

Julia Szalai:

The "Transition" and the Social Security

(An overview of the changing property-relations and their implications for social policy in contemporary Hungary)

Some months after the free parliamentary elections of April 1990, the new government announced its comprehensive and ambitious program for the first (three years long) phase of the "transition". The introductory words set off the priorities, as follows:

"The fundamental and all-embracing endeavour of the government is to carry out the systemic changes of the economy. Thus the program envisages the creation of a new, viable market-regulated economy. It should replace the malfunctioning order of the last forty years, that has been based on administrative interventions and repressive care of the state, accompanied by external isolation. The experiences of the successful West-European countries should be utilized in the process of creating the new economy, suitably adapting the lessons to the given Hungarian conditions. This new order will be an up-to-date European social market economy /1/, based on the primacy of private property and be integrated into the world-market." /2/

Given the central values of the social welfare-side marketization, underlined in several chapters of the above cited program, and repeatedly mentioned by the new politicians of the governing parties /3/ in their public speeches and writings, one wonders, why the notion has remained so hazy

until now, and why practically no intentions have been shown to go beyond their rhetorical advocacy. In fact, it has been a striking feature of the past one year since the elections, that the actual steps taken in the name of the transformation have been restricted exclusively to the narrowly defined "productive" spheres of the economy.

That is even more so in relations to the core-issue of the transition, namely in the new (though hesitating) regulations on the conversion of the given property-relations. The recently published numerous official and semi-official programs on the "privatization" /4/ have one characteristic in common: when speaking about the transformations of "socialist" ownership, they hardly ever go beyond the claims of changing the owners of state-dominated enterprises in industry, in agriculture, in transportation, in trading e.t.c.

Social services, institutions and organizations of the so-called public infrastructure seem to be "forgotten", both, in the discourses and in the crisis-management programs of the various agencies and responsible government-bodies. Here and there, some vague and unelucidated ideas are set afloat on the desirable future distribution of the wealth of the institutions administered by the former local councils or by the faceless "state" in healthcare, in education, in services for children or for the elderly. Their omission from the practical considerations on the changes of property-relations is all the more surprising, since they represent (according to some dubious expert-estimations) at least roughly 40-50 per cent of the national wealth.

Does it mean, that there are no changes in the spheres of "public consumption" /5/ at all?

Or, does it indicate, that the relevant processes are less controlled and that there are no social, political forces aspiring to become the ultimate owners of the wealth in question?

Or, are the actual processes anarchic, spontaneous, unregulated and chaotic?

Or, on the contrary: does the "silence" perhaps show, that they have already been drawn under more state-control, than before?

These questions seem to be crucial, even, if they are not very frequently raised nowadays.

The detailed answer will be given by future history, that has to be followed by a number of researches. Those future studies have to reveal the inter-relations, tensions, controversies and potential synchronous developments of the just starting overt changes of ownership in the "productive" and "non-productive" spheres of the economy.

The present paper has the aim of outlining some of the antecedents represented by those background processes and evolving articulations of interests, that might influence (or, even, determine) the yet unclear future property-relations of the "public" spheres.

It will be argued, that the "denationalization" of the institutions and services in question has already started much before the open collapse of "socialism". Their quasi-marketization was an organic part of the slow erosion, making

the Hungarian case quite peculiar in the recent history of the East-Central European region.

One can state in general, that it is quite difficult to tell precisely: when has the Hungarian society begun its move from classical "socialism" toward a market-regulated socio-economic order. That unclear character of the "transition" is a decisive feature of the close past and the coming future: the so-called "systemic changes" of 1988-90 were rather the completion of a previous longterm gradual erosion of the "old rule" and of all of its institutions, than the revolutionary outlets of potential radical social and economic changes of the times to come.

The slow decomposition holds true as much for the macro-economy (including the institutions and services of social policy), as for the hidden marketization-process in the micro-organizations of the families, due to the independent and non-state-regulated economic activities of thousands of private households. /6/

The paper will try to demonstrate the participation and the role of the social security in the erosion. It will be argued, that the most important development in this respect has been the multiplication (and the accompanying two-sidedness) of its functions during the last 10-20 years, serving both, the preservation of the state-socialist order and its simultaneous gradual decomposition.

That peculiar role has developed in close relation to the double strives of the post-1956 regime of Kadarism to reconstruct the totalitarian post-Stalinist order after the



defeat of the revolution, and to find a viable compromise between the (oppressive) rulers and the (oppressed) ruled.

