

**THE HUNGARIAN PENSION SYSTEM, 1948-1990. WELFARE AND
POLITICS IN A SOCIALIST COUNTRY IN ITS EUROPEAN CONTEXT**

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Abstract

The year 1951 marked the passing of the first general pension legislation during socialism and with that the establishment of the socialist pension system in Hungary. What emerged was a system retaining the merit-based character of the former pension regulations but modifying the eligibility criteria, the pension values and the institutional structure of the provision. Over the years the successive changes meant that pension evolved from a relatively insufficient provision available to a limited number of people to a sum that was aimed at enabling all pension-aged Hungarians to lead a relatively decent life. The dissertation follows the unfolding of this process.

It offers a nuanced narrative of the evolution of the pension system in the period between 1948 and 1990, bringing macro and micro level analysis together. It focuses on how particular decisions were conceived and executed and what roles did the various levels of political decision making played in bringing about them. The dissertation also highlights how the expectations about pension and the state's responsibility for financial wellbeing in old-age evolved throughout the period.

It argues that the pension system was used in a strategic political manner throughout the entire history of socialist Hungary. Early on the pension system started to shed its preference for workers and employees – an inheritance from the interwar period – in an attempt to placate the agricultural sphere following the forced collectivization. Later the increasing pension values were used to strengthen the legitimacy of the regime. And finally, during the regime change the pension system was expanded in order to curtail unemployment and social unrest.

The dissertation also contends that while conceiving the new measures and regulations, decision makers tried to live up to different and often contradictory expectations. On the one hand, economic considerations played a very important role during the entire period: not only was long-term sustainability an aspect always considered, but the pension system was used from very early on to achieve the regime's particular economic goals and to assist its workforce management. On the other hand, considerations about the financial wellbeing of the pensioner population just as well as about the growing state responsibility with regard to old age were also present, and these considerations often overrode the financial and economic ones.

Finally, the development of the Hungarian pension system is placed in a larger European context, using examples both from other socialist and non-socialist countries to show the extent to which Hungary – with respect to pension provisions, at least – fit in the general trend of European welfare state development after the Second World War.

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Table of Contents

Abstract	iii
Acknowledgements	v
List of figures and tables	viii
Introduction	1
1. Laying down the foundations of a socialist welfare and pension policy	11
1.1. Foundations of a new welfare system	12
1.2. The changing administration and provision of welfare	23
1.3. The first general pension law of 1951	38
2. The time of expansion: 1951-1970	54
2.1. The birth of retirement for the masses in post-war Europe	58
2.1.1. Changing pension systems in Europe after the Second World War	60
2.1.2. Retirement: a new experience for the masses	64
2.2. Increasing pension values and the reasons behind (1950-1970)	68
2.2.1. Increasing values and a growing divide in the pension system	69
2.2.2. The pension legislations of 1954 and 1958 and their consequences	73
2.3. The further expansion of entitlements (1950-1970)	89
2.3.1. The evolution of the cooperative pension system	91
2.3.2. Expanding pension coverage to other uninsured groups	107
2.3.3. The changing structure of social security administration	109
2.4. A growing system of pension privileges until the 1980s	114
3. Growing income in old-age: 1970-1990	131
3.1. Transforming the welfare state in Hungary and Europe (1970-1990)	136
3.1.1. Periods of growth and retrenchment in Hungary and Europe	137
3.1.2. The changing role of SZOT	146
3.2. The new legislation on social security in 1975	153
3.3. Pension raises and the changing living standard of pensioners	161
3.3.1. Increasing pension values after 1970	162
3.3.2. The financial stratification of pensioner society	166

3.4. Pension and work	173
3.4.1. The changing regulations of working beyond the retirement age	175
3.4.2. Working in retirement or postponement of retirement	180
3.4.3. Dimensions of pensioner work	183
3.4.4. Disability pensions and work in retirement	187
Conclusion	194
Appendix	201
Bibliography	207

List of figures and tables

Table 2.1. Percentage of population of 60 years and above in selected European countries	59
Figure 2.1. The growth of the annual pension expenditures in Hungary, 1951-1959	77

Introduction

In 1960 József Bogár, a retired agricultural worker suffering from a chronic heart disease and a former owner of two threshing machines confiscated in 1952, wrote a letter of complaint to the journalist Kornél Haynal about his terrible financial condition as a pensioner. Bogár's letter was written in response to Haynal's article which had appeared previously in the weekly news magazine *Szabad Föld*, and focused on the failures of the Federal Republic of Germany.¹ Upon reading the article, Bogár took the courage to criticize it, saying that in order to build a true communist state the awareness of the shortcomings of foreign regimes should be paired with the awareness of the shortcomings of Hungary. As a major deficiency Bogár highlighted the pension system, explaining that the regulations in force prevented him from receiving a regular old-age pension. Instead, starting from 1959, he was awarded an exceptional pension of 200 forints per month, which was raised to 300 forints in August 1960. But the amount was still miserable even in contemporary terms. It was approximately 40% of the average pension value of the times, and was worth one-fifth of the average income of an active earner.² In a time when even earnings were very low, the fraction of their value represented by Bogár's pension was hardly enough for making ends meet. And József Bogár did not live alone: like many at the times, he supported a family member, in his case an elderly mother.³

Haynal answered to Bogár's letter quite angrily, defending the socialist pension policy that had been in place for nine years. He chidingly pointed out that

¹ *Szabad Föld* has been an important weekly political magazine for the Hungarian countryside, established in 1944.

² *Magyarország népessége és gazdasága: Múlt és jelen* (The population and economy of Hungary: Past and present) (Budapest: KSH, 1996), 197.

³ Letter written by József Bogár to Kornél Haynal, MOL M-KS, fond 288-22, év 1960, ö.e. 15.

despite the fact that Bogár was not eligible to regular old-age pension, there had been a formidable progress in the expansion of coverage in general:

in our country almost everyone receives pension provisions [...] and you still remember, probably, that time in the past when people became receptionists, postmen and railway workers because these jobs offered pension coverage. Now our people's state insures almost everyone's old age.⁴

He also responded to Bogár's complaint about the very small value of the pension he received, emphasizing that pensions were generally low, but that there were economic constraints to the raises. "That this sum, that each receives today, is not high we do know; but the state can only pay as much as it has."⁵ This sentence makes clear that Bogár and Haynal, beyond all differences in opinion and perspective, agreed on one important point: the role of the state in ensuring the financial stability of its elderly citizens. Bogár for his part portrayed his low pension level as a failure of the Hungarian state. And Haynal's defense did not question the state's accountability either, only emphasized its limited financial possibilities at the time.

By the time of their correspondence the pension system had already gone through an important transformation following the legislative changes of the 1950s. It had already acquired its distinctive socialist features, and shed some of the excessively strict regulations of the first years. From then on it was set to become one of the most effective means of state intervention for securing the relative economic wellbeing of an ever growing share of Hungarian society. And parallel to this it evolved into the most expensive segment of the Hungarian welfare budget.⁶ Bogár and Haynal were concerned witnesses of these changes, which created a new social experience formerly available only to a select number of people: they instituted retirement as a new phase of life. The correspondence between them touched upon some of the most important

⁴ Letter written by Kornél Haynal to József Bogár, MOL M-KS, fond 288-22, év 1960, ö.e. 15.

⁵ Ibid.

⁶ Mihály Zafir (ed.), *Életszínvonal: 1988-1997* (Standard of living: 1988-1997) (Budapest: KSH, 1998), 106-107.

issues of this development: the gradual expansion of pension entitlements, the growth of average pension levels and the transforming concepts about state responsibility in providing for the non-working elderly. These three issues were discussed over and over again in the course of the decades as socialism consolidated, developed and eroded in Hungary.

The dissertation follows this evolution of the pension system in socialist Hungary. The provision of economic security for the masses was ubiquitous in all socialist countries of East Central Europe. This was due on the one hand to the regime's core ideological values. The welfare system was an important tool of social engineering in the socialist regimes that hoped to build a more equal, just, and developed society at the same time. On the other hand, the welfare system served very practical purposes as well, strengthening economic production and the regime's political legitimacy. Welfare became essential in establishing the legitimacy of a state that despite its repressive institutions was fragile in many respects.⁷ The welfare system was used to supplement the coercive forces, and it became part of an arrangement of rights and benefits that, in Jan Adam's words, formed a tacit social contract between the regime and its subjects.⁸ Different socialist countries fared differently in providing for their citizens, but in cases where they were relatively successful, like in Hungary, their achievements seem to have enjoyed acceptance and appreciation among the populace.⁹

⁷ On the problem of internal fragility of the socialist regimes see Katherine Verdery, *What was Socialism and What Comes Next?* (Princeton, New Jersey: Princeton University Press, 1996), 19-30.

⁸ Jan Adam, "Social Contract," in *Economic Reforms and Welfare Systems in the USSR, Poland, and Hungary: Social Contract in Transformation*, ed. Jan Adam (London: MacMillan, 1991), 1-25. These benefits included a right to a job, stable and low prices for basic food, a relatively egalitarian distribution of income, an accessible education for those, who had previously been unable to take advantage of it and very importantly a series of programs guaranteeing a relative welfare and security.

⁹ C. M. Hann, "Introduction: Social Anthropology and Socialism," in *Socialism: Ideals, Ideologies and Local Practice*, ed. C. M. Hann (London: Routledge, 1993), 11.

On an ideological level the pension system had three discernible goals to achieve, which were all implemented after the example of the Soviet Union.¹⁰ Firstly, the socialist pension legislation was hoped to create equality among the different fractions of the wage laboring population, terminating former pension differences and privileges. Workers and employees were supposed to receive pension based on exactly the same principles, and the previous distinction between laborers and intellectuals was to be abolished. Secondly, the transformations were aimed at creating a system that was simple and understandable, closer to the working masses. In more concrete terms politicians and union representatives were talking about establishing a system devoid of excess bureaucracy and accessible to everyone.¹¹ And finally, the pension system in itself was to embody the achievements of class struggle. Or as it was formulated in state propaganda “a pension system serving the interests of the workforce can only be built in a socialist country”.¹²

These ideological requisites were often in contradiction with the exigencies of economic production and political maneuvering. Regarding the economy, the pension system was conceived to encourage people to work as long as their health condition allowed them to do so, and to secure labor supply especially in areas suffering from chronic labor shortage. This in itself was at variance with the ideological importance of the low retirement age, which was viewed as a result of class struggle and a socialist achievement.¹³ There was also a tangible expectation about the pension

¹⁰ On the soviet pension system see Vic George and Nick Manning, *Socialism, Social Welfare and the Soviet Union* (London: Routledge and Kegan Paul, 1980), esp. 41-48.

¹¹ Among others see the materials aimed at propagating the first socialist pension law in 1951. *A nyugdíjtörvény ismertetése* (Overview of the pension law) (Budapest: Népszava, n.d.); “Népköztársaságunk újabb vívmánya: az új nyugdíjtörvény alapján felemelt szolgáltatások járnak a dolgozóknak” (A further achievement of our people’s republic: Workers receive better services on the basis of the new pension law), written on November 12, 1951. PIL XII, fond 2, állag 16, pp. 48-50.

¹² “Népköztársaságunk újabb vívmánya,” p. 50.

¹³ On the importance of the official low retirement age see Minutes of the MSZMP PB meeting of April 9, 1974 regarding “Előterjesztés a társadalombiztosítási jogszabályok egységesítésére, egyszerűsítésére és továbbfejlesztésének irányára,” (Draft for the MSZMP PB about the homogenization and

system from very early on that it should be economically sustainable on the long run. This was hardly compatible with the political importance the pension system had in achieving loyalty and legitimacy. Embedded in the daily maneuvering of maintaining social peace, pension raises and the expansion of the pension system to previously uncovered groups were also used to secure the tacit compliance of people. Finally, as a direct way to honor loyalty, different pension privileges were granted to the party rank and file or to members of the armed forces. This undermined not only the economic sustainability of the system but the ideological importance of equality as well.

The incorporation of these different demands meant that decision makers were faced with choices that would often result in compromises throughout the development of the pension system. This development can be viewed as an example of how the holistic and utopian approach of social engineering clashed with the different requirements of practice and often resulted in unintended and unplanned consequences.¹⁴

In reconstructing the evolution of Hungarian pension policy, it is one of the primary goals of the dissertation to highlight the conflicting expectations behind and the unforeseen consequences beyond important decisions. It pictures a state trapped between its incompatible objectives to plan rationally, to hold on to power and, at the same time, to fulfill its promises. It depicts a developing welfare state that was marred by the contradictions of these different expectations, a welfare state that was to mirror the soviet model but also had to be adapted to the particular political and economic settings of Hungary.

simplification of social security regulations and the direction of their further development”), MOL M-KS, fond 288, csoport 5, ö. e. 634, pp. 106-118.

¹⁴ The importance of unintended consequences in social sciences was pointed out by Karl Popper in 1957. See his *The Poverty of Historicism* (London: Routledge, 1991), 64-70.

When anchoring the evolution of the pension system into the concrete Hungarian political context, the dissertation interprets the mode and timing of different concessions of rights and privileges as a result of specific compromises. It analyses how the different measures were introduced and executed, and how the actions of various actors, who often pursued different interests, influenced this development. The actors are in the first place party and union decision makers who determined the course of pension policy, but the behavior of households/individuals is also assessed, as well as the role of enterprises in implementing the pension/welfare regulations or bringing about changes in them.

The dissertation demonstrates that what emerged as a consequence of ideological, economic and political considerations on a state level and the pursuit of interests on an individual level was a pension system that was very far from the desired state of equality, simplicity and transparency originally planned. And unlike the intention of its planners, the pension system contributed to the growth of early retirement. Furthermore, although it helped to secure adequate labor supply by allowing people to work and receive their pensions at the same time, this model became very costly for the state. Finally, despite all attempts to make the pension system sustainable and contain its costs, the share of pension expenditures in the welfare budget grew continuously. On the other hand, all these failures notwithstanding, it was still an impressive achievement with regard to providing income security for everyone, even to those who have worked very little, were very low paid or became eligible only through their spouses. Thus, it greatly contributed to the reduction of poverty on a large scale among the Hungarian population.

The dissertation will further show that even with its specificities, the evolution of the Hungarian pension system was part of the general European trend of welfare

state development, which brought the upsurge of universalistic and comprehensive welfare provisions and a growing level of economic security for everyone.¹⁵ The embedding of the Hungarian development in a wider European context gains special importance through the fact that the socialist welfare model was in practice never devoid of references to Western countries and their welfare systems, and the comparison was mutually influencing in both camps. Welfare state expansion can be interpreted as another territory of conflict between the East and the West, where welfare provisions were integral part of the mechanisms to provide legitimacy to the different regimes.¹⁶ The evolution of the pension system showed great similarities. It happened during the decades ensuing the Second World War that the pension system generally developed from the relatively insufficient provision available to a limited number of people, to a sum that was *aimed* at enabling all pension-aged to lead a decent life.¹⁷ The demographic processes that contributed to the growing weight of the pension system were similarly present in the other European countries as well, should they be socialist or non-socialist.¹⁸

The dissertation relies on the rich material that has already been written about the evolution of the Hungarian socialist welfare state, part of which presents this development both in comparison to Western European countries and other socialist

¹⁵ Despite the overarching trend, the country specificities, that the advancement of welfare was the case of individual compromises was valid everywhere, as documented in detail by Peter Baldwin in *The Politics of Social Solidarity: Class Bases of the European Welfare State, 1875-1975* (Cambridge: Cambridge University Press, 1990). On the topic of welfare state development after the Second World War see Jens Alber, *Vom Armenhaus zum Wohlfahrtsstaat: Analysen zur Entwicklung der Sozialversicherung in Westeuropa* (Frankfurt and New York: Campus Verlag, 1987); Peter Flora and Arnold J. Heidenheimer (eds.), *The Development of Welfare States in Europe and America* (New Brunswick and London: Transaction Books, 1981). For a detailed description of the various countries, see Peter Flora (ed), *Growth to Limits: The Western European Welfare States Since World War II*, ed. Peter Flora, 5 vols. (Berlin and New York: Walter de Gruyter, 1986-1987).

¹⁶ Herbert Obinger and Carina Schmitt, "Guns and Butter?: Regime Competition and the Welfare State during the Cold War," *World Politics* 63 (2011): 246-270.

¹⁷ Joakim Palme, *Pension Rights in Welfare Capitalism: The Development of Old-Age Pensions in 18 OECD Countries, 1930-1985* (Stockholm: Swedish Institute for Social Research, 1990).

¹⁸ On the importance of the demographic processes see Peter Laslett, "Necessary Knowledge, Age and Aging in the Societies of the Past," in *Aging in the Past: Demography, Society, and Old Age*, ed. David I. Kerzer and Peter Laslett (Berkeley: University of California Press, 1995), 3-81.

countries. It relies among others on the work of Zsuzsa Ferge, who provided an account of the most important lines of welfare development in Hungary for the first three decades of socialism.¹⁹ It also uses the findings of Tomasz Ingot and Béla Tomka, both of whom took up the task of following the evolution of the Hungarian welfare state development in a comparative perspective. Ingot compared three Central European countries, Hungary, Poland and Czechoslovakia, whereas Tomka focused on an asymmetrical comparison between Hungary and the Western European countries.²⁰ Both studies present a detailed macro level analysis of the evolution of the Hungarian welfare state, emphasizing the convergences and divergences with other countries, but they do not go into an in-depth investigation of the motivations of the different actors involved. This latter aspect was carefully studied by Sándor Horváth in his recent work on social policy in Budapest during socialism or Lynne Haney who documented the changes of the socialist welfare regime in Hungary, focusing on the shifting definitions of need.²¹ The study of the Hungarian welfare state was recently enriched by Borbála Igazné Prónai's meticulous account of all the different welfare regulations not only in the entire socialist period but from the beginnings of social insurance in Hungary until the new millennium.²²

More recently the question of socialist pension policy has also become a focus of scholarly attention. The emphasis however has been largely on understanding the legacy of socialist pension while studying the pension system after the political and

¹⁹ Zsuzsa Ferge, *A Society in the Making: Hungarian Social and Societal Policy, 1945-1975* (Harmondsworth: Penguin Books, 1979).

²⁰ Tomasz Ingot, *Welfare States in East Central Europe, 1919-2004* (Cambridge: Cambridge University Press, 2008); Béla Tomka, *Szociálpolitika a 20. századi Magyarországon* (Social policy in twentieth-century Hungary) (Budapest: Századvég, 2003).

²¹ Lynne A. Haney, *Inventing the Needy: Gender and the Politics of Welfare in Hungary* (Berkeley: University of California Press, 2002); Sándor Horváth, *Két emelet boldogság: Mindennapi szociálpolitika a Kádár-korban* (Happiness on two floors: Social policy in the everyday life of the Kádár era) (Budapest: Napvilág Kiadó, 2012).

²² Borbála Igazné Prónai, *A kötelező társadalombiztosítás kialakulása, fejlődése Magyarországon* (The emergence and development of compulsory social security in Hungary), PhD Diss., Pázmány Péter Katolikus Egyetem, Piliscsaba, 2006.

economic changes. Pieter Vanhuysse's work concentrated on analyzing the seminal role the pension system played in securing a peaceful economic transition after 1990.²³ And Judit Monostori analyzed the causes and consequences of early retirement in post-communist times, which is inherently connected to how early retirement was used under socialism.²⁴

Drawing on the findings of these works, the current dissertation sets out to analyze the evolution of the Hungarian pension system combining a macro perspective as used in the comparative works or the analysis of Vanhuysse with a more in-depth analysis employed by Haney and Horváth. In reconstructing this development of the pension system after the Second World War, the dissertation uses archival material with statistical data, results from contemporary surveys, studies, newspaper articles and excerpts from interviews. The material is ordered chronologically, and it is divided into three chapters. The first one concentrates on the emergence of the socialist pension system, reconstructing the events from 1948 until 1951. It focuses on how the institutional foundations of the new pension and welfare system were laid down, the particular role the unions played in it, and the passing of the first socialist pension legislation in 1951. The chapter also highlights the ruptures and continuities with the inter-war pension system and the obsession of the socialist legislators with increasing the labor supply also with the help of pension provisions.

