds will be widened. On the other hand, its disadvantageous aspects for individuals are as follows: it is voluntarily; and the investment can be used freely within frames of certain rules, so savings might be crumbled up. In addition, this form of insurance could be a solution for only strata earning relatively high wages. Disadvantage for the central budget is this form of insurance diminishes burdens imposed on the obligatory pillar, because savings are handled by an independent insurance network.

The first group of suggestions can improve the financing system by amending rules in effect and renewing frames of the present sick-pay system. At the same time diversification of rules could provide certain insured with a much intensive wage-replacing role played by sick-pay.

The other group of suggestions, basically relies on strengthening the element of self-provision. It is important that it is impossible to introduce it without establishing the institutional and organisational background. The problem is

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<sup>5</sup> The latest change of Personal Income Tax is disadvantageous, because in the past members could dispose over the amount derived from tax allowance, but now this amount can get back into the voluntary fund. It means that Tax Control Office does not transfer tax allowance to tax-payers, so the member cannot get it back, they can spend this amount within frames of the fund only.

in Hungary these days a lot of ones cannot save money due to high living costs. That is why it is so important to reach a higher level of living standard. Anyway, opportunities outlined above demand strict planning and careful execution. After overcoming difficulties, a dynamic sick-pay system would be created that could be maintained for a long time. This system is essential for a social security system existing in the European Union.



## **7. PUBLICATION ISSUED IN RELATION TO SUBJECT OF PhD THESIS**

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