The (mis)use of the services of social security, in the interests of the central state-power, of the state-run (though slowly and partially emancipating) firms, of the employees in their activities **outside** the direct control of the state will be presented in their gearing relations. The typical conflicts between the partially coinciding and concurrently contrasting interests of the users and controllers of the services will be analyzed at the light of the final outcomes, that have led to a serious and overall crisis of the institutions of social policy.

It will also be argued, that the proliferation of the functions serving the ongoing struggles for power have been accompanied by the increasing dysfunctions with regard to the initial purposes of the given services. The consequences of enforced "biases" on increasing inequities in access, on the uneven (and unjust) shifting of the burdens to the most defenceless social groups, on the ultimate open exclusion of the weakest clients will be shown, and the contribution of those developments to the recent expansion of poverty will be pointed out.

The interpretation of the processes of erosion of state-socialist social policy as prefigurations of the potential changes of the property-relations will also be demonstrated by some recent examples of the sharpening conflicts around the "redefinitions" of social security with the intention of completing the picture about the emerging struggles for power and control over the property-changes in public services.

The multiplication of functions and the two-sidedness of the Kadarist social policy

(Some hidden changes of use, power and control)

As I mentioned above, the gradual erosion of the "classical" system of social policy, the slow evolvement of new "quasi-owners" of the social services beneath the unchanged surface and within the given framework of "socialism" was in close connection with the political characteristics of the post-1956 era.

The continuous attempt of the party-politics of the period Kadarism (1957-1988) can be summed up in short, as an ongoing search for finding the delicate compromises between the full rehabilitation of the ("human faced") totalitarian rule and the drives of the society for individual autonomy and freedom. In other words: the basic features of the "socialist" system were preserved and went through simultaneous significant reinterpetatory during the last three decades. Organization from top to the bottom, centralized authority, direct administration of social life and economy, and their implications on the ongoing extensive industrialization, on compulsory full employment, on the directives for the dayly management of the economic organizations were not changed. What was new about them, related to the restricted freedom of the individuals within the very limited scope of choices: If they successfully conformed the conditions dictated from the top, they "deserved the right" to find the back-doors of educational institutions, to change their jobs, to make

(partial) use of the equipments of their firms "at home", in their private economies, to move to more urbanized settlements utilizing their private resources, piled on by subsidized loans of the state, that were awarded only to the "most deserving" employees on the basis of the recommendations of their workplaces e.t.c.

In accordance with the Janus-faced character of the regime, social policy also gained some "new" features in addition to its old, classically "socialist" ones. To make clear my arguments below, let me briefly recall those "classical" characteristics.

As it is commonly known, in the period of building the socialist planned economy, the new system abolished social policy in general. All of its traditional institutions were cast away as the requisites of overthrown capitalism. At the same time - and it was the essence of its self-contradiction - the "socialist" planned economy was regarded to be the main trustee of social rationality and the social good. It followed, that each and every segment of economy and society, of private and public life, became imbued with "social" considerations as the central intention. In this sense we can say, that the elimination of social policy was accompanied by "injecting social policy" into the entire system. All this happened not as an ideological mistake or because of the "encroachment" of the Stalinist voluntarism, but because it all belonged to the essence of the totalitarian system.

The cessation of social policy and its identification with the centralized planned economy remained the unchanged and inbuilt element of the system after 1956, too. The planned method of economic control, the associated political processes, full employment forced by the devaluation of the labour force and - in parallel with this - the redefinition of social membership by binding it to employment, quantitatively satisfactory health services defined as "allowances in addition to wages" and the established system of social security degraded to a "budgetary branch" and subordinated to the all-time political objectives, have all been meshing as inseparable gears and have been serving the social transformation program intended and controlled further on by the central power.

The political aim of forced economic development has reduced the satisfaction of social needs to simply a means, i.e. to the means of maintaining the artificially low level of wages which represented the most important and most durable source of centralized surplus.

The "principle of residues" of the social objectives accompanying the 40 years history of socialism came from this fact. It directly followed from the logic of the centrally controlled planned economy, that it seemed sufficient to decree administratively the equality of access to the social remunerations. In the system of the all-embracing "planned control", the declaration of rights seemed to be identical with the automatic guarantees for their realization. The most important counterpoise to the still artificially depressed

wages were the so-called free social benefits in kind and the central redistribution system of social security benefits in-cash, covering the entire "socialist" workforce.