The second chapter focuses on the time of gradual expansion, embracing the period between 1951 and 1970 when pension entitlement was expanded to reach almost everyone, practically creating a universal coverage and making retirement a new phase of life in general. The chapter also shows the important role pension

²³ Pieter Vanhuysse, *Divide and Pacify: Strategic Social Policies and Political Protests in Post-Communist Democracies* (Budapest: CEU Press, 2006).

²⁴ Judit Monostori, *Aktív korúak nyugdíjban: A korai nyugdíjazás jelensége és okai a rendszerváltás utáni évek Magyarországon* (Retirement in active age: The phenomenon and causes of early retirement in Hungary after the transition), PhD Diss., Corvinus University, Budapest, 2009.

politics played, through its expansion to the agricultural cooperative sphere, in bringing about the transformation of rural Hungary.

The third and last chapter begins with 1970 and ends with the regime change. It concentrates on the changing expectations about pensioner lifestyle, and the institutionalization of a certain meaning of “decent life” for the average pensioner. It traces the process through which the Kádár regime – breaking with the earlier practice of multiplying privileges – tried to homogenize the legal conditions for pension insurance in 1975 and generalize the criteria of pension raises through the introduction of regular indexing in 1971. Apart from the consequences these changes brought about for different groups of pensioners, the chapter also tries to assess how individuals before or in retirement adapted to the policies that regulated work in retirement. The line of argument reaches out until the regime change and compares the fate of pension provisions to other welfare benefits introduced under socialism.

1

Laying down the foundations of a socialist welfare and pension policy

The task of state run social security is to look after the workers and their family members in the event of sickness, giving birth, accidents, old age and disability and to provide support for those remaining in case the worker or a family member passes away.¹

The citation comes from the first paragraph of the collection of regulations, issued sometimes between the late 1950 and early 1951, and bears witness to the new era, when the state was to assume all the responsibilities in connection with welfare administration and provision. Among these was the provision of pension.

Starting from 1948 the pension system underwent decisive changes, which have ascribed it a distinctly socialist character, especially after the passing of the first general pension legislation. This development of the pension system, as the chapter will argue, was embedded into the general transformation of the entire system of social security and welfare provisions, and many of its regulations were conceived following the political and economic prerequisites of the times. Thus the chapter, while examining how the foundations of the socialist pension system were laid down in the early socialist period era, contextualizes this process in the nationalization of social security provisions, the changing welfare system and the general political and economic climate of the times. It also elaborates on how the unions' role was transformed as they emerged as key figures in the administration and provision of social security and welfare. It takes 1948 as a year of departure, when the single party system was established following the fusion of the social democratic and the communist party in Hungary.

¹ "Társadalombiztosítási szabályzatok" (Social security regulations), dates sometimes between October 1950 and late 1951. PII XII, fond 2, állag 16, ö.e. 1, p. 45.

The chapter is divided into three sub-chapters. The first one creates an overview of how the welfare system was changed after 1948, stressing that the new welfare apparatus functioned both as an effective agent of control and mobilization. The changes in the welfare system are placed into the general context of political and economic transformations. The second sub-chapter is devoted to studying the gradual transformation of the unions into the providers of social security and other welfare benefits, just as they carved out their new role as the pillars of the emerging party state. Finally, the last subchapter studies the events leading to the birth of the first general pension law and it analyses this legislation focusing on the aims the politicians hoped to achieve with it and its relationship with the interwar pension legislations of Hungary and the Soviet pension system.

1.1. Foundations of a new welfare system

The transformation of the Hungarian pension system in particular and the Hungarian welfare system in general was deeply embedded in the extensive remodeling of the entire society, the Stalinization of the country. The current subchapter looks at how this transformation of the welfare system took place, contextualizing the process in the most important political and economic changes of the times.

Following the “year of the transformation”, as the period between the summer of 1947 and 1948 was popularly called, the establishment of the *Magyar Dolgozók Pártja* (Hungarian Workers’ Party, hereafter MDP) between June 12 and 14, 1948 marked the effective beginning of the single party system in Hungary.² During the

² This put an end to the half-year-long unification process of the two labor parties, the *Szociáldemokrata Párt* (Social Democratic Party, hereafter SZDP) and the *Magyar Kommunista Párt* (Hungarian Communist Party, hereafter MKP). The unification was carried out with strong political pressure and secret-police harassment of the unwilling social democrats. György Gyarmati, *A Rákosi-korszak: Rendszerváltó fordulatok évtizede Magyarországon* (The Rákosi era: A decade of systemic transformations in Hungary) (Budapest: ÁBTL-Rubicon, 2011), 122-130.

next year, in 1949 a new Constitution was adopted which abolished both the republic and the position of the president, and introduced the people's republic and the presidential council instead. From then on the Parliament was summoned only once or twice a year. This growing concentration of power was accompanied by growing political terror.³ The new Constitution declared the state and cooperative ownership as the dominant types of property, underpinning the ongoing process of nationalization. Ákos Róna-Tas calls this process the great transformation, describing it as a sudden rupture in the economic and social history of Hungary, which included not only the nationalization of land (collectivization) and the nationalization of labor but also the abolishment of the private sector.⁴ Starting from 1948, the economic policy was characterized by industrialization, focusing primarily on heavy industry.⁵ Industrial workforce increased by approximately 50% between 1948 and 1955.⁶ Light industry was severely disadvantaged by the low levels of investment, while agriculture was depressed by the compulsory deliveries.⁷ All people were mobilized to enter the workforce. This mobilization was strengthened by the criminalization of non-working, able-bodied men, and the abolishment of the term unemployment together with any possible benefits.⁸ Women were also encouraged to enter the labor force, and they did so in masses. By 1955, 50% of them worked outside their home, which was a steep rise if compared to the 20% in 1941. It was not only ideological or more concrete physical/political pressure that made them work. Women's income was also necessary for the family budget; in the centralized wage structure economic planners set the

³ Gyarmati, *A Rákosi-korszak*, 130-165.

⁴ Ákos Róna-Tas, *The Great Surprise of the Small Transformation: The Demise of Communism and the Rise of Private Sector in Hungary* (Ann Arbor: The University of Michigan Press, 1997), 210.

⁵ Iván T. Berend and György Ránki, *A magyar gazdaság száz éve* (A hundred years of Hungarian economy) (Budapest: Közgazdasági és Jogi Könyvkiadó, 1972).

⁶ Lynne Haney, "Familial Welfare: Building the Hungarian Welfare Society, 1948-1968," *Social Politics: International Studies in Gender, State & Society*, 7 (2000): 101-122.

⁷ Grzegorz Ekiert, *The State Against Society: Political Crisis and their Aftermath in East Central Europe* (Princeton, N.J.: Princeton University Press, 1996), 45.

⁸ See, e.g., Haney, "Familial Welfare."

wages usually so low that two wage earners were necessary in a family.⁹ During this time the diversion of funds from consumption to investment significantly lowered the living standards of the masses, and household incomes began to decline. Real wages fell between 1951 and 1953 to pre-1949 levels.¹⁰

The newly established economic system – like in other socialist countries – was characterized by investment hunger, where forced economic growth became the top priority, overshadowing everything else. The priority for heavy industry was accompanied by a priority for new installations, with a preference to set up new factories. This urge for building can partly be explained – as János Kornai suggests – as a sign of the strong effort to overcome backwardness and to show tangible proofs of achievement.¹¹ Economic development was centrally planned, and the control of the investment process was centralized. The National Planning Bureau (*Országos Tervhivatal*) was established in 1949, and the first five-year plan – introduced in 1950 – already reflected the principles of the new socialist economy.¹²

Starting from 1946, the autonomy of the local levels of public administration was progressively diminished through a substantial cutback of the experienced apparatus (the so called B-list procedures), the necessity of ministerial approval for the employment of any new civil servant, and the tight central fiscal control due to the economic stabilization.¹³ The ensuing introduction of the Soviet type council system

⁹ Haney, “Familial Welfare,” 105-107.

¹⁰ Ekiert, *The State Against Society*, 45.

¹¹ János Kornai, *The Socialist System: The Political Economy of Communism* (Oxford: Clarendon Press, 1992). Kornai’s explanation for the expansion drive is that it comes from a belated development and an urge to catch up as soon as possible with the more developed countries. *Ibid.*, 160-202.

¹² Iván Pető and Sándor Szakács, *A hazai gazdaság négy évtizedének története: 1945-1985* (A history of four decades in Hungarian economy, 1945-1985), vol. 1: *Az újjáépítés és tervutasításos irányítás időszaka: 1945-1968* (The period of rebuilding and command economy, 1945-1968) (Budapest: Közgazdasági és Jogi Könyvkiadó, 1985), 140-166.

¹³ Hardest hit were the local authorities, who have lost approximately a quarter of their workforce on average, reaching a state of paralysis as a result. György Gyarmati, “Harc a közigazgatás birtoklásáért. A koalícion belüli pártküzdelmek az 1946. évi dualizmus időszakában” (Fight for the possession of public administration: Struggles between coalition parties during the 1946 dualism). *Századok* 130 (1996): 497-570, esp. 537.

in the public administration in 1950 signaled the finishing touches on the system bureaucratic centralism.¹⁴

Parallel to these changes, the foundations for a socialist welfare system were laid down as well. Serving as an ideological starting point for the ensuing transformation was the Manifesto of the MDP, accepted between June 12 and 14, 1948. It was a complex document that laid down the guiding principles of government/party action in the different territories steering the transformation of Hungarian society according to socialist principles. It covered topics spanning from politics, to fiscal and economic development, to public education, homeland security, foreign policy and social policy.¹⁵ With regard to social policy it declared that any major development in the field must be tied to the growth of economic production and national income. This resolution that strictly tied the growth of welfare provisions to the economic performance functioned as a significant guiding principle for many years to come. The importance of a solid economic basis for possible raises was an argument that would reoccur often in the coming years, for example when the various pension laws and pension raises were debated and decided.

Despite the emphasis on the economic foundations, the Manifesto made the improvement of the health and social security of the workforce a primary objective of the socialist party state. It emphasized the importance of developing the sickness, old-age, disability and accident insurances. It also clarified that the ultimate aim was to expand social security to all those, who were employed. And it also argued for changes in the provision of social security and welfare, with the unions playing a

¹⁴ György Gyarmati, “Modernizációs szükséglet és hatalmi érdekkonfliktus: Az igazgatásszervezet átalakítása Magyarországon, 1945-1950” (Need for modernization and conflict of power interests: The transformation of the administrative structure in Hungary, 1945-1950), *Századok* 126 (1992): 220-222.

¹⁵ This Manifesto was in vigor for almost thirty years. It was only in 1975 that a new Manifesto was accepted during the 11th Congress of the MSZMP, with the explanation that the goals of the former were not only reached, but surpassed. “A Magyar Dolgozók Pártjának Programnyilatkozata” (Manifesto of the Hungarian Workers’ Party), in *A Magyar Dolgozók Pártjának határozatai: 1948-1956*, ed. Habuda Miklós et al. (Budapest: Napvilág Kiadó, 1998), 15-32.

growing role in it. It contended that the unions in charge would create a more worker-friendly environment, without the unnecessary bureaucracy and “soulless indifference” towards the workforce. Actually, as the transformation of the welfare system was unfolding the opposition of the old soulless, bureaucratic system with that of a new, democratic one controlled by the unions became a key rhetorical figure used over and over again. Furthermore, the unions were also seen as effective agents of control, being able to curtail any possible abuse of the welfare system.¹⁶

The Manifesto’s considerations about the advantages of union involvement provided an important ideological foundation for the very practical consideration to shape the Hungarian welfare system after the Soviet model, where unions already played a pivotal role.¹⁷ In fact the Soviet welfare system served as the basis for the thorough transformation of the entire Hungarian welfare system that took place in the years following the acceptance of the Manifesto.¹⁸ As a result, the economic wellbeing of the populace was ensured not only through the welfare provisions themselves, but by other means as well.

This newly emerging system was founded on three distinctive pillars. The first pillar was the right and obligation to work for everyone. Since work was provided for everyone, some income was guaranteed for every household with an active-aged member. The second pillar was the system of social security and welfare provisions,

¹⁶ A Magyar Dolgozók Pártjának Programnyilatkozata”, 27.

¹⁷ In the USSR the unions’ role as regulators and administrators of the various social insurance benefits had crystallized by 1933, when the enterprises became the key centers of insurance. This had the practical advantage of enabling the party to use social insurance to promote the economic and ideological objectives of the socialist state, to mobilize people, and to increase work discipline. Trade unions largely became an administrative organ of the state, whose most important role was to help to increase production. Within the social welfare administration the role of the trade unions more specifically included, among other things, to set contribution rates, to collect contributions, to make social insurance payments, to select people to be sent on paid vacations and cure trips, and to operate counsel services for workers. See Gaston V. Rimlinger, “The Trade Union in Soviet Social Insurance: Historical Development and Present Functions,” *Industrial and Labor Relations Review* 14 (1961): 397-418; and Bernice Q. Madison, *Social Welfare in the Soviet Union* (Stanford: Stanford University Press, 1968).

¹⁸ On the Soviet welfare system see Vic George and Nick Manning, *Socialism, Social Welfare and the Soviet Union* (London: Routledge and Kegan Paul, 1980).

which was mostly attached to the enterprises. This model offered Hungarians both benefits-in-kind and benefits-in-cash, and was operated by the unions. It also meant that, for the most part, people had to work in order to become welfare recipients. Finally, the third pillar was provided by price subsidies: the centralized wage system was complemented with a centralized price system that extended to different kinds of consumption goods from food and clothing to such amenities as housing and utility costs.¹⁹

The fact that two of the three basic pillars were closely connected to work and economic production highlights an essential characteristic of the socialist welfare states in general: that the provision of welfare was an important tool in the hands of authorities to mobilize the workforce, and their evolution and expansion were strongly influenced by the requisites of production growth. Even the Manifesto's declaration about the necessary economic foundations for any expansion of social provisions can be understood as the state's attempt to enhance economic growth.

But the welfare system was also used as an important means of legitimization of the new regime.²⁰ The provision of basic economic security to households was important on the agenda of party politicians.²¹ Besides the welfare provisions, both the first and the third pillars contributed substantially to the economic security of households. And the welfare provisions were important in ensuring a minimum level of security for everyone: there was the tangible aim to provide a relatively broad

¹⁹ Susan Zimmermann, "Wohlfahrtspolitik und die staatssozialistische Entwicklungsstrategie der "anderen" Hälfte Europas im 20. Jahrhundert," in *Sozialpolitik in der Peripherie: Entwicklungsmuster und Wandel in Lateinamerika, Afrika, Asien und Osteuropa*, ed. Johannes Jäger, Gerhard Melinz, and Susan Zimmermann (Frankfurt am Main: Brandes und Apsel Verlag, 2001), 211-237.

²⁰ It was not the innovation of the communist system to use welfare policies to influence social and political life. It was tangible already at the birth of state supported welfare policies in the early 20th century, as David I. Kertzer and Marzio Barbagli observe. David I. Kertzer and Marzio Barbagli, "Introduction," in *Family Life in the Twentieth Century*, 3 vols., ed. David I. Kertzer and Marzio Barbagli (New Haven and London, Yale University Press, 2003), 3: xi-xliv.

²¹ It should be noted however, that in contrast to Poland or Czechoslovakia, the Stalinist Constitution of Hungary did not mention extensive welfare guarantees. Tomasz Inglot, *Welfare States in East Central Europe, 1919-2004* (Cambridge: Cambridge University Press, 2008), 179.

coverage from early on.²² Provisions were used quite systematically to give preference to certain groups. Tomasz Inglot observes about welfare expenditures that during the early years of socialism the scarce welfare resources were partly redirected from the privileged groups of the interwar period, like government employees, better earning male workers, and private property owners towards families, women and the poor in general.²³ Lynne Haney also notes the importance of families saying that despite their strong dependence on work, policies were family oriented. Familial status and family need were important determinants of what type of benefit was available to a worker. During the allocation of some benefits – like housing – workers with children were given a clear preference.²⁴

Despite its clear resolution to provide some sort of economic security for the populace, during early socialism in Hungary there were ambivalent attitudes among the political leadership to the concept social policy. Sándor Horváth quotes Anna Ratkó, who was overseeing social policy as a minister for welfare between June, 1949 and December, 1950, and was trying to minimize the importance of social policy by saying that “all deeds and measures of our peoples’ democracy is social policy.”²⁵ In the early 1950s, as it has been pointed out by several authors, even the word social policy was abolished from the official dictionary because it was deemed unnecessary in socialism.²⁶ In a symbolic act, the Ministry of Welfare was dissolved in 1950, and its former tasks were split between different ministries, the Ministry of Health (which

²² Linda J. Cook, “Easter Europe and Russia” in *The Oxford Handbook of the Welfare State*, ed. Francis G. Castels et al. (Oxford: Oxford University Press, 2010), 670-686.

²³ Inglot, *Welfare States*, 181.

²⁴ Haney, “Familial Welfare.”

²⁵ Sándor Horváth, *Két emelet boldogság: Mindennapi szociálpolitika a Kádár-korban* (Happiness on two floors: Social policy in the everyday life of the Kádár era) (Budapest: Napvilág Kiadó, 2012), 26. Horváth quotes Zsuzsa Ferge who originally used Ratkó’s statement in her *Fejezetek a magyar szegénypolitika történetéből* (Chapters from the history of Hungarian poverty policy) (Budapest: Kávé Kiadó, 1998), 99.

²⁶ Horváth, *Két emelet boldogság*, 24-29; Inglot, *Welfare States*, 177-182; Zsuzsa Ferge, *A Society in the Making: Hungarian Social and Societal Policy, 1945-1975* (Harmondsworth: Penguin Books, 1979).

was newly created), the Ministry of Interior, the Ministry of Food and the Ministry of Religion and Education.²⁷ Inglot also points out that due to the purging among civil servants (the B-list procedures) social policy expertise almost completely vanished from the decision making circles.²⁸

Although the party Manifesto of 1948 contained a section on social policy, its meaning was narrowed down to issues of social security. Name changes in the subsequent years indicated this shift, where instead of social policy it was always social security (*társadalombiztosítás*) that was talked about. In 1950, amid the changes ensuing the takeover of social security provision by the unions, the *Szakszervezetek Országos Tanácsa* (National Council of Unions', hereafter SZOT) department of social policy was renamed accordingly, and the journal *Szociálpolitika* (Social Policy), published by SZOT was given the new name *Társadalombiztosítás és munkavédelem* (Social Security and Labor Safety).²⁹ Change came after the revolution of 1956, when the slow rehabilitation of the word 'social policy' began.³⁰

Besides its ambivalent relationship towards the concept of social policy, there are two other distinguishing characteristics of the early Hungarian welfare system, as indicated by the work of Haney. Firstly, it was functionally and bureaucratically less differentiated than later. Her analysis relies on files from the *Gyámhatóság* (Child Services Agency), and found that caseworkers often handled complex cases alone. Secondly, her examples also shed light to the fact that the bureaucrats, or in other instances union volunteers active in the system of welfare provision, were often very

²⁷ The Ministry of Food (*Élelmezési Minisztérium*) was only active between 1950 and 1952, and the Ministry of Religion and Education (*Vallás- és Közoktatásügyi Minisztérium*) was renamed Ministry of Education in 1951.

²⁸ Inglot, *Welfare States*, 179. However, my research with regard how the SZOT handled the taking over of social security system suggests that despite the strong urge to place good cadres everywhere, they were attentive to have people with expertise as well.

²⁹ "Előterjesztés a SZOT Társadalombiztosítás és Üdülési Osztály részéről" (Draft by the Department of Social Security and Holiday Provisions of SZOT), October 3, 1950. PIL XII, fond 2, állag 16, ö.e. 4, pp. 129-130.