The most important function of the machinery of centralized redistribution in everyday reality was, however, to operate and finance the economy because of the daily reproduced state dependency of its institutions. Nearly 60% of the national budget concentrating some 80% of the Gross Domestic Product (GDP) has flown through the economy repeatedly - in the form of donations, subsidies and supports - to keep it alive. In this way it becomes understandable, that the "social budget" (the source of health services, culture, education, e.t.c. defined as "free" statutory benefits and the source of the entire social security) got repeatedly into a hopeless residue position for structural reasons. In such a situation, the functioning of the social sphere was controlled not by the needs, but by the scarcities: available money, means, investment and labour force had to be concentrated where they were needed most.

Nevertheless, some important shifts within the unchanged structure of residual social policy have slowly emerged from the early seventies on, helping the above indicated drives to find the compromises with the society in a silent opposition to the given rule.

The direct antecedents have to be found in the worsening economic conditions around the late-sixties, extorting the introduction of quite significant (though ambiguous) reforms of administering the economy in 1968. /7/

As it is already well-known from the vast literature on the successes and failures of the policy of "new economic management", the reform was aimed at loosening the rigidity of the central directives and control of the production by giving more space to the spontaneous drives, diverse moves and motivations of the economic actors. The role of "particular" (as opposed to "all-societal") interests was gradually acknowledged, both, on the ideological and on the more practical level. The accompanying socio-economical element of the program was the recognition of "individualism" as the main incentive of the producers for better economic achievements. Thus the newly introduced measures deliberately attempted to give a more pronounced role to material stimuli in the name of "differentiating earnings according to performances". /9/

Nevertheless, the actual raise of earnings was seriously limited by the centrally defined and strictly controlled outflow of wages.

In other words: there was a permanent (and irresolvable) clash between "marketism" and "planning". Though economic growth and better productivity were desired political goals of the regime, the "old" regulations on depressing personal incomes could not be given up for the above outlined structural reasons.

The day-by-day resolutions (or it is more accurate to say: mitigations) of the conflicts and clashes were found in two "innovations" of the system, namely:

a.) in the gradual acceptance of the second (informal) economy based on people's work on top of their regular participation in the formal, state-controlled sphere of production; and

b.) in opening the gates of the social security scheme as an additional resource of personal desposable incomes and as an institution clearing the emerging tensions by its "multifunctional" use.

Before turning to a more detailed description of the latter developments /10/, it has to be noted, that those innovations also served the above indicated search for copromises of a more general political character. They fitted into the socio-political program of "raising the living standards", declared subsequently by the central Party organs as the fundamental commitment of the socialist regime toward its citizens.

As it was pointed out earlier, however, the realization of the much emphasized goals did not imply the deliberation of the outflow of cash-incomes. Instead, a marked shift between the "targets" of social spendings has been introduced.

In concrete terms, the expenditures of the state budget on in-cash benefits of social security have been increased, /11/ while the aggregate share of funds for the whole of "public consumption" remained in its above outlined residue position. It was a logical consequence of the reforms within an unchanged structure: the necessary priorities given to the everyday running of the economy have not ceized in the meantime, concluding to the extortion of a constant yearly

ratio, that had to be devoted to the "productive" spheres in the ongoing process of redistributing the extracted and overcentralized resources.

This way the total of the spendings on social services plus social security remained much the same throughout the two decades after 1968, representing altogether roughly one-third of the budget. The outcome was a relatively (later even absolutely) decreasing share of the in-kind spheres of public consumption: services, like health care, education, personal transport e.t.c. were the sufferers of the seemingly "technical" shifts of expenditures. The actual victims, however, were their users, who had to face all the consequences: increasing inequalities of access, an unstoppable deterioration of the standards and of the quality of the services, a permanent overcrowdedness of all the relevant institutions, chronic shortages of even basic deliveries and fundamental facilities, e.t.c. In addition, all those negative experiences were piled on by the frequent administrative interventions of a paramilitary character, serving as fire-fighting directives to cope with the sometimes heated conflicts, that were always regarded to be only "temporary" and "transitory" by the authorities in charge.

Although the political decisions on increasing the available resources of private consumption in the one-sided way of curtailing those of the public services, had serious drawbacks, the decision turned out to help unintended, but "useful" processes, pointing toward a slow marketization of the economy, accompanied by quite lasting improvements of its



overall performance. /12/ The hidden marketization also concluded in the emergence of the quasi-owners of the services in question.

Let me outline some of these developments.