³⁰ Horváth, *Két emelet boldogság*, 30-73.

much involved in their clients' life. Haney documents that some case workers for example set out to track down missing fathers or to contact the relatives in the case of single mothers.³¹

A case where the involvement of welfare apparatus becomes not only apparent, but the system specific reasons behind it are unveiled as well, is the voluntary sick visiting organized by the unions. Union volunteers were sent from the enterprise to the home of patients on sick leave, and their task was first and foremost to try to uncover possible sick-leave scams, in a hope to curtail the welfare expenses. The tight control of sick-leave payments was essential given the fact that the opposing wishes of cost saving and expanding welfare to everyone were both characteristic of contemporary political and economic leadership. And concern was high among different functionaries for a possible undeserved exertion of money. "We have to be careful" – warned József Madár at a meeting of the local committee for social security committee (*társadalombiztosítási bizottság*) of Veszprém County, "because workers already know that we pay sick leave benefits even on the first day...and some non-conscientious and non-self-conscious workers might abuse this."³²

When these visits unfolded, they could mean the complete invasion of the private sphere, as the union volunteers sometimes got deeply involved with the personal life of their controlled subjects. Like in the town of Pápa, where "the sick visitors of the Mika factory of Pápa, if a working mother was concerned, they even cooked in her place in order that she could comply with the instructions of the doctor or, if needed, they even cut the firewood."³³ A similar report from Pécs also suggests that the patient visitor took its role very seriously and even ventured to get involved in

³¹ Lynne A. Haney, *Inventing the Needy: Gender and the Politics of Welfare in Hungary* (Berkeley: University of California Press, 2002).

³² József Madár at the November 22, 1950 meeting of the Veszprém County Social Security Committee. PIL XII, fond 2, állag 16, ö.e. 3, p. 101.

³³ *Ibid.*

managing the financial situation of the patient, a single mother of four. As the report recollect,

a teacher from Pécs, Mrs. Farkas, a single woman with four children and caring for three grandparents around 80, fell ill. The union committee has arranged that a cleaning lady look after her, ingredients for diet meals be provided for her, they saw to the accomplishment of the patching works, and recommended her for the employer's aid.³⁴

However, it should be noted that it is unclear how often the visitors performed their duty in such an idealistic fashion, as sometimes they did not even show up in the home of the sick worker. The above mentioned case from the Mika factory was brought up at a meeting of the local committee for social security as a desired example that also occurs in other parts of the country but that should have more followers.³⁵ That said it still can be stated that such an involvement in the out-of-the-workplace life of provision recipients idealized and encouraged by the authorities was threatening. The threatening part of the practice was that people found to be undeserving could suffer from minor to major repercussions. In one case in the city of Cegléd, a visitor did come to check on the well-being of the patient, but he was not at home. The case of Ferenc Kovács was then referred to the local committee for social security, which reviewed it on March 2, 1952. In his apology, Kovács was calling attention to the fact that he lived alone, and had to run errands to find things necessary for his household. He even requested the lifting of his curfew, imposed on him for being sick, which would allow him more free time to leave his home. However, the doctor on the committee not only found such flexibility useless but referred Kovacs to

³⁴ “A szakszervezetek feladata a társadalombiztosítási segélyek üzemi kifizetésével kapcsolatban” (The task of the trade unions with reference to the payment of social security aids in the factories), June 23, 1950. PIL XII, fond 2, állag 16, ö.e. 3, p. 176.

³⁵ November 22, 1950 meeting of the Veszprém County Social Security Committee. PIL XII, fond 2, állag 16, ö.e. 3, p. 101.

medical control instead, no doubt in the hope of sending him back to his workplace as soon as possible.³⁶

Documents do not show if Ferenc Kovacs was really sick or he was just trying to expand his paid leave, but he seems to have escaped any major repercussions. Unlike Júlia Katona who, still not feeling cured and fit after two consecutive stays at a hospital, altered the medical certificate issued by the hospital. She simply hoped to have some more time to heal. When it was exposed, not only charges were pressed against her, but she was publicly humiliated in the factory where she was working, and stripped off her MDP and union membership. The case was reported by the local union branch to SZOT, and the report depicts a quite frightening atmosphere during the public hearing where Katona collapsed following the charges leveled at her, and fainted even before decision was reached.³⁷

Besides the apparent importance to control to curtail excess spending, these visits were also part of the wide-spread agitation schemes of the times. They were seen as a great occasion to convert the non-believers and make them useful citizens. “Through their charitable activity, sick visitors also help to better the attitudes of laborers to work, they mobilize laborers for fighting bureaucracy, for active participation in social security.”³⁸ How much success these visitors had with agitation is unclear. Similarly to how effectively the entire system could contain the expenses with regard to seek leave benefits. Nevertheless, as the case of Júlia Katona shows, the fact that these visits happened while there was widespread state terror strengthened the threatening element of such control.

³⁶ Meeting of the local social security committee at Cegléd, March 2, 1952. PIL XII, fond 2, állag 16, ö.e. 2, p. 25.

³⁷ Report written to the SZOT by the social policy official of the Metal Workers Union. PIL XII, fond 2, állag 16, ö.e. 4, p. 24.

³⁸ “Feljegyzés a szakszervezetek szociálpolitikai munkájáról” (Memorandum about the social political work of the unions), 1949. PIL XII, fond 2, állag 16, ö.e. 8, p. 2.

1.2. The changing administration and provision of welfare

A decidedly socialist character to the emerging new welfare state was given by the new roles the unions played in it. Be it either social policy or, more narrowly, social security, the attainment of its goals were met with the help of the unions who, following the Soviet example, oversaw the provision of social security and welfare from October 1, 1950.³⁹ As a consequence, the enterprises – where the individual union branches were based – became one of the founding pillars of socialist welfare provision, as spelt out above. The following sub-chapter will show how largely between 1948 and 1950 this process unfolded.

The unions' significant role in the provision of social security evolved gradually. Parallel to the stabilization of the communist power, the unions had assumed a strikingly different role from their interwar one. Foreshadowing the imminent changes to come in their behavior and fields of interest was general secretary Antal Apró's speech at the 17th Congress of SZOT in 1948, where he stated that "in the people's democracy, power belongs to the workers, and the same means of fighting which were good and useful in the country under capitalist rule are dangerous and harmful in the people's democracy that builds socialism."⁴⁰ When Apró made his speech, the unions' already had 1,6 million members, suggesting that a significant share of the employed workforce was also a union member.⁴¹ By then the practice was formulating that SZOT's high level bureaucrats also occupied high ranking party positions, strengthening their integration into the daily functioning of the party state.⁴²

³⁹ Decree 36/1950 of the Presidential Council.

⁴⁰ *Népszava*, September 12, 1948, 1.

⁴¹ *Szakszervezetek a szocializmus építéséért: Apró Antal és Horváth Mihály beszámolója a szabad szakszervezetek XII. kongresszusán (1948 okt. 17-20)*, (Trade unions for the building of Socialism: The statements of Antal Apró and Mihály Horváth at the 17th congress of the free trade unions) (Budapest: Szakszervezeti Tanács, 1948), 58.

⁴² Apró himself, who was the general secretary of SZOT between 1948 and 1951, was also a member of the MDP PB, and held various governmental and party positions later on as well.

The unions' changing roles meant that they turned into an important part of state bureaucracy. They became the effective executors of MDP's orders, faithfully carrying out the tasks assigned to them in the fields of agitation, mobilization and control and also fulfilling essential administrative/bureaucratic tasks.⁴³ However, as shown by their 18th Congress, held in 1953, they also conceived themselves as the defender of workers and employees, trying to secure better living and working conditions for them. The Congress, reflecting on the unions' diverging roles in helping to achieve the goals of a socialist society, pointed out three areas where, in their own view, they had carried out important tasks. Firstly, unions were active in helping to boost the economic production of Hungary. Secondly, they were also engaged in improving the living and working conditions of the people (part of which was the provision of social security and other welfare benefits). And thirdly, they helped the "cultural" mobilization of the populace.⁴⁴ These three areas were not only rather divergent, but the effective working in the first two was inherently contradictory. Actually, the unions' engagement in the first one was so vehement in the early 1950s that it even led to a minor scolding by the MDP PB in June 1953 – as destalinization slowly began – for having neglected the importance of the second one, namely the living standard of workers.⁴⁵

SZOT's primary role as a provider of social security was established following the enactment of Decree 36/1950 of the Presidential Council.⁴⁶ With regard to social security the new legislations empowered SZOT to create the regulatory framework for

⁴³ Júlia Szalai, "A társadalombiztosítás érdekviszonyairól: történeti vázlat a hazai társadalombiztosítás funkcióinak változásáról" (On the relations of interests in social security: Historical outline of the changes of functions of Hungarian social security), *Szociológiai Szemle*, 2.2 (1992): 27-43.

⁴⁴ *A magyar szakszervezetek XVIII. kongresszusa* (The 18th congress of Hungarian trade unions) (Budapest: Népszava, 1953), 132-144.

⁴⁵ Habuda et al. (eds.), *A Magyar Dolgozók Pártja határozatai*, 226-235. Specifying their new role, the PB stated that "trade unions are given the honorable task of mobilizing the workers, organized around the party, for the accomplishment of the objectives aimed at the constant enhancement of the well-being of the working class." *Ibid.*, 226.

⁴⁶ Decree 36/1950 of the Presidential Council.

social insurance provision, to prepare the social insurance budget and present it to the Finance Ministry and to control all bodies of social insurance provision.⁴⁷ As part of the changes, the ultimate authority over social security provision, which formerly rested with the Ministry of Welfare, was transferred to the Council of Ministers, but with regard to family benefits and pensions, it was delegated to the Finance Ministry. Later, in 1957, the Ministry of Labor assumed these responsibilities.⁴⁸

Understanding how SZOT assumed the task of providing social security, documents reveal a gradual process that had elements of competency and power struggle in it. The process largely took place between 1948 and 1950, but the first signs were already there in 1946, even before the complete communist takeover of power. SZOT – and its predecessor *Szaktanács* (Union Council) – made a number of public and internal appeals to place social security into the hands of the unions.⁴⁹ One of the most important ones was the already mentioned speech by general secretary Antal Apró at the 17th Congress of SZOT in 1948. Apró saw two main lines the unions were to pursue in welfare provision: one was the provision of various welfare aids, financed and administered by the unions themselves and available only for their members; the other was the control and organization of social security in general.⁵⁰ As part of this twofold process of assuming the responsibility for the provision of social insurance SZOT started a political campaign supporting the fusion of the different insurance companies into one. This is why Apró was quick to point out the superfluous and politically incorrect nature of having too many insurance companies:

Today, when we are building Socialism in our homeland, when engineers, workers, and officials fight together for the development of industry, of

⁴⁷ “Társadalombiztosítási szabályzatok” (Social security regulations), 1952 (it may be wrongly dated), §. 4. PIL XII, fond 2, állag 16, ö.e. 1, p. 45.

⁴⁸ *A magyar társadalombiztosítás húsz éve, 1945-1964* (20 years of Hungarian social security, 1945-1965) (Budapest: SZOT Társadalombiztosítási Főigazgatósága, 1965), 6-8.

⁴⁹ Szaktanács changed its name to SZOT in October, 1948.

⁵⁰ *Szakszervezetek a szocializmus építéséért*, 28.

Hungarian economy, when close relations of collegueship and, in many cases, of comradeship are formed between our physical and intellectual workers, there is absolutely no reason to set up separate institutes of insurance for officials and workers.⁵¹

SZOT's wish was realized following the fusion of the two largest insurance companies the *Országos Társadalombiztosítási Intézet* (National Social Security Institute, hereafter OTI) and the *Magánalkalmazottak Biztosító Intézete* (Insurance Company for Non-State Employees, hereafter MABI) in 1949, which was ensued by merging the remaining companies into the newly established single insurance company.⁵² The final fate of OTI, this single remaining insurance company, was not determined for more than a year. Nevertheless its dismantlement began even before SZOT was put into the position of the state administrator of social security provisions. Some tasks were taken away from OTI, whereas others started to be shared with SZOT. Evidence also suggests – as it will be shown in the following pages – that even in cases where, in theory, the competency still remained with OTI, SZOT exerted a high level of influence and often control.

One of the first steps of OTI's dismantlement was that the provision of health care was detached from it.⁵³ But even prior to this, union volunteers started to gain prominence in controlling how hospitals and other health institutes worked.⁵⁴ In the course of 1949, the reorganization of welfare provisions had also began: both sick leave benefits and welfare aid were paid and organized on the enterprise level with the involvement of the unions.⁵⁵ Unions also started to get involved in other branches of welfare provision. Already from 1948, unions became active in organizing holidays

⁵¹ Ibid.

⁵² There were intense negotiations in late 1948 and early 1949 about the merging, always including SZOT representatives. See among others PIL XII, fond 2, 16 állag, 8 ö.e., pp. 49-54.

⁵³ PIL XII, fond 2, állag 16, ö.e. 2 (1951), pp. 111, 122-140.

⁵⁴ "Feljegyzés a szakszervezetek szociálpolitikai munkájáról," pp. 1-9.

⁵⁵ "Az SZTK és a mellette működő Társadalombiztosítási Bizottság feladatai" (The tasks of the SZTK and the Committee of Social Security operating in relation to it), 1952. PIL XII, fond 2, állag 16, ö.e. 2, pp. 27-44.

for the workers on a large scale, sending approximately 100.000 people on vacation by 1949. They also started to build daycare centers for the employees' children and were actively participating in labor safety (*munkavédelem*), sharing this task with OTI.⁵⁶ Internal documents suggest that by 1949 functionaries at SZOT assumed that despite its autonomous administrative structure, OTI only existed as a name, and the real work was carried out by SZOT.⁵⁷ Clearly, SZOT was busy building up its own welfare network – complete with the already mentioned system of sick visiting volunteers – and social policy apparatus. In 1949 SZOT set up a special committee for social policy with eleven members. The delegates represented MDP, SZOT, the newly formed National Planning Bureau and the Ministry of Welfare.⁵⁸ Parallel to this, county level social policy departments were created, and social policy experts were chosen and trained.⁵⁹ The newly educated personnel were then deployed to county union committees.⁶⁰

An unexpected consequence of this changing power structure was the appearance of a competency void, visible sometimes in the process of decision making. Just as the following case of a requested pension increase from early 1949 shows, OTI seems to have retreated from making any important decisions, whereas SZOT was unwilling yet to embrace its full power openly. István Buza, a 70-year-old former artisan, who suffered multiple injuries over the years and was consequently

⁵⁶ “Feljegyzés a szakszervezetek szociálpolitikai munkájáról,” p. 6; and “Munkaterv 1949 január 15-től február 28-ig” (Work plan from January 15 to February 28, 1949), 1949. PIL XII, fond 2, állag 16, ö.e. 8, pp. 17-29.

⁵⁷ “Feljegyzés a szakszervezetek szociálpolitikai munkájáról,” p. 4.

⁵⁸ PIL XII, fond 2, állag 16, ö.e. 8, pp. 10.

⁵⁹ “Emlékeztető a társadalombiztosítás egyes feladatainak szakszervezetekre való átruházására [sic]” (“Memorandum about the transfer of certain tasks of social security to the unions”), early 1949. PIL XII, fond 2, állag 16, ö.e. 9, pp. 84-85.

⁶⁰ The selected functionaries were sent to a seminar designed to teach them the basic knowledge. It was also considered to take over the experts from the former insurance companies, and train them politically in union or party seminars. “Feljegyzés a megyebizottságokba beállított függetlenített szoc.pol. felelősök foglalkoztatásával kapcsolatban” (“Memorandum about placing independent sociopolitical experts into county committees”), early 1949, PIL XII, fond 2, állag 16, ö.e. 8, pp. 16.

receiving a disability allowance, was not deemed eligible for the allowance raise introduced in 1948, following a SZOT led campaign to raise the pension levels.⁶¹ Mr. Buza went to complain to the offices of OTI, asking for a raise of 55 forints to his monthly allowance of 163 forints. But the OTI clerk, upon refusing his request, advised him to approach Antal Apró, the general secretary of SZOT, “since he had arranged the raise.” Mr. Buza wrote a letter to general secretary Apró accordingly, hoping to get his much desired supplement. In trying to earn the general secretary’s sympathy, the letter highlighted both Buza’s appropriate political attitudes – “I have always respected democracy, and in 1919 I had suffered for it” – and his miserable state, describing his extensive injuries and his dire financial situation.⁶² But despite his high hopes for comprehension, his request was not only dismissed but had political consequences as well. SZOT secretary József Vincze wrote a letter to the director of OTI, asking for the termination of the practice of sending problematic cases over to SZOT:

We are asking you to make an investigation as to which official and why does he relegate to comrade Apró or to the *Szaktanács* those clients, whose request cannot be fulfilled, since this is not the first such case but it is impermissible to occur in the future.⁶³

As documents show, a month later an inspector arrived to the apartment of István Buza, asking him to recount the events and to describe the official who had previously advised him to write a letter to the general secretary.⁶⁴

By 1949, however, union officials were notified in the background by OTI before most decisions, including the minor ones. Before sick leave payments could be

⁶¹ More about the campaign is written while the first general pension law is discussed, under heading 1.3.

⁶² István Búza’s letter addressed to Antal Apró, January 1949. PIL XII, fond 2, állag 16, ö.e. 9, p. 107.

⁶³ Letter from József Vincze to György Pikler, January 27, 1949. PIL XII, fond 2, állag 16, ö.e. 9, p. 106. *Szaktanács* (Union Council) was the predecessor of SZOT until it changed its name in 1948.

⁶⁴ Minutes from the home inspection of István Búza by Károly Pintyőke, February 2, 1949. PIL XII, fond 2, állag 16, ö.e. 9, p. 108.

paid by OTI, the local union branch (the plant committee) often gave its approval, and in case of fraudulent behavior, if discovered by OTI, the unions – both the local branch and thereafter SZOT – were informed. Usually it was their decision if criminal prosecution was to ensue or not.⁶⁵ SZOT also developed a separate sick visiting system, which was operated not only to control how sick people were, but also the system of sick visiting operated by OTI. Like in this case from July 1949, as reported by a union volunteer, when the OTI controller became the controlled subject himself.

On June 15, in the village of Szentmártonkáta, at 43 Rózsa street, at the home of Károly Roda, member no. 14-21 of the State Railways Union, at 12:25, I found the sick visitor having lunch with the member at a set table, and then they invited me and asked me to wait because the child had already went for a bottle of wine. I told them that the sick visitor cannot control a member like that; I cannot say more about the case.⁶⁶

SZOT volunteers also checked on the doctors working for OTI, and reported if they issued unfounded medical certificates for workers staying at home. A case in point was, when just months before the nationalization of OTI took place, in February 1950, a voluntary sick visitor from the unions checked a doctor called Zimmermann, who was working in a plant of the Goldberger factory in Kelenvölgy, in the outskirts of Budapest. He was found to have issued a medical certificate without prior examination of the patient. Repercussions followed from OTI, but the eager sick visitor was still not satisfied and asked SZOT to “reexamine the issue and using it as a deterrent help us to accomplish the decision of our party”.⁶⁷ Given these

⁶⁵ In the case of József Kemencei, who was later caught to hinder his healing after a small operation on one of his feet and to ride a bike while still not working, both the decision for his initial sick leave payment and then the beginning of legal procedures against him rested with the unions. PIL XII, fond 2, állag 16, ö.e. 9, pp. 124-128. Similarly, István Lovász, after found to have forged his health documents in order to receive welfare aid was not only pressed legal charges against, but after the notification of the *Orvos-Egészségügyi Szakszervezet* (Health Services Union), it was requested to arrange for disciplinary hearings within the union and MDP, in case he was a member. Letter written by József Vincze and Pálné Takács to the department of social policy of the Health Services Union, November 28, 1949. PIL XII, fond 2, állag 16, ö.e. 9, pp. 167.

⁶⁶ PIL XII, fond 2, állag 16, ö.e. 9, p. 132.

⁶⁷ Report written from the social policy official of the union to SZOT. PIL XII, fond 2, állag 16, ö.e. 4, p. 18.

circumstances, it is not surprising that an internal memorandum, dating from May 1949 and probably originating from the department of social policy of SZOT, described how unsure OTI employees were with regard to their future. It also pointed out that this uncertainty was characteristic of OTI leaders as well.⁶⁸

By 1949 SZOT already had already devised concrete plans about how the new structure of social security would look like under its leadership: it was planning the establishment of the National Social Security Center (*Országos Társadalombiztosítási Központ*), as the head organization with its country branches made up from the former OTI departments transformed. There were also plans for the creation of social security councils (*Társadalombiztosítási Tanács*) in the enterprises, as the basic units of planning and control.⁶⁹

When on September 30, 1950 OTI was finally terminated, the most urgent issues included that of leadership, internal reorganization, the necessary qualification of functionaries, and the integration of OTI and SZOT employees. The social background of OTI employees was also found problematic, so it was decided to bring union functionaries in to improve “the social composition on the one hand and the political *niveau* on the other.”⁷⁰ The termination of OTI was preceded by an elaborately planned political campaign to communicate the right messages to the people. According to contemporary documents the proposed campaign included editorials in newspapers published by the different unions as well as in enterprise papers, and interviews and a lecture in the radio about the new social security system. The proposal also called the attention of union activists to emphasize the fact that

⁶⁸ „Feljegyzés” (Memorandum), May 26, 1949; possibly written by the Department of Social Policy of SZOT. PIL XII, fond 2, állag 16, ö.e. 8, pp. 71-75.