**First:**

The expansion of the social security-scheme (both, by introducing new types of benefits /13/ and by extending entitlements /14/) created a significant field of play for the "socialist" enterprises to increase their independence from the rigid regulations of the dictated wage- and employment-policy and to build lasting "buffers" into their daily working, that protected them against the direct interventions of the state. The schemes of sick-pay and that of the disability-pension turned out to be the most usable means in their hands in this respect. Since the costs were covered by social security, the enterprises could "play" with the financial consequences. Central wage-regulations permitted, that they could hide the wages of those on sickleave or in the process of applying for disability pension. This way they could create a considerable sum of "saving" their wages for a while, by representing them among their actual employees. That sum remained with the firm, and could be used freely for increasing the earnings of those, who really worked, without harming the rules adjusted to the aggregate wage-expenditures, and stricken by heavy taxation and related sanctions in case of excess.

As time passed, the deliberate "planning" of the average yearly number of those on social security (on maternity leave, on child care grant, on sick-leave e.t.c.) has become an organic part of the employment- and income-policy of all the "socialist" workplaces. "Local" incentives (premiums, even temporary wage-increases) were covered from those planned savings, initiating both, better productivity and the loyalty of the employees.

**Second:**

Social security helped and financed not only the local incentives, but also offered utilizable channels for a more adaptive and more flexible use of the workforce.

Since all the components of the production lied at the mercy of uncontrollable external conditions (ultimately driven by the unforeseeable central political decisions), the simultaneous adaptation to demand and supply often had to face insurmountable difficulties. The oscillation of shortages, followed by a sudden overflow of raw materials, equipments, unmarketable products e.t.c. belonged to the fundamental features of the socialist economies, that had to be backed, or, at least, mitigated somehow. The "classical" way of self-protection of the firms was the storing of all components (including the workforce), that has led to tremendous wastages and could not be financed anymore, without facing the threat of bankruptcy amid the new circumstances of the reform.

However, manpower was an exceptional component, since the firms had to meet the preserved "socialist" requirements of compulsory employment.

Social security helped here as a way out of the trap: The local costs of employment-obligations could be reduced, better productivity could be attained on the level of the enterprise by sending the temporarily superfluous employees on sickleave, or negotiating their early retirement through the disability pension-scheme. When they were needed once again, part-time employment (permitted only for those on social security, but strictly prohibited in case of the "ordinary" employees) could be offered for them. They often worked in the same place, in the same position, doing just the same, (though with some easing in the time-schedule, conditions and duration) than before. This way the flexibility and a better adaptation to the market could be reached.

**Third:**

All the above described ambiguous measures of the employers often matched the drives of the employees. As it was pointed out by several analyses /16/, there was a wide range of motives playing role in their attempts to reduce contribution in the workplaces, while extending it in the second (informal) economy.

A mere "material" or "consumerist" explanation would be too simple here. True, the informal economy (based mainly on the cooperation of the/extended/ family) offered space and form for an increase of the incomes of the households, flexibly adjusted to their varying needs. However, the silent struggle for autonomy, the slow elaboration of alternative paths for promotion and even for market-based, entrepreneurial-like routes of social mobility, the search for

self-respect to countervail the humiliating experiences that people gained in the harsh exploitation and overt "dictatorship" practiced by their "official" workplaces e.t.c. were equally important adherents of the massive participation in informal production.

It should be emphasized, as probably the most significant and lasting outcome of those processes, that through the gradual expansion of the informal production, people have started to build their lives on two pillars: one in the formal, and another in the informal segment. This way a new way-of-life has spread in the Hungarian society, and two, distinct clusters of motivations have dominated people's daily activities.

In other words: people's lives were determined by a simultaneous involvement in two, contrasting sets of relationships: their formal social membership was dictated by the acceptance of subordination and "wage-worker"-behaviour, while their success and promotion depended on the strength of the self-protective citizen values and their entrepreneurial activities and aspirations within the informal networks and non-institutionalized formations. The combination of the two pillars and the co-existence of the two, contrasting sets of relationships was helped and supported by the "innovative" use of social security.

The case of rapidly expanding retirement represents a clear example:

In accordance with the international trends (though for markedly different reasons), people in Hungary tend to give up their employment (i.e. their participation on a full-time basis in the state-controlled spheres of the economy) some years earlier, than the present regulations on retirement would suggest. (In recent years, 19 per cent of all male pensioners has been retired under the age of 60, i.e. under the formal age; nearly every fifth of them.)

However, the increasing rate of early retirement does not cover an increasing rate of early withdrawal from work. On the contrary: the overwhelming majority of pensioners (both, those, who have been retired earlier, and those, who did it at the "ordinary" retirement-age work) usually find either in various "branches" of the informal economy or take up part-time employment beside their pensions, but usually (as it was already mentioned) with much more flexibility and much better working conditions, than they had before. Therefore, when speaking about geared or conflicting interests around retirement, the two concepts of employment and work should be strictly separated. It is important to see, that people's participation in employment has been reduced for the sake of expanding their participation in work. That statement is clearly demonstrated by Table 1. below.

Even the very comprehensive data /17/ show, that the performance of the inactive population (who are basically pensioners) has increased dramatically, and that is perhaps the most important change during the period in question. The table expresses very impressively, how families have started

to "build" into their longterm strategies the stable existence and wide acceptance of the second economy, how they started to plan and economize the work and participation of their members, tending to follow an optimal division between the two economies. That "optimalization" was much supported, even subsidized by the extensive take-up of the accessible benefits of social security. /18/

Table 1.

Workfund (measured in hours) of the society

(On a yearly basis, in million hours) \*/

	1977	1986	Rate of increase between 1977 and 1986 (1977 = 100)
Working time spent in workplaces of the first economy	9984,5	9296,3	- 7
Smallscale agricultural production of			
- active earners	1737,5	1896,6	+ 9
- inactive population	632,0	1137,0	+ 80
- dependants	384,8	375,7	- 2
House-building activities (in the informal economy) of			
- active earners	266,9	374,7	+ 40
- inactive population	33,7	79,6	+136
- dependants	21,0	17,2	- 18
Total	13060,4	13177,1	+ 1

\*/ Source: Time-Budget; Changes in the Way of Life of the Hungarian Society According to the Time-Budget Surveys of Spring, 1977 and Spring, 1986. CSO, Budapest, 1987.

One can conclude, that the above outlined "reinterpretations" of the functions of social security point into the same direction. Given the two-sidedness of "socialist" political and economic frameworks, all the actors have gradually tended to utilize the services as their own, thus developing behaviours, attitudes and mechanisms of a potential overt change of the existing property-relations.

That longterm hidden decomposition and erosion of the scheme has to be taken into account, as an explanatory factor in understanding the contemporary heated conflicts around the future of social security.

Several interest-groups claim, that the idea of the comprehensive and compulsory social security should be given up and substituted by a regulated network of enterprise-based insurance-schemes. /19/ They argue, that the present system is extremely expensive and wasteful; it works as a disincentive for vivid capital-investments and hits the new entrepreneurs, while does not help the clients of the services. Firm-based insurance-schemes would be much cheaper, and it would also express the mutual interests of employers and employees in their view. (With regard to the non-employed part of the society, the propagonists argue for "targeted" welfare assistance and services for the poor, financed from taxation and run by the state.)

Another claim (pointing to the opposite direction) is the conversion of the contemporary state-dominated scheme to meaningful public ownership: social security should be run and controlled on a tripartite basis, representing the employers,

the employees and the state. /20/ With regard to the financing of the system, the relevant programs argue for a more just share of the contributions, and articulate, that the social security-scheme of the future should be a Western-type public investment-fund, thus it should get a descent share from the yet "frozen" wealth of the society, i.e. be delivered by utilizable properties in the "privatization"-process. /21/

The claim of the present "owner" (i.e. the government) is rooted in the primary interest of reducing state-expenditures and getting rid of a number of state-responsibilities. The publicized ideas represent a typical "in-between" compromise: the present scheme of social security should be "cleared" off its (confused) functions; the "classical", contribution-based tasks should be visibly separated from "social policy". The first should be met by the "new" scheme, while the latter should be the obligation of separate special authorities.

In concrete terms: the scheme should be converted to a national pension-fund and a health insurance fund; all other services (i.e. support for the families with children; aid for the handicapped or the disabled; services for the elderly e.t.c.) should be delivered through decentralized, community-based schemes, financed from (local and central) taxation, and complemented by a great variety of the activities of charity-organizations, voluntary non-profit agencies, associations, including the state-subsidized services of the church.