⁶⁹ József Vincze, “Jelentés a titkárságnak a társadalombiztosítás átszervezéséről” (Report to the secretariat about the reorganization of Social Security), 1949. PIL XII, fond 2, állag 16, ö.e. 8, pp. 77-82.

⁷⁰ “OTI kérdés” (OTI question), 1950. PIL XII, fond 2, állag 16, ö.e. 3, pp. 211-212.

major improvements were introduced parallel to SZOT's takeover of social security provisions: sick leave benefits were paid from the first day and without limitation and sick leave payments were paid for every day spent in a hospital.⁷¹

Articles appearing in *Szabad Nép*, the MDP's official paper and *Népszava*, SZOT's paper in late September notified people of the imminent changes to come and highlighted their advantages.⁷² A detailed description of the new system was published, which was followed by articles emphasizing that the termination of OTI was a further decisive step in the development of the people's republic. They juxtaposed the forming new welfare system with other ones, like that of prominent non-communist European countries but also the former Hungarian one under the Horthy regime, and portrayed these in a negative manner. SZOT's takeover was painted as an important step in securing a better welfare system and allowing the party to look after the working classes. All the significant steps taken after 1945 – like the inclusion of agrarian workers into health services and the creation of a single insurance company – were listed. The publications also echoed the ideological foundations of SZOT's takeover: minimal bureaucracy as a consequence of the decentralized, enterprise based structure; effective control of workers who will operate the system through their elected representatives; improving welfare benefits; and, finally, the presence and importance of the Soviet example in the transformations.

The central body of the emerging social security bureaucracy became the *Szakszervezeti Társadalombiztosítási Központ* (Social Security Center of Trade

⁷¹ Proposal prepared by József Vincze – from the Department of Social Policy of SZOT – about the reorganization to follow, 1950. PIL XII, fond 2, állag 16, ö.e. 3.

⁷² *Szabad Nép*, September 24, 1950, 1. *Szabad Nép*, September 26, 1950, 1. *Népszava*, September 26, 1950, 3. *Szabad Nép* was established in 1942 as the paper of the MKP, later it became the official paper of MDP. It existed until the revolution of 1956. *Népszava* was established in 1877 as the newspaper of the Hungarian Social Democratic Party (*Magyarországi Szociáldemokrata Párt*). Originally appearing only once a week, it became a daily in 1905. Between 1948 and 1990 it was the official daily of the SZOT. For more details see Géza Buzinkay, *Kis magyar sajtótörténet* (A short history of the Hungarian press) (Budapest: Haza és Haladás Alapítvány, 1993).

Unions, hereafter SZTK), with its 19 local county branches and 15 extra branch-offices. Everyone was insured by SZTK, with the exceptions of the railway employees (those of the Hungarian State Railway Company and the Győr-Sopron-Eberfurt Railway Company), who were still insured by their own union overseen, nonetheless, by SZOT,⁷³ and members of the armed forces and their families. The structure of the social insurance provisions reflected the contemporary ideology of connecting welfare to work: the local branches of SZTK managed the social security administration only for those, who worked for enterprises employing less than 100 workers. Employees of larger firms had both the administration and provision of social security at their workplaces. One exception to this was provided by pension administration, which, as a unique kind of social insurance, was detached from the workplace for all. Here the eligibility and the exact pension amount were determined on the basis of documents provided by the prospective recipient. To review these documents and determine pension eligibility a special committee was set up that generally consisted of three members and, if necessary for the decision, a doctor was included as a fourth member.⁷⁴

People working in the SZTK offices were employed and paid, in stark contrast to the system developed at the enterprises where volunteers were a majority.⁷⁵ The SZTK offices also had a role in collecting the data with regard to social security expenditures in their territory, including all the larger enterprises. They also had to

⁷³ Decree 36/1950 of the Presidential Council.

⁷⁴ “SZOT 51/1951-es rendelete a járadék (nyugbér) szolgáltatásokkal kapcsolatban eljáró szervekről” (SZOT’s decree no. 51/1951 about the organs responsible for pension [social security allowance] provision), *SZTK Ügyviteli Értesítő*, January 15, 1951, p. 92. PIL XII, fond 2, állag 16, ö.e. 2.

⁷⁵ “Az SZTK és a mellette működő Társadalombiztosítási Bizottság feladatai,” pp. 27-44.

make sure that companies paid their social security contribution to the state budget, which was set at 10% of the wage at the time.⁷⁶

Conceived as bodies to oversee and to control -- in contemporary wording to “help” – welfare administration, committees for social security were set up next to the local SZTK branches. With their operation based on volunteer work, their members were local union functionaries. The committees met once a week and they were not only to supervise the different branches of social security provisions with regard to functionality and spending, but had to give suggestions for improvement. They also oversaw the enterprise level, and arbitrated in disputed cases, like the ones concerning sick visiting. Furthermore, they provided a forum for appeals in social security decisions, and controlled how county level health services were working and tried to make sure that the local SZTK office managed the funds well. They also had a word in the allocation of extra welfare aids.⁷⁷

The most crucial new actor in social security provisions that embodied the much repeated ideas of decentralization, democratization, worker control and less bureaucracy was the social security council. Established in all enterprises with more than a 100 employees and consisting of elected volunteers, the social security councils were the agents of control and supervision on an enterprise level, since they were to overlook the bulk of social insurance provisions for all workers. Comprised of 5-19 people – depending on the size of the enterprise – the councils were not subordinated to the local SZTK office, but formed part of the local enterprise union branch. They had the right to recommend people for welfare aids, and generally supervised how the

⁷⁶ On the details about the contribution paid by the enterprises see Borbála Igazné Prónai, *A kötelező társadalombiztosítás kialakulása, fejlődése Magyarországon* (The emergence and development of compulsory social security in Hungary), Pázmány Péter Katolikus Egyetem, Piliscsaba, 2006, 92-94.

⁷⁷ *A Magyar társadalombiztosítás húsz éve*, 8; “Az SZTK és a mellette működő Társadalombiztosítási Bizottság feladatai,” pp. 27-44., “SZOT Elnökségének határozata a Társadalombiztosítási Bizottságok működéséről” (Decision of the presidency of SZOT about the functioning of the Committees of Social Policy), October 6, 1950. PIL XII, fond 2, állag 3, ö.e. 43.

different aids and benefits were paid. (The administration of provisions was carried out by the enterprise itself.) Furthermore, the social security councils controlled the quality of meals offered by the enterprise cafeterias, helped to place the employees' children in the different child care institutions, organized holidays for the workers, devised the social security budget of the enterprise, and gathered complaints and compliments about the local social security provisions. Mobilization was also part of their tasks, with the duty of regularly communicating to workers the progresses made, faults registered and amended, and the future tasks within the welfare system. And, very importantly, it was they who recruited sick visiting volunteers, and retracted sick leave benefits if it was deemed unnecessary.⁷⁸ The councils commanded a high number of volunteers as a briefing about the status of social security written to Rákosi in 1951 suggests. According to this, by 1951, 40000-45000 volunteers worked for them. Even if the figure is exaggerated, it shows how deeply the councils *intended* to penetrate Hungarian society. There was a further suggestion in the briefing – apparently never realized – that would have strengthened the councils' role in creating work discipline through controlling welfare provisions: it was suggested to make them financially interested in cutting back more the welfare expenses, most importantly by making sick visiting stricter.⁷⁹

The work of the social security councils was controlled by SZOT and, as reports suggest, control must have been quite regular because SZOT instructors seem

⁷⁸ “Az SZTK és a mellette működő Társadalombiztosítási Bizottság feladatai,” pp. 27-44, “A Társadalombiztosítási Tanácsok működési szabályzata, kiadja SZOT Társadalombiztosítási és Üdülési Osztálya” (Rules of operation for the Social Security Councils issued by the Department of Social Security and Holiday Provisions of SZOT), October 2, 1950. PIL XII, fond 2, állag 16, ö.e. 3, pp. 54-58.

⁷⁹ “Tájékoztató Rákosi elvtársnak a társadalombiztosítás átszervezéséről, mai helyzetéről” (Briefing to comrade Rákosi about the reorganization and present condition of social security), October 26, 1951. PIL XII, fond 2, állag 16, ö.e. 1, pp. 32-37.

to have returned periodically to the same place.⁸⁰ Instructors were conceived also to help, most importantly to teach the current requirements to the council presidents, who often seem to have been unaware of what they exactly should have done. The visits of the instructors also offered a chance for the workers themselves to mention their problems ranging from inadequate supplies to doctors not doing their job conscientiously. It is from these reports that the image of a less smoothly working council apparatus emerges.

Two major lines of critiques can be observed: the first one highlights the inappropriate attitude of council representatives in general. Many councils were found to have been following the guidelines inappropriately, to have had little contact with the employees themselves, to have been too lenient with patients on a sick-leave, to have administered their activities improperly, and to have failed to do enough to achieve a better work discipline. Sometimes it was also found problematic that employees were not properly instructed about new progresses, like the passing of the first general pension law in 1951, or the raise of the sick leave benefits to 75% of the wages in the same year.

The second line of criticism that emerges from the reports were directed against the presidents of the social security councils, whose lack of knowledge with regard to the most recent social security regulations, just as well the their general lack of education in the field was frequently mentioned. The additional charge of having little dedication to their duties was sometimes coupled with pointing out their inability to lead, to prepare an appropriate work plan, or to hold an adequate number of meetings.

⁸⁰ For the instructors' reports in the years 1952 and 1953, see PIL XII, fond 2, ållag 16, ö.e. 1 (1953) ö. e. 4 (1952).

Not only the presidents of the councils -- or the instructors, for that matter -- were considered to be deficient in proper education, but the different functionaries working in the SZTK offices, and in the various decisions making levels of SZOT as well. There was a wide variety of schools and seminars available -- evening schools, afternoon seminars twice a week, courses lasting four to six weeks, but also special seminars condensed into two days.⁸¹ These schools served both as places for teaching and recruitment, since participants were reviewed not only about making progress, but also about their potential use for different positions within the system of social security provisions.⁸²

Selecting functionaries was a complicated matter as political loyalty and sufficient knowledge often seemed to contradict each other. On a general level it can be said that, starting from 1948, the political considerations for the replacement of the existing body of civil servants with recruits faithful to the party was carried out openly, unlike in the previous procedures begun in 1946, where layoffs were communicated to the public as a result of necessary cut-backs. But next to involving people without any knowledge into decision making and executive positions, data suggests that people of some expertise remained in position as well, if they seemed to be open to adjust to the political requirements. In 1949 approximately 45% of civil servants in ministries and national-level organization entered their workplace before 1945. Among high ranking officials this ratio went down to about 40%. By 1949, 51% of these officials were members of the MDP. Nevertheless, the ratio of MDP membership grew with time: among the high ranking officials, 87% of those who

⁸¹ Among others, see the records in PIL XII, fond 2, állag 16, ö.e. 1 (1952), ö. e. 2 (1952), ö. e. 8 (1950).

⁸² See "Feljegyzés a társadalombiztosítási iskola hallgatóiról," 1950 (Notes about the students of the school of social security). PIL XII, fond 2, állag 16, ö.e. 8, pp. 183-184. The practice of writing background reports of potential functionaries was widespread in contemporary Hungary, and such reports could determine the future career of many involved. See more on the topic in György Gyarmati, "A káderrendszer és a rendszer kádere az ötvenes években" (The system of cadres and cadres of the system in the 1950s), *Valóság* 34.2 (1991): 51-63.

assumed their positions between 1945 and 1948 were MDP members, and 91% of those who did so in 1949.⁸³

Given the shortage of politically reliable and properly skilled executives, planners ordered the education of 100.000 middle level and 40.000 upper level new officials by 1954 nationwide.⁸⁴ The same shortage of “good functionaries” was felt in the field of social security provision as well. The above quoted and otherwise success-oriented briefing, written to Rákosi in 1951 about the state of nationalized social security, highlighted that changing the social composition of people working in the provision of social security is not easy, as expertise and knowledge is hard to gain despite the state’s efforts.

As to the apparatuses of social security, the layoffs were also a political purge both in Budapest and outside of it. The ratio of workers in the apparatus has ameliorated, presently it is 51%. But we cannot say yet that we fired to protégés of Aladár Huszár and Peyer for social security. There are still a number of old-fashioned insurance experts in the area of social security, but I have to add that new cadres grow slowly here. We did not receive help from the universities in this respect, thus we had to employ provisionally a part of the old experts.⁸⁵

Looking at the practice of finding leaders within this branch, there seems to have been attempts to reach a working compromise by backing up faithful party politicians with people of knowledge in the second line. In early 1949, György Pikler who led OTI through its fusions with the other insurance companies as its head was replaced by the

⁸³ Pető and Szakács, *A hazai gazdaság*, 1:142-143.

⁸⁴ Róna-Tas, *The Great Surprise*, 55.

⁸⁵ PIL XII, fond 2, állag 16, ö. e. 1, p. 37. Aladár Huszár was a politician in the interwar period, who was the chief mayor of Budapest between 1932 and 1934. He then became the president of OTI, a position he held until 1944. Source: <http://www.budapest.hu/Lapok/Budapest-kor%C3%A1bbi-polg%C3%A1rmesterei-%C3%A9s-f%C5%91polg%C3%A1rmesterei.aspx>, last visited on 22 November, 2012. Károly Peyer was a prominent social democratic politician in the interwar period who held the position of the Minister of Welfare between 1919 and 1920. He was also member of the national assembly between 1922 and 1944 and the assembly of Budapest between 1925 and 1944. Starting from 1927 he was the secretary general of Szaktanács. *Magyar Nagylexikon*, vol. 14 (Budapest: Magyar Nagylexikon Kiadó, 2002), s.v. “Peyer Károly”.

former leader of the union of leather workers, János Németh.⁸⁶ Németh was a clear political choice who obviously had little knowledge in the field, and was backed up by János Miklós right from the beginning, who had been working in the social security branch even during the interwar period. A year later, when Németh was considered a candidate to lead the newly established SZTK, it was pointed out early on that an expert from the Ministry of Welfare, comrade Réti, should become his deputy, as Réti had worked in the field of social insurance before.⁸⁷ Similarly, in 1953, when a separate insurance company, the *Kisipari Szövetkezetek Kölcsönös Biztosító Intézete* (Mutual Insurance Company of Artisanal Cooperatives, hereafter KSZKBI) was set up for all artisanal cooperatives, people of dissenting background were allowed to work there. In late 1952, in an attempt to evaluate whether KSZKBI could start its work in early 1953, SZOT examined the expertise and political background of its personnel. The review stated that with 40-45 employees from the 123 having a history in social security, the new company could start working, as there were enough experienced people to lead the newcomers. The functionaries of SZOT checked the party memberships as well. Among the 17 executives, 13 were MDP members, but three had been expelled prior. Nevertheless, these three were also accepted as department heads –at the beginning, at least.⁸⁸

1.3. The first general pension law of 1951

This general transformation of the welfare system – although conceived in a way to serve the political and economic goals of the country and, at the same time, to incorporate the Soviet example – formed part of the general wave of welfare reforms

⁸⁶ After his leave Piker became the president of the Central Statistical Bureau, a position he held until 1968. On his replacement as the head of the OTI see “Extraordinary meeting of the presidency,” April 6, 1949. PIL XII, fond 2, állag 16, ö.e. 8, pp. 109-122.

⁸⁷ “OTI kérdés,” 1950, pp. 211-212.

⁸⁸ PIL XII, fond 2, állag 16, ö. e. 1, pp. 161-165.

that were common in post-war Europe. But due precisely to the different political and economic framework, the development of the social security and welfare provisions in Hungary was divergent in many respects from the western parallels: the growth of coverage rate, the inclusion of certain groups, the structure and level of expenditures and, most importantly, the organization of the different forms of provision varied from the development in the non-Socialist countries of Europe.⁸⁹ Even within the Socialist block, where many structural similarities prevailed, the historical background, the contemporary socio-political and economic considerations led to differences among the countries.⁹⁰ The pace of change differed as well. In the already quoted briefing to Rákosi written by a functionary of SZOT, the writer boasted to the party leader that unions in Poland, Rumania or Czechoslovakia were not as efficient as SZOT in carrying out the transformation of the system of welfare provisions. Implying that the Hungarian example could be followed soon, the writer added that “the Czech unions have recently studied work by us. With the permit of comrade Gerő, we have sent them our decrees, laws, and decisions about reorganization”⁹¹

The briefing was sent to Rákosi at the same time when the Presidential Council passed the new general pension law in 1951, which marked the beginning of the post-war transformation of the pension system. Maintaining its Bismarckian foundations, the new legislation was modeled after the Soviet pension legislation in most of its defining features.⁹² As it will be shown in the course of this sub-chapter,

⁸⁹ Béla Tomka, *Szociálpolitika a 20. századi Magyarországon európai perspektívában* (Social policy in 20th-century Hungary in European perspective) (Budapest: Századvég, 2003).

⁹⁰ On the comparison with Poland and Czechoslovakia see Inglot, *Welfare States*; Zimmermann, “Wohlfahrtspolitik.”

⁹¹ “Tájékoztató Rákosi elvtársnak a társadalombiztosítás átszervezéséről, mai helyzetéről,” pp. 32-37.

⁹² The prior developments of the pension system consisted of two stages: first the different state employees, people employed by the railway, those in the army and civil servants, were given pension entitlements. Then, well into the 20th century, in 1928 a compulsory pension insurance system was introduced for all workers and employees. The new system was based on the Bismarckian model of compulsory contributions and included the insurance of all workers and all commercial employees against old-age, accident, and widowhood or orphanage. This legislation did not include agricultural

the new legislation, while trying to contain the pension expenditures, was conceived with the aim to provide a relatively small income for all the people, who had been employed. On the one hand it aimed to erase the formerly existing advantages civil servants enjoyed while on the other hand it sought to provide more for the very low-income pensioners. Furthermore, it was conceived with the clear aim of trying to help the process of extensive industrialization and the growth of the Hungarian economy by keeping people active as long as they were healthy enough.

Even before the passing of the new pension legislation there were important steps taken that changed the pension system. They firstly indicated a transforming role the state was to play in the realm of pension provisions and secondly extended the pension coverage of the population. In 1947 the pay-as-you-go system was introduced, which radically changed how pension savings were used and the role the state played in the provisions.⁹³ Its introduction was most likely indivisible from the fact that much of the wealth of the insurance companies had been, in fact, destroyed during the war and the state had to play a growing role in the provisions anyway.⁹⁴ A year later, in 1948 the separate company pension funds were terminated, with their wealth and property transferred to the ownership of a new state-owned entity, the Central Pension Fund of State Owned Companies (*Állami Vállalatok Központi*

workers: for them pension coverage was only given in 1938. About the details of this development see József Botos, *A magyar társadalombiztosítás kialakulása és fejlődése* (The emergence and development of Hungarian social security) (Budapest: PPKE ÁJK, 1998); Katalin Egresi, *Szociálpolitika Magyarországon: Nézetek, programok és törvények 1919-1939* (Social policy in Hungary: Opinions, programs and legislations, 1919-1939) (Budapest: Napvilág Kiadó, 2008); Mónika Kozári, “Az állami tisztviselők, altisztek és szolgák nyugdíjának kialakulása és szabályozása az első világháború előtt” (Emergence and regulations of the pension of state-employed clerks, noncommissioned officers, and servants), *Múltunk*, no. 3 (2009): 126-170; Dorottya Szikra, “From Bismarck to the New Pension Orthodoxy: The Historical Development of the Pension System in Hungary,” in *The Politics of Age: Basic pension Systems in a Comparative and Historical Perspective*, ed Jørn Henrik Petersen and Klaus Petersen (Frankfurt am Main: Peter Lang, 2009), 41-64; Tomka, *Szociálpolitika*.