While the future outcome of the ongoing struggles is yet unclear, the actual latest developments in social security point toward potential lasting compromises between the strong



interest-groups at the expense of the most defenceless layers of the society:

The cuts and restrictions on the spendings of the state budget have been "successfully" shifted on in recent years, therefore pensions, child care allowances, sick-benefits e.t.c. have not been validated in accordance with the increasing inflation. The loss of their values has become an important factor of the rapid impoverishment of those living mainly from in-cash benefits: pensioners, families with dependant children, people, who are chronically ill, e.t.c. (For example: those who retired in 1980, had to suffer a 25-30 per cent decrease of the purchasing power of their pensions by 1987; the loss was even more significant in case of widow- or disability-pensions. Another aspect of the same phenomenon: some 60 per cent of the pensioners got a benefit below the officially declared pension-minimum in 1989.) /22/

All these drastic changes were, of course, accompanied by the above indicated new ideology of "targeting". The argument is well-known from the history of social policy: since universal benefits do not diminish inequalities of take-up and access, there should be more concentration of the (scarce) resources on those really in need. Thus there have been significant cuts in public spendings in the name of "more just" social intervention. The outcome was an increase of social inequalities of take-up and of per-capita incomes from benefits, while many of the poor dropped out. /23/

These unfavourable developments are, of course, not the "inseparable" and "automatic" by-products of marketization. I would argue, that the worrying new trends of poverty are not the consequences of the market, as such, but are due to the lack of deliberate, protective and well-targeted social policy of the "transition".

As I tried to demonstrate it earlier in this paper, marketization even in its inconsistent form has helped great masses of the Hungarian society to gain some distance from and some self-protection against the actual crisis of the formal economy by building their lives (at least partly) on alternative pillars. That helped them not only in compensating the crisis, but even to build up ways of life and work, that open them future perspectives.

Many of the restrictive interventions in the name of marketization, however, have led to create a "secondary part" of the society.

In an attempt to characterize the situation in short, I would describe the affected social groups, as follows: they are mainly those, who have based their lives and aspirations on the incentives, orientations and regulations of the past forty years of "socialism". Answering the challenge of industrialization, they moved to urban settlements; gave qualifications to their children, that seemed to be favourably applicable in a "socialist" economy; they gave up their peasant roots and traditions even in their way of life by occupying the large closed housing estates built "for them" e.t.c. (They are the very ones facing unemployment with a high risk nowadays.)

As it can be seen from Table 2. (presenting some comprehensive data on the recent trends in income-distribution), many of them tries to mobilize the "general" protective methods of the majority: they also have intensified their work in the second economy (though had access probably to the worst jobs in it) and tied up the informal network of the family by more regulated and "targeted" internal redistribution. The table demonstrates those efforts and their failures: without a parallel strengthening of the macro-social "safety net", the Hungarian society falls apart. Serious symptoms of social desintegration indicate, that the danger of a third world-type splitting of the social structure can be our fate in the near future, while there are simultaneous good chances for a more integrative development, too. The coming years will show us, wheter our presently much propagated route leads really to Europe, or out of it.

Table 11. Changes in the composition of personal disposable incomes in the poor and in the better-off active households; 1982, 1987.

A.) Percentage ratio of incomes derived from the		
In households with per capita monthly income		
	with per capita monthly income Below the subsistence minimum (poor households)	Above average (better-off households)
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First economy		
1982	58,6	70,7
1987	57,4	63,0
Second economy		
1982	9,3	16,5
1987	10,7	24,7
In-cash public		
benefits		
1982	31,0	12,2
1987	30,6	11,4
Family transfers		
1982	1,1	0,9
1987	1,3	0,6
Together		
1982	100,0	100,0
1987	100,0	100,0

Table 11. Changes in the composition of personal disposable  
 (cont.) incomes in the poor and in the better-off active  
households; 1982, 1987.

B.) Increase of monthly incomes between  
 1982 and 1987, derived from the  
 (1982 = 100)

	First economy	Second economy	In-cash public benefits	Family transfers	Together
poor households	132	155	133	160	135
better-off households	149	250	156	251	167

C.) Monthly earnings of the "better off"  
 households as a percentage of earnings  
 in the poor households from the

	First economy	Second economy	In-cash public benefits	Family transfers	Together
1982	207	305	68	93	172
1987	233	491	79	146	313

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Source: Own calculations based on the data of the 1982- and  
 1987 - Income Surveys of the CSO.

Notes

- /1/ The term principally is identical with the notion of the "Soziale Marktwirtschaft" in the German economic literature. It has to be noted, however, that the concept beyond the attribute "social" is unclear and much criticized by the literal opposition. The attribute has several - partly contrasting - meanings and connotations in Hungarian: a.) It might refer to the notion of the (classical) welfare state, implying universal rights, a wide range of well-developed social services, extended entitlements for a number of descent benefits, a significant share of public (neither state-, nor private-) properties and control, e.t.c.
- b.) It might equally mean the opposite, since the term "social" has also a "welfare"-connotation in the Hungarian language. In that reading, the program of a "social" market economy means the drive to create a free market (with as little presence and intervention of any "external" agents, as possible), where it is emphasized, that any help following non-market rules should be targeted only to the poor, and such help should be offered on the fringes of the system.
- c.) It also might point to the frequently emphasized peaceful character of the transition. Namely, that the transformation will not be too rapid, some "social"-ism will be preserved. In that reading, the message is a compromise between the former and the present rulers:

although the necessity to reduce the over-weight of the state is unanimously acknowledged, the "socialist" responsibilities will be kept in the hands of the state, with all the implications on the relative stability of the given positions in the state-burcaucracy and in public administration. (The latter interpretation is reinforced by the fact, that the former ruling party, i.e. the Hungarian Socialist Party also gives outstanding priority to the "social" aspect of the marketization in its program.)

- /2/ The Rebirth of the Nation (The First Three Years of the Republic); Program of the Government; Budapest, October, 1990.
- /3/ The new government is set up on the grounds of the coalition of three parties: the Hungarian Democratic Forum (165 seats out of the 386 in the Parliament), the Smallholders' Party (44 seats) and the Christian Democratic Party (21 seats). It characterizes itself as the trustee of "national" and "universal christian" values. It has a central-rightwing position in the range of political orientations.
- /4/ The inaccurate concept is meant to embrace all the property-transforming activities, regardless to the fact, whether the potential owner is (will be) a private person or a collective, and whether the form of the ownership can be related to designated individuals at all. The word "privatization" is used more and more as a synonym of all kinds of changes of property-relations.

- /5/ The phrases "public infrastructure", "non-productive spheres of the economy", "institutions and services of public consumption", "funds of social benefits" have been used in the literature to refer to the same segment of the "socialist" economy (since questions of control and property had no significance amid the given conditions of all-embracing statism.) I kept that tradition, and use them mostly as synonyms in this paper. When any special phrase has importance in the context of the analysis, I will describe it more accurately.
- /6/ On the latter aspect of the prehistory of the transition and of the hidden restructuring of the property -relations, see: Agnes Vajda: The Prefiguration of Privatization; Manuscript, Budapest, 1991. (Paper written for the UNRISD-workshop in The Hague, May, 1991.)
- /7/ The scope of the paper does not permit me a detailed analysis of those antecedents. It has to be pointed out, however, that those reforms were the first experiments in the history of the East-Central European "socialismy" to combine "planning" and the "market", though without any accompanying social and political reforms at that time.
- /8/ Just to mention some of the most comprehensive analyses, see the works of László Antal, Tamás Bauer, János Kornai, Mihály Laki, Erzsébet Szalai and Márton Tardos.
- /9/ It is perhaps needless to say, that the actually increasing differentiation of wages/salaries did not follow the logic of any "measurment" of the otherwise incomparable performances (not to mention, that it was



even theoretically unrealizable in a number of activities.) The declaration of the new principle served mere ideological goals of squeezing the new policy into the preserved Marxist frames.

/10/ I do not discuss here in details the developments of the second (informal) economy. They are extensively analyzed by two other papers presented at the workshop. (See: Agnes Vajda: The Prefiguration of Privatization; and István Harcsa: Privatization and Reprivatization in the Hungarian Agriculture).

/11/ Let me present some telling data about those shifts: while spendings on the social security "branch" of the state budget represented 11 per cent in 1963, their share has already increased to 15 per cent by 1980. It is even more informative, that the ratio of in-cash benefits within the expenditures on public consumption grew from 48 per cent in 1970 to 60 per cent by 1980. This way the contribution of in-cash benefits to the average monthly disposable incomes of an "average" Hungarian household has also been rapidly increasing: they represented 11 per cent of all, officially registered earnings in 1967, 20 per cent in 1977 and cca. 25 per cent in 1987. (See the Statistical Yearbooks and the publications of the subsequent Income Surveys ...by the Central Statistical Office in 1967, 1977 and 1987.)