⁹³ Previously a debate took place on the pages of *Társadalombiztosítási Szemle* (Social Security Review) on the pros and cons of the system. See György Németh, “A nyugdíjreformról” (On the pension reform), *Közgazdasági Szemle* 56 (2009): 239-269.

⁹⁴ Katalin Csemniczki (Szabó Sándorné), “Nyugdíjrendszerünk 1929-től 1997-ig” (The Hungarian Pension System from 1929 to 1997), in *Körkép reform után: Tanulmányok a nyugdíjrendszerről*, ed. Mária Augusztinovic (Budapest: Közgazdasági Szemle Alapítvány, 2000), 28-50.

Nyugdíjpénztára). Thus the liabilities of pension payment for the clientele became state responsibility.⁹⁵ Finally, the same year agrarian worker women were awarded pension coverage on their own right. Prior to this they had only been entitled to widow's pension through their spouses.

The year 1948 had another important pension related event. SZOT staged and executed an elaborate and successful campaign for raising the pension values. The campaign, which was staged right before the 17th congress of SZOT signified the unions' first major post-war move into exerting influence over the evolution of social security. It foreshadowed many processes that were to come in the subsequent years, most importantly the constant growth of the administrative and decision making importance of SZOT with regard to social security. It also showed that SZOT functionaries were not only aware of the fact that many retirees lived under particularly meager circumstances, but they have grasped that finding even a partial solution to their problem could be of great political consequence. The campaign wore the trademark features of many socialist campaigns that were to characterize the Rákosi era. Although meticulously planned and executed from above, it was presented publicly as a wish of the people. Functionaries commonly referred to it as a democratic campaign from below, saying that it was practically requested by the people themselves, and that union involvement was made necessary by the fact that people had turned to them in masses with their financial grievances.⁹⁶

The campaign started on September 12, 1948 with an article written by József Vincze, who was then the head of the department of social policy within the *Szaktanács*. Here Vince asked workers and employees to contribute either one or two percent of their monthly wage enabling, thus, a significant rise in the income of the

⁹⁵ Decree 9.040/1948 passed by the Chief Economic Council.

⁹⁶ For SZOT's own interpretation about the campaign see *Szakszervezetek a szocializmus építéséért*.

retired population.⁹⁷ His arguments were mostly centered on contrasting the living standards of the actively working population and that of the retired one. He contended that members of the first group were helped by the constant economic improvement and the tangible success of the labor competition (*munkaverseny*) in raising their living standards, but the income the retired population should have received had been spent recklessly by the insurance companies OTI and MABI during the war or even earlier. That said his argumentation led to depicting the already overburdened state unable to provide more for its citizens. He thus proceeded from the assumption that the provision of social security was primarily a state task, although the final nationalization of all insurance companies was still two years away. Vincze also underscored that any contribution by the people is actually an investment into the future, so everyone should be interested in finding a solution

which would palpably prove that the amelioration of our economic situation does not only mean that our living standard is rising ... as long as we are in a condition suitable for work, but we that we gradually ensure the possibility of a respectable living for that period when we will not be able to grab the tools anymore.⁹⁸

The completion of the campaign was smooth, as factory committees (*üzemi bizottság*) – the unions’ local branch at the different factories and companies – overtook the task of collecting endorsements for the proposal, so by the unions’ 17th congress (October 17-20, 1948) the editorial office of *Népszava* and the offices of *Szaktanács* were flooded with letters by different collectives offering a voluntary contribution of 1% of their wage for a significant income increase of the retired. The offerings came on sheets signed by every individual supporting it.⁹⁹ The campaign actually led to a

⁹⁷ *Népszava*, September 12, 1948, 5.

⁹⁸ *Ibid.*

⁹⁹ “Válaszlevelek és felajánlások a *Népszava* 1948. szeptember 12-i, az öregségi nyugdíjról szóló cikkére” (Replies and offerings related to the article about old-age pension appeared in *Népszava*, on September 12, 1948), PIL XII, fond 1, állag 6, ö.e. 674.

significant, approximately 50% rise in the value of social security allowances which were distributed in such a way that the population over 65 received a higher raise, as they were viewed unfit for work, unlike those who had merely passed the 60 years benchmark.¹⁰⁰ And the raise applied to those retirees of the various insurance companies like OTI and MABI alone, whose income was lower than that of the retired civil servants and the clients of enterprise pension funds, and it was financed only from the 1% contributions of the still active members of the insurance companies. The notion of voluntarism was essential throughout the campaign and even the subtitle of the governmental decree regulating the deduction of 1% contributions echoed it.¹⁰¹

The campaign was viewed as a clear political success that made a significant allowance raise possible without any state contribution. Nevertheless, less than two years later, in the late summer of 1950, Vincze was concerned again about the retirement problem. He wrote two briefings to general secretary Apró within the short time span of 16 days, calling his attention to the unresolved problem of the retirees and urging him to act. He noted not only the retirees' miserable financial state, but the problem of the interwar inheritance as well, namely that different retirement schemes were available to different occupational groups.¹⁰²

¹⁰⁰ *A nyugdíjtörvény ismertetése* (Overview of the pension law) (Budapest: Népszava, n.d.), 2. Whereas civil servants and members of enterprise pension funds received pensions, workers and employees insured by various insurance companies received social security allowances. Contemporary sources often refer to old-age allowances, a term which incorporates both concepts. The passing of the first general pension law in 1951 erased this difference. Thereafter *nyugdíj* (pension) is used as a general term.

¹⁰¹ Governmental decree no. 11.140/1948 from 31 October, 1948 “a dolgozók által az öregségi (nyugbér-) ellátás felemelése érdekében önként megajánlott 1%-os hozzájárulással kapcsolatos egyes kérdések szabályozása tárgyában” (concerning the regulation of certain issues related to the 1% voluntary contribution offered by the workers for the raise of old-age pension).

¹⁰² “Feljegyzés Apró elvtársnak az öregségi járadék felemelésére” (Note to comrade Apró about raising the old age allowance), written by József Vincze on August 31, 1950. PIL XII, fond 2, állag 16, ö. e. 4, p. 174; “Feljegyzés Apró elvtársnak az öregségi járadékról” (Note to comrade Apró about old age allowance), Written by József Vincze on August 15, 1950. PIL XII, fond 2, állag 16, ö. e. 4, p. 175.

At the time of Vincze's two briefings, there were approximately 538.000 retirees in Hungary, making up 5,8% of the whole population.¹⁰³ Their income was on average 147 forints per month but, reflecting the divergences in their former earnings, there were great differences within the pension (or social security allowance) levels. Former civil servants and former members of enterprise pension funds received 2,5-3 times more than retirees of OTI in 1950, despite the raise of 1948. Vincze requested Apró to inform the MDP leaders about these facts, noting that "settling the issue would have great political consequence in the factories."¹⁰⁴ In order to find a solution, Vincze had two suggestions: one was a partial allowance raise applying to OTI retirees alone – similarly to 1948, but now without the contribution of the still active workers. But he regarded this solution inferior to his second suggestion, the creation of a new, general pension legislation.¹⁰⁵

The work on a general pension reform began some months later, and by early 1951 the guiding principles were available for review, with the final legislation passed in the fall of 1951. The drafts were prepared rather secretly by the State Economic Department, and as late as August 6, no ministries had been involved in the preparatory work, although SZOT had a chance to comment on the proposal.¹⁰⁶ So the State Economic Department requested two-weeks for the last minute coordination among the various governmental bodies.¹⁰⁷ The different drafts just like the final legislation reflected the state's desire to adjust the pension system to the economic and ideological requirements of socialism. In this framework, the new system was

¹⁰³ *A társadalombiztosítás fejlődése számokban, 1950-1985* (The development of social security in the mirror of numbers) (Budapest: Népszava Lap-és Könyvkiadó, 1987), 235-237.

¹⁰⁴ At the time of the briefings Apró was the member of both the MDP PB and the Presidential Council. "Feljegyzés Apró elvtársnak az öregségi járadék felemelésére." and "Feljegyzés Apró elvtársnak az öregségi járadékról."

¹⁰⁵ "Feljegyzés Apró elvtársnak az öregségi járadék felemelésére."

¹⁰⁶ "Feljegyzés az egységes nyugdíjrendszer kérdéseiről" (Note on the questions of a unified pension system), March 10, 1951. PIL XII, fond 2, állag 16, ö. e. 2, p. 47.

¹⁰⁷ "Előterjesztés az új nyugdíjtörvényhez" (Draft concerning the new pension law), prepared by the State Economic Department on August 6, 1951. MOL M-KS, fond 276, csoport 53, ö. e. 81., p. 25.

conceived, first of all, to eliminate all the former status privileges putting civil servants into a disadvantageous position.¹⁰⁸ But the desire to create a system, where civil servants were deprived of their more advantageous retirement conditions, like the possibility to retire earlier and have a higher pension-income ratio compared to workers and employees, was not only ideologically motivated. As the draft of August 6 makes clear, financial considerations were just as important as the political/ideological ones.¹⁰⁹

The budgetary constraints of the time were not only visible in the low pension levels but also in the maintenance of the purely merit based character of the system without the inclusion of any citizenship-based or need-based elements in it.¹¹⁰ It was also decided as early as January 1951 that the new legislation, due to the fiscal and administrative difficulties, would only apply to those retiring in the future. And for the already retired only the social security allowances would be raised, while the pensions of former civil servants and of those who once had belonged to private enterprise funds would not be increased.¹¹¹ In a hope to curtail budget spending more, additional plans were created – and accepted by the MDP PB on March 22, 1951 – to revoke the pension from all men younger than sixty years and all women younger than fifty-five years, who were capable of working but received pensions either on their own right or as widows. The proposal to send disabled retired civil servants under the legal retirement age on a health status review was also accepted, as well as it was decided to review and possibly minimize the pension amount received by those who had worked in ministries under the Horthy regime as they were viewed the political pillars of that

¹⁰⁸ The position of civil servants changed drastically already after 1946, when their income, which had been superior to that of workers formerly, decreased sizably.

¹⁰⁹ “Előterjesztés az új nyugdíjtörvényhez,” p. 26.

¹¹⁰ On how these element were combined in other post-war pension systems see Joakim Palme, *Pension Rights in Welfare Capitalism: The Development of Old-Age Pensions in 18 OECD Countries 1930-1985* (Stockholm: Swedish Institute for Social research, Universitet Stockholms, 1990).

¹¹¹ “Előterjesztés az egységes nyugdíjrendszerről” (Draft concerning the unified pension system), January 26, 1951. PIL XII, fond 2, állag 16, ö.e. 2, pp. 44-46.

regime.¹¹² Based on the decision the State Economic Department prepared detailed calculations about the possible effects of such a pension reduction and revoking, saying that such a move would cover 40% of the costs of the substantial raise of social security allowances.¹¹³

Sources available to me do not clarify why exactly the MDP KV refrained from this drastic revision of pension entitlements. However, Ernő Gerő's discontent with the proposal must have played a significant part in it. On August 8 Gerő, who was part of the leading elite within the party, wrote a letter about his major concerns regarding the State Economic Department's drastic reduction plan. Expressing his worries about the possible political consequences of such a move, he said that "the fulfillment of the proposed regulation would be very much exploited by the enemy against the people's democracy. They would portray it as an inhuman, unjust and anti-intellectualist regulation."¹¹⁴ Gerő suggested that instead of a general age-based revoking of pensions, withdrawal should be based solely on political considerations, after an individual review of the cases. He even suggested that the social security allowances should not be increased at all or only very little, saying that if conditions will improve further raises will come. Two weeks later, when the MDP PB – including Gerő – reviewed the case, it annulled its above mentioned March decision about revoking the pensions based on age, and only maintained its decision to review the pensions based on possible political dissent.¹¹⁵ The decision was probably aided by the second set of calculations of the State Economic Department, which suggested

¹¹² "Jegyzőkönyv a Politikai Bizottság március 22-én délután 5 órakor tartott üléséről" (Minutes of the meeting of the MDP PB on March 22, at 5 p.m.), 1951. MOL M-KS, fond 276, csoport 53, ö.e. 70, pp. 1, 3, 31-36. Exception was made for those widows, who supported at least two children alone.

¹¹³ "Előterjesztés az új nyugdíjtörvényhez," pp. 24-28.

¹¹⁴ Ernő Gerő's letter to Károly Olt and Miklós Gergely, 8th August, 1951. MOL M-KS, fond 276, csoport 53, ö.e. 81.ö.e, pp. 22-23. Károly Olt was the Minister of Welfare at the time.

¹¹⁵ "Jegyzőkönyv a Politikai Bizottság 1951. augusztus 23-án délután 5 órakor tartott üléséről" (Minutes of the meeting of the MDP PB on August 23, 1952, at 5 p.m.). MOL, M-KS, fond 276, csoport 53, ö.e. 81, pp. 1-3.

that the more drastic plan of pension reductions and revoking would affect approximately sixty-one thousand people, but with family members included their number was estimated to reach approximately 150-180.000, that is 1,5-2% of the entire population of the time.¹¹⁶

Despite Gerő's suggestion, the social security allowances were raised quite significantly from January 1, 1952 as part of the new pension legislation. Men between 60 and 65 years, as well as those receiving disability allowances were paid 20% more, whereas male recipients above 65 and females above 60 years were given an increase up to 50%.¹¹⁷ The new income levels (old-age and disability benefits together) varied between 60-160 forints for those under 65 (or 60 in the case of women) and those above 65 received between 100-300 forints.¹¹⁸ The age categories of the pension raise were the same age categories that the new pension law applied. Passed in the fall of 1951 by the Presidential Council,¹¹⁹ the new pension legislation differentiated between men and women in the official retirement age, setting it at 60 years for men and 55 years for women. It also honored the choice of certain professions: people working in jobs deemed very hard, like sub-terrain jobs, could retire 5 years earlier. People became eligible for pension after 10 years of employment, but the pension levels were very low. The legislation granted the 15% of their average income for the last 12 months as a base, and for every year worked after 1945 it added a 2% bonus for men aged 60-65 and women aged 55-60. The base

¹¹⁶ Államgazdasági Osztály, "Előterjesztés a Politikai Bizottsághoz az új nyugdíjtörvény előkészítéséről" (State Economy Department, "Draft for the MDP PB concerning the preparations of the new pension law), August 21, 1951. MOL M-KS, fond 276, csoport 53, ö.e. 81, pp. 29-34.

¹¹⁷ *A nyugdíjtörvény ismertetése*, 2.

¹¹⁸ Baranyai and Eiler, "A nyugdíjasok," 687.

¹¹⁹ The framework was regulated by the Decree no. 30/1951 of the Presidential Council, and the details of the new legislation just as well as the ensuing social security allowance raise were specified in the decrees 195 and 196 of 1951, passed by the Council of Ministers. The dissertation refers to the decrees of the Presidential Council as laws, since they functioned as laws and were regarded as laws by the contemporaries. A significant part of the important legislative decisions of the time were passed by the Presidential Council. The advantage of this method lay in the fact that it allowed the leaders to avoid the national assembly.

would become 30% with the same 2% bonus for men above 65 and women above 60.¹²⁰ But the bonus for each year worked was only counted after 1945, despite the fact that for years to come almost everyone retiring worked already in the interwar times as well. Thus this was a symbolic act, enforcing the differentiation of socialism from the preceding regime. But it just as well offered the possibility to save some more on the pension expenses.

The law created a situation, where it was disadvantageous to retire early, especially because, unlike in the interwar years, if someone was already retired the pension base would not increase after reaching 65 years for men and 60 for women. Such automatic increase would have burdened the budget too much, at least in the view of the State Economic Department¹²¹. Thus the new pension law meant an implicit increase of the retirement age for men, since in 1944 it was lowered to 60 years for everyone.¹²²

This increase in the retirement age showcases a further important characteristic of the new legislation, namely its desire to keep people at work as long as possible. This desire fit well with the regime's general focus on the maximization of production and economic growth, and the preparations for the pension law coincided with the start of the program of massive industrialization, launched during the second congress of MDP.¹²³ The program foresaw the introduction of 650.000 new employees in order to achieve the goals of the fast-paced industrialization program. The new pension legislation, starting from January 1, 1952 abolished all limitation to work while

¹²⁰ The growth was gradual. For every additional year another 3% would be counted towards the pension base. However, 30% of the income was the maximum the base could reach. *A nyugdíjtörvény ismertetése*, 10-13.

¹²¹ "Előterjesztés az új nyugdíjtörvényhez," pp. 24-28. Államgazdasági Osztály, "Előterjesztés a Politikai Bizottsághoz az új nyugdíjtörvény előkészítéséről," August 21, 1951, p. 25.

¹²² Inglot, *Welfare States*, 178.

¹²³ The Congress lasted from February 25th till March 2nd.

receiving pension.¹²⁴ It further introduced a punishment for those terminating or changing their employment without the consent of the authorities during the last 5 years prior to retirement: anyone venturing to do so would lose the annual 2% pension supplement. And those who stopped being employed for at least 5 years lost their pension entitlements.¹²⁵

In other words, in the climate of rapid industrialization, the elderly were seen as an important source of mobilizable workforce. So in 1951, following the People's Economic Council's (*Népgazdasági Tanács*) April decision,¹²⁶ the National Planning Bureau was entrusted with the preparation of a list of positions which were to be filled only with elderly males, with males of diminished working capacities or with women.¹²⁷ Although the ideological slogan was to enable elderly and people with diminished working capacities to work, the real aim was to redirect all able-bodied men below the age of 40 into production, and replace them with others.¹²⁸ Given these circumstances, it is not surprising that the already much quoted briefing to Rákosi about the state of social security in 1951, besides generally praising the transformation, specifically highlighted the number of people working past the retirement age, women included.

¹²⁴ The low pension levels might provide a supplementary explanation for allowing this. As a male employee retiring at the age 60 in 1952 with a monthly income of 1000 forints was eligible for $150+0,12*150=168$ forints. But 5 years later his pension would double and become $300+0,12*300=336$ forints.

¹²⁵ *A nyugdíjtörvény ismertetése*, 5-13.

¹²⁶ "152/7/1951 N.T. sz. rendelet az idősek és a csökkent munkaképességűek foglalkoztatásáról" (Decree no 152/7/1951 N.T. on the employment of the elderly and those with diminished working capacities). The People's Economic Council succeeded the Chief Economic Council, and was the most important economic planning organization between June, 1949 and November, 1952. Its tasks included the determination of economic and planning guidelines, the coordination of different economic actors and the realization of economic centralization.

¹²⁷ Despite the intentions, neither ministries nor enterprises cooperated, and the planned workforce transfer was only carried out in a very restricted manner. "Javaslat a csökkent munkaképességű dolgozók munkába állítására" (Proposal concerning the employment of laborers with diminished working capacities), written by József Vincze to the SZOT social security department on January 19, 1952. PIL XII, fond 2, állag 16, ö.e. 2, pp. 56-57.

¹²⁸ Gyarmati, "A káderrendszer és a rendszer kádere," 57-58. This decree opened an interesting escape route for those functionaries, who were more and more unwilling to serve as part of the governing bureaucracy. Many redirected themselves into production, thus escaping from a continuously growing burden.

For his information I find it necessary to mention to Comrade Rákosi that approximately 40-60.000 recipients of social security between 60 and 64 years of age, out of which the number of women is 8000, work currently in the people's economy. From those between 65 and 69, 20.000 are working, out of which the number of women is 3000.¹²⁹

The propaganda material of SZOT, issued to popularize the new pension legislation and distributed to SZOT functionaries also emphasized the importance of persuading people to retire only later, by calling their attention to the financial drawbacks of retiring early. The reason for this, listed in the leaflet for the functionaries, was simply economic as “we need all working hands to accomplish our five-year plan and our people's economy provides numerous working opportunities even for elderly laborers.”¹³⁰

A finally major change carried out by the new pension legislation affected those unable to continue to work. A relatively favorable system of disability pensions was devised. Under the new circumstances three categories were created corresponding to the seriousness of the injury suffered, with each category equaling a different percentage of the wage of the disabled person. Within these categories a difference was made depending on whether the disability happened in connection with the paid work, or was unrelated to it. But regardless of the category, disability pensions were significantly higher than normal ones.¹³¹

The passing of the pension legislation was followed by a campaign to popularize its achievements, and SZOT had a lion's share in it. By mid-November,

¹²⁹ “Tájékoztató Rákosi elvtársnak a társadalombiztosítás átszervezéséről, mai helyzetéről,” p. 35.

¹³⁰ *Népköztársaságunk újabb vívmánya: Az új nyugdíjtörvény alapján felemelt szolgáltatások járnak a dolgozóknak* (A further achievement of our people's republic: Workers receive better services on the basis of the new pension law) (Mosonmagyaróvár, 1951), 4 and 6. Despite the ideological zeal, many contemporaries had doubts about the possible success of such an attempt. In March, 1951, when SZOT prepared its opinion about the first draft of the pension law, it voiced its doubts about keeping the elderly at their workplaces, mentioning both their diminishing capacity to work just as well as the correlation of growing sick-leave benefits and their unwillingness to retire. The paper concluded that „whatever we spare on pension expenditures, we spend on sick leave benefits in the majority of cases.” “Feljegyzés az egységes nyugdíjrendszer kérdéseiről,” p. 47.

¹³¹ *A nyugdíjtörvény ismertetése*, 14-16.

1951 the Department of Social Security and Holiday Provisions (*Társadalombiztosítási és Üdülési Főosztály*) devised a detailed plan to educate all its functionaries about the legislation. People working in local SZTK branches were a priority, just like the presidents and members of the committees for social security, who were to participate in special seminars. Enterprise employees were to be informed through their elected social security councils.¹³²

One of the legislation's main achievements to be emphasized was its promotion of equality.¹³³ The fact that it abolished the difference between workers and employees and terminated the pension system's dependence on employment position as it was tied to the earning only, was viewed as a very important achievement. Secondly, the new pension system was portrayed as more generous. The role of the growing economic production and the success of the ongoing first five-year plan were both underscored as making it possible. The new pensions were higher than the old ones, given the post-war inflation and the lack of comprehensive, annual raises regarding the former entitlements.

A third central theme in the campaign was what the new legislation did for women. Women were pictured as good workers of the new society. The introduction of advantages, like the lower retirement age or the improving conditions of the widows' pension could thus be viewed as the increasing protection offered by the state in return for women's growing activity.¹³⁴

If compared to the previous regulations in Hungary, the new legislation maintained two of its very important features: following the Bismarckian tradition, it

¹³² According to the plan the social security council presidents were to be briefed about the most important novelties by November 25, so they could keep a meeting for all social security council members by December 2. It was through their help that by December 5, 1951 all employees were to be informed as well. PIL XII, fond 2, állag 16, ö.e. 2, p. 54.

¹³³ *Népköztársaságunk újabb vívmánya; A nyugdíjtörvény ismertetése.*

¹³⁴ *Népköztársaságunk újabb vívmánya; A nyugdíjtörvény ismertetése.*

remained solely merit-based. In addition, it kept many of the formerly uninsured – like a sizable segment of people working in agriculture – still outside of the system. But on numerous issues, like the already mentioned calculation of pension levels, the case of the retirement age or the system of disability pensions, it carried out important changes. It also lengthened the waiting period, tying it to 10 years of employment generally, and between 4 and 10 years in the case of disability pensions. Furthermore, the formerly separate system for miners was abolished. Widows also became eligible for pension, regardless of their health status or number of children, for one year from their husbands' death.¹³⁵ Reckoning with both the low levels of pension and the numerous households where one member was never going to be eligible for pension, it introduced a monthly spouse supplement, but set it at the minimal level of 18 forints.¹³⁶ In addition, the legislation also opened the possibility for honoring political loyalty by introducing the exceptional pensions for those who lacked the necessary time in employment.¹³⁷ Finally, in an attempt to adapt the law to the ideological expectations, that social security is free for the employees, the former 1% pension contribution, introduced following 1948 to finance the raises of social security allowance, was abolished. The contribution rate, paid only by the employers, was set at 10% at the time, with 6% covering health care costs and 4% the pension costs. However, the abolition of the 1% contribution of the employees' was more a propaganda tool than reality. What happened was that the 1% contribution was renamed as 1% earning tax (*kereseti adó*).¹³⁸

¹³⁵ Starting from 1948 the age limit for receiving widower's pension was lowered from 60 to 55, and those raising at least two children became eligible regardless of their age. Baranyai and Eiler, "A nyugdíjasok," 687.

¹³⁶ Ibid.

¹³⁷ *A magyar társadalombiztosítás húsz éve*, 24.

¹³⁸ Csemniczki, "Nyugdíjrendszerünk 1929-től 1997-ig," 38-39; and Igazné, *A kötelező társadalombiztosítás kialakulása*, 92-94.

All these changes demonstrate to the tangible influence of the Soviet pension system on the new Hungarian one. The importance of Soviet example was not only emphasized in the drafts and during the later campaigns, but the signs of adaptation were apparent in the entire legislation as well. The majority of its defining new features, like the different official retirement age for men and women, the encouragement of employment after retirement, the revised system of disability pensions, the punishment of those, who stopped working for more than five years or the early retirement schemes for people working in extra hard jobs were all taken from the pension system of the Soviet Union.¹³⁹

¹³⁹ On the Soviet pension system see George and Manning, *Socialism*, 41-48.

2

The time of expansion: 1951-1970

The pension legislation of 1951 was equalizing in many respects, but was far from being universal, leaving out many groups, most importantly a notable segment of the agrarian population and all independently working members of the workforce. It created what was often referred to as the worker-employee pension system, alluding in its name to the groups it covered. In 1952, only 39% of the pension-aged population received some kind of an allowance through this system. It also provided very little, as provisions were far from reaching subsistence level at the times. The average pension and social security allowance only made up 23% of the gross earning of the active population in 1952.¹ However, even in the most turbulent times, pension politics seems to have been important enough to evade budgetary cutbacks: the initial intention of saving money from the pension budget was never realized. The state eventually shied away from larger scale pension retractions – as spelt out in the previous chapter – and even offered a source of compensation for those – civil servants, former members of the enterprise pension funds and workers insured by the mining insurance system – whose pension income would have been badly influenced by the new regulations.²

¹ Statistical data is only available for the gross monthly earning of the population. However, up until 1980 there is no significant difference whether the ratio is counted based on the gross or the net earnings. *Magyarország népessége és gazdasága: Múlt és jelen* (The population and economy of Hungary: Past and present) (Budapest: KSH, 1996), 197.

² Decision makers figured that among those incorporated into the system, civil servants with long employment and lower wages, and also some workers at big state owned companies like the Post or the railway company (MÁV), would lose money due to the regulation that pension supplements were only to be paid from 1945 onwards. “Előterjesztés a Politikai Bizottsághoz az új nyugdíjtörvény előkészítéséről” (Draft for the MSZMP PB about the preparations of the new pension law), State Economic Department, August 21, 1951, MOL M-KS, fond 276, csoport 53, ö. e. 81, pp. 29-34. These

The political will to provide for the elderly through the pension system, combined with the double problem of offering too little to too few led to subsequent modifications of it, starting from the mid-1950s. The changes in the coming decades were twofold: the progressive incorporation of the various social groups into the pension system – although at first into separate systems – was accompanied by rising pension levels and a changing concept about the primary aim of pension. But these transformations also had an unintended consequence: the growing complexity and inequality of the pension system. By the late 1950s, three successive general laws were passed that all envisioned a different pension system for workers and employees. Whereas the legislation of 1951 laid down the foundation of the new, socialist pension system with extremely low provisions and a focus on keeping people employed very long, the 1954 legislation started to regard the pension more as an important welfare benefit, limiting employment next to it, but significantly raising its value. Finally, the modifications of 1958 steered the pension system in a new direction, trying to strengthen its merit-based character. This however, opened up the way for a growing income inequality among pensioners.³ Inequalities were also strengthened by the fact that the extension of pension coverage to the formerly uninsured groups created a separate system with less favorable retirement conditions than for workers and employees. And parallel to this, the increasing complexity of the pension system also

groups were offered a chance to receive pensions according to former regulations. *A nyugdíjtörvény ismertetése* (Overview of the pension law) (Budapest: Népszava, n.d.), 31.

³ The argument that pension should reflect the working history of an individual recurred later as well. In 1981, when the decision makers lifted the digression introduced in 1968, meaning that the income above 10 000 forints a month cannot be counted in the pension value, it was argued in the meeting of the Political Committee that “[i]ncome’s being proportionate to the achievement must be manifest both in the wage and the pension” (“A teljesítménnyel arányos jövedelemnek a keresetben és a nyugdíjban egyaránt kifejezésre kell jutnia”). “Javaslat a Politikai Bizottságnak a nyugdíj alapjául szolgáló keresethatár változtatására” (Proposal to the MSZMP KB about the modification of the minimal wage), prepared by the Economic policy Department of the MSZMP KB on December 15, 1981, and discussed at the MSZMP PB meeting of December 22, 1981. MOL M-KS, fond 288, csoport 5, ö. e. 843, p. 87.

entailed a growing system of privileges, giving extra pension benefits for an increasing number of people based on their political loyalty.

This complicated system turned out to be a far cry away from the desired simplicity that was expressed around 1951. As György Illés, the head of the statistical department of SZOT sarcastically noted in a letter to his superiors in 1964, upon reviewing a further planned reform by the Ministry of Labor: “We have transformed our pension system three times significantly since 1952, and the present draft would be the fourth significant modification. Our doings in this area are without comparison.”⁴ Similarly, in 1969, during a general meeting of SZOT, István Bartos, the head of the SZOT Directorate-General of Social Security (*Társadalombiztosítási Főigazgatóság*, the successor of the SZTK from 1965 on) called attention to the fact that pension regulations were often incomprehensible and the system too complicated to understand, and a new codifying procedure would be necessary to make rules simpler.⁵

The transformations studied in this chapter laid down the foundations for pension provision to become universal in Hungary. The measures and decisions analyzed here paved the way for pension to transform into the most important sociopolitical tool in the later years of socialism. It happened during these decades between 1950 and 1970 that pension started to be increasingly viewed as a social right for everyone, by the masses and politicians alike. Although the amount paid was still very meager, the attempts to provide enough so to be able to survive without working are evident, and pension was increasingly seen as the most important source of income

⁴ György Illés, “A Munkaügyi Minisztérium nyugdíj-tervezetéhez” (To the pension draft of the Ministry of Labor), 1964, PIL XII, fond 2, állag 16, ö. e. 2, pp. 74-80.

⁵ “A társadalombiztosítás időszerű kérdései, Dr. Bartos Istvánnak, a SZOT TB Főigazgatójának beszámolója” (Timely issues in social security, a report by Dr. István Bartos, head of the SZOT Directorate-General of Social Security), in *A Szakszervezetek Országos Tanácsa 1969 december 22-i ülésének beszámolója* (Budapest: SZOT, 1970), 53.

for the elderly population. Although pension raises were sporadic, they all concentrated on making sure the lowest income segment would benefit, leaving higher pensions to suffer serious value losses. The chapter follows these processes during the 1950s and 1960s, embedding the changes in the changing political climate of the times. As it will argue, many of the measures can be attributed to the transforming political climate in the aftermath of the 1956 revolution. And the measures produced by the end of the period had an important unintended side-effect: pensioners emerged as a veritable social group, regarded by many as a separate entity with its own set of values and interests.

The chapter is divided into four subchapters. The first one looks at the general process that instituted retirement as a new phase of life for the masses after the Second World War. While doing so, it situates the Hungarian example in the wider, European context, since the post-war expansion of pension coverage, together with the pension reforms and the demographic changes meant the growth of pension expenditures everywhere in Europe. The remaining subchapters concentrate on Hungary, and show in detail the legislative background and the decision making processes behind the birth of the “pensioner masses”. More precisely, the second subchapter follows how pension adequacy levels changed and in what ways the new regulations contributed to this change.⁶ The third subchapter is then devoted to tracing the waves of expansion of pension entitlements and analyzing the reasons behind them. Finally, the fourth subchapter is devoted to a particular segment of growth: that of privileges. It studies how the system of exceptions grew within the pension system parallel to the process

⁶ The term adequacy reflects the extent to which pensions can contribute to the overall reduction in poverty rates as well as how far they can contribute to the maintenance of the former living standards. For more on this, see John Doling and Richard Ronald, “Home Ownership and Asset-Based Welfare,” *Journal of Housing and the Built Environment* 25 (2010): 165-173.

of general expansion, granting a higher income to old functionaries of the party and the unions.

2.1. The birth of retirement for the masses in post-war Europe

The growing importance of pension politics in the post-war Europe is inevitably connected to two interrelated demographic phenomena. On the one hand the growing life expectancy of the population meant that an increasing share of people had the chance of reaching the official retirement age. Furthermore, they were likely to live on pension for longer, or to need some state assistance in the event that they lacked appropriate pension insurance. In Hungary in 1950 among 100 newborn males 65 were expected to reach the official retirement age of 60, but by 1960 their number went up to 76. Females fared even better; similarly in 1960, 83% of the newborn girls were likely to live at least until the age of 60. At the time the average life expectancy was 66 years for males and 71 years for females, indicating a 6-year increase for both sexes in the span of a decade.⁷

On the other hand the growing share of elderly in the societies made their financial stability politically important in every country, regardless whether it was socialist or non-socialist. As the following sample of European countries shows – chosen in order to represent the different geographical regions, as well as the socialist/non-socialist division – their increasing ratio were evident everywhere, in the decades between 1950 and 1970 (see Table 2.1). Although the countries proceeded along different paths, and the share of the elderly (above 60 years) was still higher in the non-socialist – and, for the most part, more developed – countries, after 1960 countries of the socialist block were evidently catching up, as societies here were

⁷ András Klinger, “Az öregedés demográfiai vonatkozásai” (Demographic aspects of ageing), in *Az időskorú népesség demográfiai helyzete és problémái: Konferencia, 1982. április 20-21.*, ed. Barnabás Barta (Budapest: Statisztikai Kiadó Vállalat, 1983), 39-40.

exhibiting a far speedier aging pattern. Hungary stands out among the socialist countries with its steadily highest share of elderly population in the examined period.⁸

Table 2.1. Percentage of population of 60 years and above in selected European countries

	1950	1960	1970
Socialist countries			
Czechoslovakia	11.7%	13.3%	16.7%
Hungary	11.8%	14.0%	17.2%
Poland	8.2%	9.3%	12.8%
Bulgaria	10.2%	11.4%	14.7%
Romania	8.7%	10.6%	13.2%
Non-socialist countries			
Sweden	15.3%	17.9%	19.6%
United Kingdom	15.8%	17.5%	18.8%
Italy	12.3%	14.4%	16.4%
France	16.3%	17.5%	18.1%
The Netherlands	11.7%	13.7%	14.5%

Source: *World Population Prospects: The 2010 Revision*, CD-ROM Edition (United Nations, Department of Economic and Social Affairs, Population Division, 2011).

The aging of Hungarian society meant not only a growing number of pension-aged citizens but, with the consecutive growth of pension entitlements, it also meant an even quicker growing number of pensioners in the decades between 1950 and 1970.

From 552.000 in 1952, the number of pensioners grew to 1.415.000 in 1970. By then,

⁸ The speed of aging in Hungary – and in other socialist countries as well – was propelled by plummeting birth rates starting in the second half of the 1950s. The Hungarian birth rate was one of the lowest of the world in the early 1960s, most probably linked to the massive exodus of youngsters in the aftermath of the 1956 revolution. The population dynamics of the country raised many questions of demographic, social and economic nature as well, and the problems did not escape the attention of decision makers either. In 1966, the 9th Congress of the MSZMP expressed its concern for the rapid growth of pension-age population and, in its resolution, called for some action against the evident aging of society, which led to the introduction of a fairly generous child-care allowance system. Starting from 1967, it included the introduction of child-care allowance and the establishment of a maternal leave scheme. Later it was followed by the introduction of a complex population policy program, and finally, at the end of the period in the early 1980s, the wage related child-care allowance system (GYED) was introduced. See “Az MSZMP IX. kongresszusának határozata” (The resolution of the 9th Congress of MSZMP), in *A Magyar Szocialista Munkáspárt kongresszusainak határozatai*, ed. Henrik Vass (Budapest: Kossuth Könyvkiadó, 1975), 157-204. For further details, see Zsolt Spéder and Iván Kamarás, “Secular Fertility Decline with Distinct Period Fluctuations, *Demographic Research* 19 (2008): 599-664, <http://www.demographic-research.org/Volumes/Vol19/18>. On the transformation of the welfare state in Hungary during the 1960s, see Lynne Haney, *Inventing the Needy: Gender and the Politics of Welfare in Hungary* (Berkeley: University of California Press, 2002).

retired people made up 13,7% of the whole population, which was approximately 2,5 times more than the 1952 level.⁹

Such growth of the pensioner population was part of the Europe-wide trend that included socialist and non-socialist countries alike. With a different pace, European countries have all established a system where all people growing old could expect to receive some kind of state supported old-age benefit, and as a result, pensioners emerged everywhere as an important separate social group. The subchapter will first briefly highlight the most important changes the European pension systems – the Hungarian included – underwent in the two decades after WWII. Then it will look into the results of the process of retirement becoming a virtually regular experience for everyone: creating a solely age-based definition of being old on the one hand, and forming a new group consciousness based on the absence of work and the growing reliance on state support on the other hand. The process is contextualized again with the Hungarian experience at the center.

2.1.1. Changing pension systems in Europe after the Second World War

During the times right after WWII, when the extension of the pension system was taking place everywhere, countries that had been lagging behind were beginning to catch up as part of the general expansion of social rights. The democratization of the pension system was characterized by the double processes of the sharp growth of pension entitlements and the growth of pension levels.¹⁰ By 1970 the pension coverage reached almost every economically active person in Europe. In many

⁹ *Magyarország népessége és gazdasága*, 197.

¹⁰ On the process in Western Europe, see, e.g., Jens Alber, *Vom Armenhaus zum Wohlfahrtsstaat: Analysen zur Entwicklung der Sozialversicherung in Westeuropa* (Frankfurt and New York: Campus Verlag, 1987), 40-73. On the development of post-war welfare states see Peter Flora and Arnold J. Heidenheimer (eds.), *The Development of Welfare States in Europe and America* (New Brunswick and London: Transaction Books, 1981).

countries – like the Scandinavian ones, or the Netherlands and Belgium – the coverage rate was 100% (with regard to their economically active population). But those with less than full coverage usually averaged close to 80 or 90%, and the rate of coverage grew with the time passing. Tendencies in the socialist countries for incorporating step-by-step a growing number of pensioners were similar. The timing of these incorporations, however, was different not only from Western Europe but also in comparison to each other – as it will be demonstrated on the example of Hungary – since the underlying changes were often subject to internal political struggles and settlements. In this process of expansion, starting usually from the mid-1950s, non-covered groups, most importantly the agricultural population or the self-employed were slowly granted entry into the mandatory pension schemes, a process that lasted sometimes well into the 1970s, with minor inclusions still done in the 1980s.¹¹

With regard to the type of coverage available, there was a visible sign for convergence during the times, however a tangible divide remained between the socialist and non-socialist countries. In the latter, pension systems often emerged with more than one pillar – including some sort of state, occupational and private savings schemes – and the merit-based programs started to be combined with citizenship-based or means-tested elements.¹² Actually, an important novelty of the post-war era was the introduction of universal pension schemes in many European countries, which were based on citizenship and guaranteed a minimum level of income for everyone,

¹¹ Tomasz Inglot, *Welfare States in East Central Europe, 1919-2004* (Cambridge: Cambridge University Press, 2008); Susan Zimmermann, “Wohlfahrtspolitik und die staatssozialistische Entwicklungsstrategie der “anderen” Hälfte Europas im 20. Jahrhundert,” in *Sozialpolitik in der Peripherie: Entwicklungsmuster und Wandel in Lateinamerika, Afrika, Asien und Osteuropa*, ed. Johannes Jäger, Gerhard Melinz, and Susan Zimmermann (Frankfurt am Main: Brandes und Apsel Verlag, 2001), 211-237.