/12/ The key to a full understanding of the surprising achievements can be found in the deeply rooted socio-historical drives of the Hungarian society to accomplish

the once interrupted embourgeoisement-process through the re-opened pathways after the mid-sixties. I wrote about those determinants and components of recent history in my essay published in English last year. See: Julia Szalai: Social Crisis and the Alternatives for REform; in: "Hungary under the Reform"; Research Review, 1989/3. (eds.: L. Gábor and A. Tóth), Budapest, 1990.

- /13/ The most important one of them was the introduction of the child care grant in 1967. (The grant initially was a job-protected, flat-rate benefit helping mothers to stay at home with their babies until the age of 3. The scheme was modified in 1985 by introducing the earnings-related child-care fee, that can be taken up for the first two years after childbirth, while the original grant was preserved to extend the mother's (or the father's) temporary exit from employment for the third year.
- /14/ The number of those entitled for various benefits was partly automatically raised by the steady extension of employment. However, the modifications of the regulations in the '70ies to embrace formearly excluded groups (e.g. the self-employed or free-lance professionals) also worked into this direction.
- /15/ A number of sociological studies in health care revealed the ongoing negotiations between the management of the firms and the G.P.-s in the area to "accept" and to register the employees as "incapable of working" (thus entitled for sick-leave.) Two comments should be made here. a.) The take-up of the sick-pay or of the

disability-pension was not a fraud in most of the cases, given the very low and worsening health standards of the adult population. It is a different matter, that employees often could not afford the loss of their earnings, therefore they frequently did not give up voluntarily their work even suffering serious complaints. It is an irony of the history, that in many cases the actual take-up was not initiated by social protection or human-centered social policy, but by economic needs of their employers. b.) The successful negotiations between the firms and the doctors were helped by their mutual interest. That of the employers was already outlined. The other side (e.g. that of the professionals in medical care) was equally important: given the cuts and chronic shortages of investments in health care, the fundamental equipments could not be bought otherwise, than from the contributions (in-kind and in-cash) of the local enterprises, cooperatives e.t.c. The contributions were frequently laid down in written "contracts on social support", but in many cases they were regulated merely by traditions and verbal agreements based on "goodwill" and conformity. (I turn back to those "additional resources" and mechanisms of "public funding" later.)

/16/ See e.g.: Tamás Kolosi: Inequalities in the '80s, TARKI, Budapest, 1989; János Farkas-Agnes Vajda: The Second Economy of Housing; in: Arat a magyar (The Hungarian Harvest); Publication of the Institute of sociology of the Hungarian Academy of Sciences; Budapest, 1988; Julia

Szalai: Early Exit from Employment in Hungary; in: Time for Retirement (eds.: Martin Kohli and Martin Rein) Cambridge University Press, forthcoming.

- /17/ The calculations are based on the findings of the latest countrywide representative time-budget survey of 1986, that also gives us an opportunity to follow the changes over time, by comparing the informations on the participation-rates and on the durations with the data of a similar survey run by the CSO in 1977. (See: several publications of the two time-budget surveys, especially: "Time-Budget; Changes in the Way of Life of the Hungarian Society According to the Time-Budget, Surveys of Spring, 1977 and Spring 1986."; CSO, Budapest, 1987. and "Changes of the Way of Life of the Hungarian Society"; CSO -Institute of Sociology of the Hungarian Academy of Sciences, Budapest, 1990.)
- /18/ Corresponding conclusions can be drawn from a detailed analysis of changing (and fluctuating) utilization of childcare-benefits or sick-pays.
- /19/ The claim is very popular among the "new" entrepreneurs, and it is widely propagated by their chambers, associations and by the Party of Entrepreneurs.
- /20/ The idea is represented by the new free trade unions and it is also outlined in the programs of some of the new parties. (See for a most detailed version the Program of the Federation of the Free Democrats.)
- /21/ See for detailed arguments: Sándor Kopátsy: On the Funding of Social Security, Manuscript, Budapest, 1990.

/22/ See: Book of Facts, 1990; Ráció Publishing House, Budapest, 1990.

/23/ The following data are self-expressive; the number of children on regular monthly welfare increased from 30.656 in 1986 to 79728 by 1989. The average monthly value of assistance has grown only by 14 per cent, while the rate of increase of consumer prices was 46 per cent throughout the three-years period in question. (See: Statistical Yearbook, 1989; CSO, Budapest, 1990.) It has to be added, that (according to some expert-estimations) only one-third of the theoretically "entitled" families get any assistance at all.