¹² Citizenship or means-tested pensions typically aim at providing an adequate minimum. Whereas citizenship-based programs are available for everyone, means-tested are designed for only those, who require financial help. Work-merit based programs are usually tied to previous earnings. For a comparative analysis of 18 OECD countries, see Joakim Palme, *Pension Rights in Welfare Capitalism: The Development of Old-Age Pensions in 18 OECD Countries, 1930-1985* (Stockholm: Swedish Institute for Social Research, 1990).

regardless of the recipient's financial status. The first country to do so was Sweden that introduced a universal old-age pension scheme based on citizenship in 1946.¹³ In the coming decades the example was followed by other Scandinavian countries and also the Netherlands. In a parallel process, earnings-related supplementary – and compulsory – pension schemes were introduced in those countries, which provided need-based flat-rates benefits, like Great Britain in 1959. The socialist countries, however, developed a different system. Their legislation retained its original merit-based character over the years. Nonetheless, given that working was theoretically compulsory and non-working women were entitled to widow's pension, complete coverage of the population was usually achieved by the late 1970s. Another important difference concerns the number of pillars, since socialist pension systems were based on a state supported single pillar, and given the logic of their economies, they could not contain funds from occupational and private schemes.

A final important change in the post-war period regards the rise of pension adequacy levels all over Europe: starting from the middle of 1950s, pensions were more and more conceived as a primary source of income for the elderly population. This was helped by the introduction of regular indexing – the first policies are from the middle of 1950s – that helped to ensure income security and income maintenance; regular adjustments made either to income or price levels became a common practice.¹⁴ The changing policies led to a spectacular growth of the pension replacement rates over the years.¹⁵ The process was continuous, but slow. Whereas in

¹³ The influence of the Beveridge report was keenly felt on the change of the legislation in Sweden; see Margaret S. Gordon, *Social Security Policies in Industrial Countries* (Cambridge: Cambridge University Press, 1988), 36-52. But the first ever universal pension scheme was introduced in New Zealand in 1938, following the introduction of its Social Security Act. The Act created the universal scheme for 65-year-olds and above, but kept a means-tested benefit for those reaching the age of 60. For a short summary on New Zealand, see <http://www.teara.govt.nz/en/1966/social-security/2>

¹⁴ Alber, *Vom Armenhaus*, 55-56.

¹⁵ Béla Tomka, “Az időskor mint elkülönült életszakasz kialakulása: a nyugdíjrendszerek” (The emergence of old age as a distinct phase of life: The pension systems), in *Generációk a történelemben*,

the 1960s pensioner life was still synonymous with being poor in many countries, as the measures started to take effect in the ensuing decades, pensioners on the average began to live a lifestyle that in many countries – but not the socialist ones – was sometimes hard to distinguish from that of the actively working.¹⁶

In Hungary the growth of the number of pension recipients really speeded up only after 1960 as a result of incorporating most people working in the agricultural sphere. Whereas in 1950 the share of people with pension entitlement made up only 47% of the economically active population, it increased sharply during the 1960s, reaching an almost full coverage of 97% by 1970.¹⁷ By then practically all Hungarian citizens could hope for some kind of revenue after retirement, although the levels of this retirement varied much, depending on a number of factors, most importantly the time of retirement and the type of occupation. Simultaneously, the ratio of a pensioner's monthly earning to that of an actively working person also changed from the already mentioned 23% in 1952 to almost 35% in 1970.¹⁸ And very importantly, it was during the 1950s and 1960s that pension legislation was not only changed in a way to allow the provision of higher pensions, but the expectation was formed that pension should provide sufficient income to make a living (however modest). Ushering in a new area of pension policies, regular indexing for all pensions was introduced as an act of (partial) income maintenance in 1970. The growing pension levels together with the growth of pensioner population and longer life expectancy had far-reaching economic consequences as well. Pension expenditures grew as more people started to receive higher pensions for a longer period of time. In 1974 for

a Hajnal István Kör – Társadalomtörténeti Egyesület 2007. évi konferenciájának kötete, Nyíregyháza, 2008, 39-50.

¹⁶ John Myles, "A New Social Contract for the Elderly?" In *Why We Need a New Welfare State*, ed. Gøsta Esping-Andersen et al. (Oxford: Oxford University Press, 2002), 130-173

¹⁷ Béla Tomka, *Szociálpolitika a 20. századi Magyarországon* (Social policy in twentieth-century Hungary) (Budapest: Századvég, 2003), Annex, Table 12.

¹⁸ *Magyarország népessége és gazdasága*, 197.

example, only a few years apart from the time period examined in this chapter, women received pensions for an average of 22 years, whereas men for 15-16 years.¹⁹

2.1.2. Retirement: a new experience for the masses

The growth in numbers was met by a growth in significance: in the decades between 1951 and 1970 pensioners were transformed into an important social group in Hungary that was increasingly treated as a significant entity by political decision makers, union representatives, social researchers and the press. Due to the growing rate of entitlements and the growing adequacy, a new pensioner lifestyle was taking shape.

Similar processes were going on in other European countries as well, approximately at the same time. Examining Great Britain, Sarah Harper and Pat Thane found that in the decades between 1945 and 1965 old age was consolidated as a new phase of life. They concluded that becoming a pensioner also meant to go through a very different experience than before due to the political, economic and social changes. The new services available through the developing welfare state, the shifting demographic structure, with an increasing number of people living alone, have all contributed to this experience. And becoming a pensioner also meant to become officially old. As part of the social construction of old age, the perception of being old was increasingly separated from the biological associations and was more and more defined with the state pension age. Harper and Thane concluded that these factors have all contributed to the fact that the elderly population became the focus of a wide-range of policy making practices.²⁰

¹⁹ József Rózsa, *Szociálpolitika Magyarországon* (Social Policy in Hungary) (Budapest: Kossuth Könyvkiadó, 1978), 103.

²⁰ Sarah Harper and Pat Thane, "The Consolidation of 'Old Age' as a Phase of Life, 1945-1965," in *Growing Old in the Twentieth Century*, ed. Margot Jeffreys (London: Routledge, 1989), 43-62.

Thane's and Harper's concept about old-age in Britain resonates with the "third age" theory of Peter Laslett. Laslett in his studies of historical demography primarily focused on processes in Britain, but he considered his findings expandable to the rest of the developed world. He put the 1950s as the beginning of a time in Europe, when most people could reasonably expect to become old. In his terminology, "third age" refers to the time from the beginning of retirement until the loss of independency, setting it apart from the previous period of work and reproduction ("second age") and the ensuing one of decrepitude ("fourth age").²¹ Its appearance is inseparably bound with demographic factors but, less directly, with social, economic and educational policies as well, because it presupposes that people supported by a pension system can enjoy independence with the possibility of self-fulfillment. As a consequence, national wealth and the level of welfare provisions are very much determining in its emergence.²²

In a similar vein, the life-course model theory reflects on the changes brought about by the growing universalism of the pension systems together with the growing adequacy rate. The theory asserts that these processes helped to institutionalize a relatively fixed life course model for citizens in the developed world, with a threefold organization of life – preparation, activity and retirement – structured around the sphere of work. The theory of the life course model suggests that these changes helped to cement in a period of retirement normatively expected by everyone to pass through.

²¹ The term "fourth age" is partly overlapping with what has been described by demographers in the late 20th century as the "oldest old," referring to an ever growing segment of the developed societies of above 80 or 85 years (depending on the definition).

²² Laslett talks about the appearance of the third age in a country where two indicators are present: at least 1/4 of the above 25 population is older than 60 years, and at least half of the male population can expect to survive from 25 to 70. As he shows, it was true to most European countries – both socialist and non-socialist – by 1950. Peter Laslett, "Necessary Knowledge, Age and Aging in the Societies of the Past," in *Aging in the Past: Demography, Society, and Old Age*, ed. David I. Kerzer and Peter Laslett (Berkeley: University of California Press, 1995), 3-81.

Age has become a core structural feature, as the temporalization of life has been largely keyed to chronological age.²³

Both Laslett's concept and the life-course model theory are applicable to the Hungarian pensioner population, however, with a little delay. It was the development of the pension system in the 1950s and 1960s that permitted the emergence of third age in Hungary leading to the formation of pensioners as a significant social group.²⁴ A particular feature, signaling that pensioners were increasingly regarded as a separate social group by many in Hungary, is the high number of official queries trying to understand their problems and lifestyle from the 1960s on. During the 1960s the Central Statistical Bureau carried out three major surveys to understand their living conditions better. In 1963 a nation-wide survey was carried out asking the pensioners about their economic situation, family life, cultural interests and health status.²⁵ A smaller scale research was completed in 1967, and two years later, at the end of the decade, in 1969, a new comprehensive social gerontological research was also

²³ On the life-course model's applicability to retirement, see Martin Kohli and Martin Rein, "The Changing Balance of Work and Retirement," in *Time for Retirement: Comparative Studies of Early Exit from the Labor Force*, ed. Martin Kohli et al. (New York: Cambridge University Press, 1991), 1-35. Martin Kohli, "The Institutionalization of the Life Course: Looking Back to Look Ahead," *Research in Human Development*, 4.3-4 (2007): 253-271. And also Anne Marie Guillemard and Martin Rein, "Comparative Patterns of Retirement: Recent Trends in Developed Societies," *Annual Review of Sociology* 19 (1993): 469-503.

²⁴ Laslett reflected on the difficult applicability of the concept, due to the financial requirements, even in wealthier nations. He calls the principles of the definition a "mockery for the poorer old, who have been [...] so large a proportion of those in retirement." Peter Laslett, *A Fresh Map of Life: The Emergence of the Third Age* (London: Weidenfeld and Nicolson, 1989), 91. Nevertheless, by the 1970s, parallel to the growing wealth and the expanding welfare state, acceptable living conditions have emerged for pensioners almost all over Europe.

²⁵ Dr. Egon Szabady, "Az öregedés gazdasági és társadalmi következményei Magyarországon" (The economic and social consequences of ageing in Hungary), *Statisztikai Szemle* 41.12 (1963): 1055-1062. The research was followed up in a short time by a small sample of in-depth interviews that allowed the researchers to collect even more detailed information on pensioner life. László Cseh-Szombathy and Rudolf Andorka, *A budapesti nyugdíjasok helyzete és problémái* (The situation and problems of pensioners in Budapest), A KSH Népeségtudományi Kutatócsoportjának és az MTA Demográfiai Bizottságának kiadványai 6 (Budapest: KSH, 1965).

initiated.²⁶ The rising interest is further proven by the census of 1970 that had a special questionnaire prepared for the very old, 80 years and above.²⁷

By the second half of the 1960s, unions also became active in researching the pensioner population. The *Szakszervezetek Budapesti Tanácsa* (Budapest Council of Unions, hereafter SZBT), for example, conducted several smaller researches in Budapest.²⁸ The research was generally aimed at the better understanding of this population segment, which became important in light of their attempt to try to define their role with regard to the growing number of pensioners, some of whom retained their union membership even after retirement. And there was the problem of those, who despite having reached the official retirement age, still wanted to remain active. On June 8, 1967 SZOT Social Security Directorate – the successor of SZKL – sent a letter to all union division leaders, suggesting to pay attention to this particular problem.²⁹

Unions, while grappling to define their role towards pensioners, have ended up defining pensioners themselves as a separate group with its own set of interests. After their 21st congress in 1967, in a document originating from the SZBT, functionaries described pensioners as a group, whose

²⁶ Like the previous ones, this research also focused on trying to understand the pensioner population in a complex way. It not only asked about their demographic data, but their economic activities, the circumstances of their retiring, the structure of their household, their family and social connections, health and economic status and the time-budget of their day, as well. Rudolf Andorka et al., *Az öregek helyzete és problémái* (The situation and problems of the elderly), Statisztikai Időszaki Közlemények 249 (Budapest: KSH, 1972), 19-129. The research even provided data for the increasingly popular time-budget analyses. László Cseh-Szombathy, “A nyugdíjasok időfelhasználása” (The time use of pensioners), in *Szabadidő és művelődés. Tanulmányok a magyar szabadidőkutatások témaköréből*, ed. Béla Falussy (Budapest: TIT, 1974), 164-183.

²⁷ László Cseh-Szombathy, “Adatok Mo. legidősebb lakóiról” (Data on the eldest citizens of Hungary), *Élet és tudomány*, December 2, 1977, 1525-1527. On the 1967 research, see PIL XII, fond 14, állag 9, ö. e. 74.

²⁸ Interestingly, it even consulted the Central Statistical Bureau about research methodology on one occasion The particular case was about a research based on 107 questionnaires and the experiences of union volunteers. The findings were scrutinized heavily for their lack of methodological accuracy and wrong calculation by officials from the Central Statistical Bureau. Letter from Gyula Kirchner to László Vészi, October 18, 1967. PIL XII, fond 14, állag 9, ö. e. 74.

²⁹ Letter from József Pandurovics on June 8, 1967. PIL XII, fond 14, állag 9, ö. e. 74.

significant and constantly growing mass constitutes a peculiar stratum of our society, with its life circumstances different from those of the workforce. Taking care of them in manifold ways is an important task of our entire society and of the unions within it.³⁰

2.2. Increasing pension values and the reasons behind (1950-1970)

An important requisite for the emergence of pensioners as a distinguishable group characterized by a separate set of interests and common life styles was the growing adequacy level of pensions. The process of this growth – documented in the present subchapter – led to state pensions becoming increasingly regarded as a primary income for all elderly covered by the insurance. The amount of this income during the two decades in question was determined principally to enable basic subsistence for everyone – even if reaching this subsistence level was also helped by other measures, like the heavy subsidization of utility costs and food prices.

The rise of pension adequacy level was accompanied by two contradictory processes in Hungary. On the one hand there was a tangible political intent to ensure a minimal income for all people entitled to pension, while on the other hand there was an attempt to strengthen the merit-based character of the system and to harmonize pension income with the working and earning history of the recipient. So while Hungary not only shied away from introducing a citizenship-based minimal pension, but in 1958 changed its one pillar system in a way to become more merit-based, the practice of occasional pension raises that concentrated solely on older and lower pensions ensured that the merit-based character of the system could not uphold on the long-run. What emerged was a system where the higher pensions would lose their value considerably over time. The pensions available after the series of modifications at the end of the 1960s were considerably higher than the early provisions, but were

³⁰ “A szakszervezetek tevékenysége az idős, nyugdíjas dolgozók helyzetének, életkörülményeinek javításában” (The role of the trade unions in bettering the situation and circumstances of elderly, pensioner workforce). PIL, fond 14, állag 9, ö. e. 74, p. 18.

still far away from the income the active population received. It seems that in the decades between 1951 and 1970 the Hungarian state was willing to take on the provision of enough money for the elderly to make a living, but lacked both the will and the resources to finance a more generous pension system.

While documenting these modifications and tensions within the system, the current subchapter will first look at how the adequacy level of pensions grew over time during the period in question, describing also the most important financial divisions among the retired population. Then it will continue with the analysis of the 1954 pension legislation and its consequences. Finally, it will study what necessitated work on a third pension legislation – that of 1958 – and will focus on the legislation and its immediate effects.

2.2.1. Increasing values and a growing divide in the pension system

The passing of the first general pension law in 1951 included a raise for many pension recipients. But as it was pointed out already, pension levels still remained very low. With no regular indexing introduced, the growth of average pension levels in the ensuing decades can be attributed to four different factors: the changing method of pension calculation as a result of the laws of 1954 and 1958; the growing income of the active population – which was thus reflected in the growing pension levels; the occasional pension raises that always targeted the most vulnerable, low-income segment of the retired population; and, finally, the natural demographic movement, namely the passing away of people with considerably smaller pensions.

As a result, pensions started to take up an increasing share of the social security budget in the period. In 1960 approximately 28% of the budget was spent on

pension, but in the following 10 years the share of expenditures grew close to 38%.³¹ Looking at the larger structure of all welfare provisions, that include a wide range of in kind and in cash benefits from educational and social services to family allowances and health expenditures, we see that it was during these years that pension provision changed in significance and was slowly transformed into the single most costly item among all the different types of provisions. Whereas in 1960 the cost of education, health care and pension provision took up a similar share of the welfare budget – 24,2%, 21,5% and 20,1% respectively – in the coming decades the balance shifted, with the share of pension radically growing and the share of other two either diminishing or – in case of health care costs – fluctuating.³²

The values of pensions and pension like allowances – like the allowances for spouses, widows and children or the remaining social security allowances – exhibited a steady increase between 1950 and 1970. By the end of the period in question, in 1970 the average pensioner income reached 34,5% of the gross monthly earning of the working population.³³ Periods of growth followed closely the pension legislations of 1951, 1954 and 1958, which not only initiated a new way of pension calculation but contained significant pension raises as well. And in the following decade, between 1960 and 1969, the average pension value grew by approximately 40%, when the inflation was not higher than approximately 1% annually.³⁴

Despite this, at the end of the 1960s, pension values for most of the population were still relatively low. By then most people could expect to become a pensioner at

³¹ *A lakosság jövedelme, társadalombiztosítás, családpolitika*, Életszínvonal füzetek 4 (Budapest: Statisztikai Kiadó Vállalat, 1983), 69-82.

³² *Életszínvonal: 1988-1997* (Budapest: KSH, 1998), 106. The cost of education includes the costs of kindergarten and nursery as well.

³³ *Magyarország népessége és gazdasága*, 197.

³⁴ KSH, *A nyugdíjasok helyzete* (Budapest: KSH, 1969), 5. The growth of pension levels was not an isolated phenomena. Despite the growing ratio of the pension values compared to the earnings, the income of the active population grew very substantially in the period: during these 20 years the real earning of workers and employees doubled. *Magyarország népessége és gazdasága*, 195.

one point in life, the pensioner living standard – as researchers at the time determined – was relatively low and pensions mostly meant significantly less spending for all. Most were forced to change their consumption habits, and cut back on expenditures regarding clothing and entertainment. In particular, due to their different spending patterns food price increases affected pensioners more than the active population. In 1967 the Central Statistical Bureau found that pensioners of the worker-employee system spent approximately three quarters of their income on food and housing expenditures, whereas the same ratio was 50% in the active households. A few years earlier, during a research conducted in 1963 and 1964 in Budapest, many pensioners even complained about having to cut back on food expenditures as well. Particularly vulnerable were retired female workers, especially if they were living alone. Of course, how individuals could manage their life depended not only on their pension levels, but on other factors as well. Household size was very important, just as well as the possibility of other resources of income – be it work or family support – and very importantly if there was a spouse without pension to support.³⁵

The average pension values of the times were concealing big differences within the pensioner population. There was the division between the members the worker-employee pension system and the pension system covering cooperative members (available since 1958), with the former offering much more favorable circumstances.³⁶ In 1969, for example, the average pension value was 694 forints. But whereas those freshly retiring from the worker-employee system received 1077

³⁵ Cseh-Szombathy and Andorka, *A budapesti nyugdíjasok helyzete*. See also KSH, *A nyugdíjasok helyzete*, and István Baranyai and Erzsébet Eiler, “A nyugdíjasok számának és ellátásának alakulása” (The development of the number of and provisions for the pensioners), *Statisztikai Szemle* 47.7 (1969): 677.

³⁶ The details of the cooperative system are discussed in subchapter 2.3.

forints, the already retired averaged 136 forints less, 941 forints and cooperative members only had a fraction, 494 forints.³⁷

Another important division was between the high income pensioners and the low income pensioners. As the sporadic pension raises concentrated solely on the low income segment of the pensioner population, higher pensions lost their comparative value overtime, even with the low inflation rate of the times. Between 1951 and 1966 there were eight separate pension raises, but someone who received at least 800 forints in 1950 did not receive anything more until 1959. And those above 1000 forints have not received any raise at all in the entire period.³⁸ This policy had the unintended consequence of causing better earning groups to look at retirement with anxiety, as it was reflected in a letter addressed presumably to the director of the *Szakszervezetek Elméleti Kutató Intézete* (Theoretical Research Institute of the Unions, hereafter SZEKI) during the mid-1960s. Here members of the statistical department, upon reviewing how pensioners lived in Budapest, asserted that the lack of proper income maintenance caused many active workers to fear retirement.

This has the consequence that those workers of our Institute, who have already reached or approached the retirement age, are afraid of retirement. More than one have said that those, for whom a pension of acceptable amount was established years ago, now live much worse. The amount of pension stagnates and the costs of living increase.³⁹

³⁷ The data only includes those, receiving pensions on their own right. *A társadalombiztosítás fejlődése számokban, 1950-1985* (The development of social security in the mirror of numbers) (Budapest: Népszava Lap-és Könyvkiadó, 1987), 236.

³⁸ Document prepared by the Department of Statistics on September 14, 1967, starting with „Tisztelt Igazgató Úr.” PIL XII, fond 14, állag 9, ö. e. 74, p. 2. A socio gerontological research in 1969 found that older pensioners – many of whom presumably retired already after the 1958 pension legislation – felt left behind. Although the real value of average and below-average pensions was generally maintained, compared to the pension values received by those retiring recently and the active population’s income increasing at a much higher speed, they felt neglected. Andorka et al., *Az öregek helyzete és problémái*, 19-129. István Baranyai found that in the period between 1960 and 1975, the higher pensions lost their value and the lower ones at least maintained it but, at the same time, the income of the still active population doubled. István Baranyai, *Időskorúak, nyugdíjasok, 1960-1990* (Elderly, pensioners, 1960-1990), MTA KTI tanulmányok 4 (Budapest: MTA KTI, 1995), 43-57; KSH, *A nyugdíjasok helyzete*, 43-57.

³⁹ Letter written on September 14, 1967 to the director (presumably to the director of SZEKI). PIL XII, fond 14, állag 9, ö. e. 74, p. 2. The same conclusion has been reached by numerous other researchers of

A final division among pensioners was created by the rapidly changing legislations regulating retirement. What emerged during the 1950s and 1960s was not only a system with huge complexities, but also a system that entailed huge inequalities. The new pension laws created more favorable circumstances, so pensioners retiring later had significantly higher pensions.⁴⁰ Depending on the time of retirement, people with similar working careers could receive very different pensions.⁴¹ In the already quoted letter written to his superiors in 1964, György Illés described the consequences of the too many pension regulations, especially that they had no retroactive power. Illés, with the example of an imaginary turner reasoned that even two years could make a huge difference in one's income during retirement. The turner in his example, upon retiring in 1953 would have received 625 forints in pension. But calculating with the same working history he would have received significantly more, 1030 forints due to the changing regulations only two years later, in 1955.⁴²

2.2.2. The pension legislations of 1954 and 1958 and their consequences

What happened in the two years in between, increasing the pension value of the imaginary turner, was that the Presidential Council passed Decree 28/1954, which was the second general pension law. It came into effect on October 1, 1954, and the changes brought with it altered the way pension was calculated, and resulted in a

the time as well. See among others Baranyai and Eiler, "A nyugdíjasok számának és ellátásának alakulása"; Baranyai, *Időskorúak, nyugdíjasok*, 43-57; KSH, *A nyugdíjasok helyzete*, 5-8.

⁴⁰ They also had higher incomes, while still active, which translated then into higher pension levels.

⁴¹ Interestingly, this has remained a permanent feature of the Hungarian pension system, overarching the ensuing decades, despite the attempts to overcome it. Approximately half a century later, well after the regime change, the analyst Iván Róbert Gál pointed out that the permanently changing parameters of the pension system created very differing retirement circumstances for people with similar working histories. Iván Róbert Gál, "A nyugdíjrendszer politikai kitettsége" (The political exposedness of the pension system), in *Társadalmi riport 2008*, ed. Tamás Kolosi and István György Tóth (Budapest: TÁRKI, 2009), 290-303.

⁴² Illés, "A Munkaügyi Minisztérium nyugdíj-tervezetéhez," pp. 74-80.

significantly higher income for those retiring afterwards.⁴³ Just like the previous general pension law, the new law of 1954 also reflected the signs of the contemporary political climate. It was conceived during a time, which was characterized by a comparatively waning interest in the force-paced industrialization and a growing preoccupation of the state with the general welfare of the people. This brief period of destalinization – between July 1953 and April 1955 – during the first government of Prime Minister Imre Nagy, a program of general liberalization in all spheres of life was realized. The inauguration of the Nagy government in July, 1953 followed a June visit of the Hungarian Party leaders to Moscow, where the soviet leaders had expressed their concern about the state of Hungary, and forced Rákosi to give up the post of prime minister. While remaining the general secretary of MDP, Rákosi was commissioned to steer Hungary towards a slightly different course. The resources were temporarily regrouped, with a few large-scale money-consuming investments – like the subway construction of Budapest – halted, and the pace of industrialization slowed down. The production of necessary consumption goods to satisfy the everyday needs of the people was given a preference as well. This short-lived destalinization was felt in the agricultural sphere too, where leaving the agricultural cooperatives became possible for those who had been forced to enter, and the quota of compulsory deliveries together with the tax on agrarian products was fixed for three years in advance, making farming production more predictable. Furthermore, as a sign of a more moderate dictatorship, forced labor and internment camps were terminated.⁴⁴

⁴³ Dr. Géza Abonyi (ed.), *Kérdések a nyugdíjtörvény köréből: A IX. konferencia vitaanyaga* (Questions related to the pension law: Position papers of the 9th conference) (Budapest: Magyar Jogászok Szövetségének Oktatási Osztálya, 1955).

⁴⁴ György Gyarmati, *A Rákosi-korszak: A rendszerváltó fordulatok évtizede Magyarországon, 1945-1956*, (The Rákosi era: A decade of systemic transformations in Hungary) (Budapest: ÁBTL-Rubicon, 2011), 329-375.

The new pension legislation reflected both the regime's shifting focus in employment policy – the use of the elderly work force was not a priority any more – and its growing concern to improve the wellbeing of the people.⁴⁵ In line with this, the pension legislation terminated the system of punishing those who retired at the age of 60 and 55 with lower pension values. From then on the official retirement age of 60 and 55 was untouched during socialism, as it was perceived as an accomplishment that allowed people to enjoy retirement for a long enough time. Many years later, in 1974, preceding the general welfare reform of 1975 and already during the time of growing economic woes, decision makers recommended its possible raise. While acknowledging that people often worked past the official retirement age, the idea of raising it was strongly rebutted by Kádár, who felt that it would have touched an important socialist achievement. He said that

[i]n our circumstances the present level of the retirement age is the result of measures by the party and the government, I could indeed say the result of class struggle, whereas what happens in reality is that the people continue to work. Otherwise this is the situation in all socialist countries, all capitalist countries. [...] I agree that justice prevail, it must be assisted. [...] There be a unitary pension system, and I think the same about the retirement age. Be it 60 – 55 years.⁴⁶

The pension legislation of 1954 also terminated unrestricted employment while being retired. In order to receive full pension, one could only work 6 days a months. If the number of working days was between 6 and 14, people still remained entitled to half of their pensions. But above 14 days of work, no pension was to be paid for that month. Exceptions were only made however. Doctors could still receive one third of

⁴⁵ On the details of the regulation see Abonyi (ed.), *Kérdések a nyugdíjtörvény köréből; A magyar társadalombiztosítás 20 éve, 1945-1964* (20 years of Hungarian social security) (Budapest: SZOT Társadalombiztosítási Főigazgatósága, 1965); *A közalkalmazottak nyugdíja a nyugdíjtörvény megjelenése után* (The pension of civil servants after the publication of the pension law) (Budapest: Közalkalmazottak Szakszervezete, 1955).

⁴⁶ “A társadalombiztosítási jogszabályok egységesítése, egyszerűsítése és továbbfejlesztésének iránya” (The homogenization and simplification of social security regulations and the direction of their further development”), minutes of the MSZMP PB meeting of April 9, 1974; MOL M-KS, fond 288, csoport 5, ö. e. 634, p. 116.

their pensions even if working full time. And people working in sub-terrain vocations or in vocations with health hazards could receive half of their pensions while remaining fully employed. Otherwise retirement meant the end of regular working life for everybody.⁴⁷

The regulation of restricting wage-labor in retirement, besides being evidence of the diminishing intentions to use elderly workforce, also supports the interpretation of a changing concept of pension. Unlike the very low provisions after 1951, the new pensions were meant to provide income for a time of inactivity, and were conceived in a way to meet the basic needs of the elderly, with a supplement of work or family help. It was a welfare support provided by the state, and working next to pension would make this state support unnecessary. The introduction of a 500 forints minimum pension per month in the 1954 pension legislation also underlines this notion.⁴⁸ Furthermore, the 1954 regulations led to the introduction of a far more generous system of pension calculations. The new legislation raised the pension base from the former 15 or 30% to 50% of the income average of the last 12 months for everyone having worked 10 years. The bonus, to be paid after each year worked from 1945, was 1% of the pension base multiplied by the number of years worked after 1945.

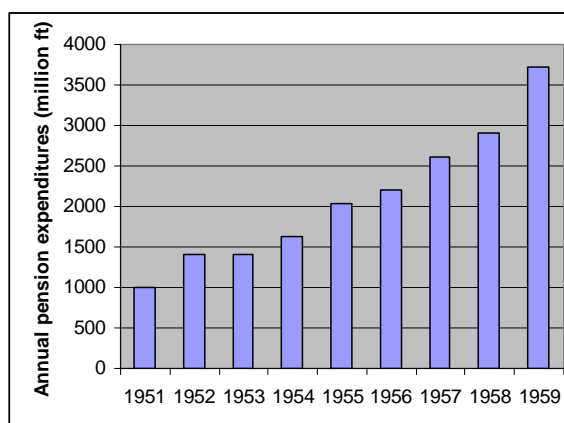
There was a remarkable growth the average pension value went through overnight. This growth was further helped by the general 25-30% raise of the older pensions and the possibility for widows to have two pensions (their own and a

⁴⁷ Abonyi (ed.), *Kérdések a nyugdíjtörvény köréből*, 29-30; *A közalkalmazottak nyugdíja*, 38-50.

⁴⁸ In case the 75% of the monthly income of the recipient was less than 500 forints, then the pension was to equal this 75%. If the 75% of the monthly income of the recipient was 500ft or higher, but the pension calculated according to the 1954 regulations would still be lower than 500ft a month, than the pension had to be supplemented in a way to reach the minimal level of 500 forints. Abonyi (ed), *Kérdések a nyugdíjtörvény köréből*, 25-26.

widow's pension) – not allowed before – until a maximum of 500 forints a months.⁴⁹ As a consequence, the average pension value went from the 23% of the average gross earning of the active workers in 1954 to 28% in 1955.⁵⁰ Pension expenditures also reflected this leap. Between 1954 and 1955 they grew by 25% (see Figure 2.1) – a sharp increase that only occurred following the passing of other major pension legislations. It grew with a staggering 40% after the legislation of 1951, and 28% after the legislation of 1958.⁵¹

Figure 2.1. The growth of the annual pension expenditures in Hungary, 1951-1959



Source: József Rózsa, *Szociálpolitika Magyarországon* (Budapest: Kossuth Könyvkiadó, 1978), 36.

The growing expenditures necessitated greater resources. The law left the 10% social security contribution paid by the employers untouched, but introduced a 3% pension contribution paid by each employee/worker. This was an ideological rupture compared to the earlier policy of 1951, which laid an emphasis on abolishing employee contribution.⁵² But despite the raise, funds were not enough, state resources

⁴⁹ Abonyi (ed), *Kérdések a nyugdíjtörvény köréből*, 19-24.

⁵⁰ *Magyarország népessége és gazdasága*, 197.

⁵¹ Abonyi (ed), *Kérdések a nyugdíjtörvény köréből; A magyar társadalombiztosítás 20 éve*.

⁵² However, as pointed out earlier, the elimination of the employee contribution was more a theory than practice. Although the 1951 legislation annulled the 1% contribution, it created an earnings tax with the same amount. On a meticulous account of how the contribution rates changed, see the PhD dissertation of Borbála Igazné Prónai, *A kötelező társadalombiztosítás kialakulása, fejlődése Magyarországon* (The

were necessary to supplement the pension expenditures from very early on. As shown by a document sent to the Agitation and Propaganda Department of the Central Committee of the MSZMP in 1957, this lack of adequate funding was a major concern for SZOT. Prepared by József Vincze – who was so instrumental in organizing the 1948 pension contribution campaign discussed in the previous chapter – the document detailed not only the living conditions of the pensioners, but mentioned the problem of inadequate resources as well. While demonstrating the unsustainable character of the contribution system, Vincze argued that taking an average monthly income of 1400 forints of someone who would want to retire after 30 years of work, the 3% monthly contribution would suffice only to pay the 910 forints pension for 17 months. Adding the 4% employer contribution to it – which, in a state run economy was effectively paid by the state itself – it would suffice for a little bit more than 3 years, exactly 39 months.⁵³

The pension contribution, although managed by SZOT, was part of the larger state budget. And given the tight political control of the party and the economic control of the Ministry of Finance, while SZOT had a primary role in the administration, it was delegated to play a secondary one in determining the financing of social security. But the representatives of SZOT hoped to gain more independence in financial matters as well. In a document submitted to the Political Committee in late 1954, SZOT argued for more independence from the Finance Ministry, saying that the control the Ministry exerted over the budget of social security expenditures was too

emergence and development of compulsory social security in Hungary), Pázmány Péter Katolikus Egyetem, Piliscsaba, 2006, 92-101.

⁵³ Of the 10% social security contribution 4% were used to finance the pension system and 6% to finance the health care system. “Tájékoztató anyag a nyugdíjasok helyzetéről és problémáiról” (Briefing material on the situation and problems of pensioners), document sent by József Vincze, the secretary of SZOT, to István Szirmai at the Department of Agitation and Propaganda of the MSZMP KB on September 11, 1957. MOL M-KS, fond 288-22, év 1957, ö. e. 3, pp. 57-60. At the time, all social security contributions amounted to 13% of one’s wage, 10% of which was paid by the employers and 3% by the employees.

rigorous and made proper functioning impossible.⁵⁴ The document gives an insight to the complicated nature of creating the budget, since the costs of different provisions were not always running through the budget of the SZTK – e.g. the pension of the civil servants was paid by the central budget, and much of the costs of health services were paid from a separate budget by the Ministry of Health.⁵⁵ SZOT actually proposed to create a self-sustaining system, where the contributions would run into a single budget and covered the cost of social security, underlining that the deficit ridden budget of the social security was caused both by the insufficient amount of the contributions and the mismanagement due to the administrative constraints.⁵⁶

Although the Political Committee accepted the proposal, the deficit ridden character of the welfare budget remained. The problem of the actual contributions not covering the actual costs continued to persist especially as new groups started to be incorporated into the pension system (see the detailed analysis in the next subchapter). Almost ten years later, in 1963, the proposal prepared for the Presidency of SZOT about the 1964 social security budget pointed out the still unsatisfactory character of funding, saying that both pension and health costs create deficit with the former growing at a much larger speed. The proposal also stated that it was precisely the underfunded character of the different welfare benefit branches that made the independent management of social security by SZOT impossible, as state intervention was required for maintaining the system. Given these circumstances, it is no wonder

⁵⁴ Finance Ministry had an important role according to the regulations issued after the takeover of OTI in 1950. Although SZOT could prepare the budget, it had to propose it to the Finance Ministry. “Társadalombiztosítási szabályzatok” (Social security regulations), 1952 (it may be wrongly dated), §. 4. PIL XII, fond 2, állag 16, ö. e. 1, p. 45.

⁵⁵ “Előterjesztés a Politikai Bizottsághoz a szakszervezeti társadalombiztosítás önálló gazdálkodására” (Draft for the MSZMP PB about the separate financing of the union based social security), November 18, 1954; it was discussed in the MSZMP PB on December 29, 1954. MOL M-KS, fond 276, csoport 53, ö. e. 210, pp. 18.

⁵⁶ “Előterjesztés a Politikai Bizottsághoz a szakszervezeti társadalombiztosítás önálló gazdálkodására,” November 18, 1954, pp. 18-23.

that the discussion of the budget proposal in question also included a representative of the Finance Ministry.⁵⁷

Despite the lack of ability to create an independent system of social security, SZOT was entitled to voice its opinion about legislation in the area. This was important, as the unions were increasingly defining themselves not only as bodies responsible for the well-being of the active population, but also extended their responsibilities to the pensioners. In a resolution passed after the 9th full meeting of SZOT in September 1956, they specifically proclaimed that it was their duty to keep the pensioner question alive and to use every opportunity to improve the living conditions of the pensioners.⁵⁸ During the same meeting, SZOT's president Sándor Gáspár also called attention to the growing problem of pensioners and the defects of the 1954 pension legislation. Both the president and the final resolution called for the alteration of the pension system. They underlined the critical case of the small pensions, calling for their imminent raise. They also enlisted further problems with the system, most importantly the fact that the amount of the pension base did not correspond to the amount of years worked. After having gained the right for the old-age pension, it did not matter if someone worked and paid contributions for 10 or 25 years prior. The importance of the critique was further highlighted by the fact that the bonuses paid after each year were very small, and thus modified the pension sum very

⁵⁷ "Előterjesztés az elnökséghez a társadalombiztosítás 1964 évi előirányzatairól" (Draft for the presidency about the proposed budget of social security for 1964), proposal prepared by the Department of Social Policy of SZOT, December 6, 1963, PIL XII, fond 2, állag 16, ö. e. 2, pp. 5-8.

⁵⁸ "A Szakszervezetek Országos Tanácsának IX. teljes ülésének határozata a szakszervezetek feladatairól a dolgozók élet- és munkakörülményeinek javításában" (The resolution of the SZOT's 9th general meeting about the tasks of the trade unions in bettering the living and work circumstances of the workforce), in *A magyarországi Szakszervezeti mozgalom dokumentumai, 1953-1958* (Budapest: Népszava Kiadó Vállalat, 1989), 286-293.

little.⁵⁹ By the time Gáspár made his comments, work was under way to create the third general pension legislation in post-war Hungary.

On October 3, 1956 the presidency of SZOT accepted a resolution regarding the new legislation in-the-making. The resolution empowered those participating in the negotiations surrounding the new pension law to represent the basic stances of SZOT that were reflecting what the critiques had said a few weeks earlier. Further points included SZOT's insistence on having the new legislation in effect as early as possible. They hoped that this would be possible by January 1, 1957. They also called for raising the lowest pensions. And finally, they asked to review the legitimacy of former pension retractions, and give these back if the retraction is deemed illegitimate. However, the expenditures for the compensation were maximized at 20 million forints.⁶⁰

The soon ensuing revolution of 1956 had two important consequences with regard to pension provisions: working on the new pension legislation was postponed on the one hand, and those participating in the revolution were punished by a partial denial of their pensions on the other. Those becoming disabled during the 1956 events were stripped off of their right to disability pensions – even if they had the necessary years worked – and relatives of those left disabled or dead in the revolution were also

⁵⁹ “Gáspár Sándor, a SZOT elnökének beszámolója a SZOT IX. teljes ülésén” (The report of Sándor Gáspár, president of SZOT at the 9th general meeting of SZOT), September 10-12, 1956. *Munka*, issue 8-9, 1956. Retrieved from the website of the Institute of Political History, http://polhist.hu/index.php?option=com_content&view=article&id=67&Itemid=76, “Érdekegyeztetés 1949-1956”, pp 165-173.

⁶⁰ “A Szakszervezetek Országos Tanácsa Elnökségének határozata a nyugdíjtörvény-tervezetről” (The resolution of the Presidency of SZOT on the draft of the pension law) on October 3, 1956, in *A magyarországi szakszervezeti mozgalom dokumentumai, 1953-1958*, 312. The legislation about the unlawfully retracted pensions was realized in the form of a governmental decree (no. 14/1956) on December 1, 1956. The compensations were awarded, as the decree itself worded: “according to the present capacities and economic situation of the country” (“az ország jelenlegi teherbíró képességének és gazdasági helyzetének megfelelően”). People passed the retirement age or disabled, and unable to look after themselves could receive a maximum of 400 forints per months in their own right, whereas widows could receive a maximum of 200 forints. Those still not past the retirement age would have the employment time, upon which the retracted pension was based, counted in their new pension rights.

stripped off their right to pension based on being spouses. (Their own right to pension, however, as it was emphasized by the law, remained unchanged.)⁶¹

The postponement of the pension legislation also meant the postponement of pension raises. By September 1957 József Vincze from SZOT was suggesting an imminent raise for 361 000 people (which made up 60% of the whole pensioner population at the times). Arguing that many pensioners were living under perilous conditions – mostly those receiving pensions based on earlier regulations, those receiving disability pensions, those receiving only widow’s pensions, and the combination of these cases – he noted that the bad side-effects of the “counter-revolution” (as it was officially called) should not impede the state of urgent intervention and the amelioration of these people’s situation. He also called for a more just system that reflects the amount of time spent working by incorporating the interwar period, starting from the year 1929, into the counting of pension bonuses. Given the constraints of the pension budget, he suggested the application of the “old recipe,” namely to ask the people to contribute. He wrote that “for this reason, workers of more than one enterprise propose that the workforce take upon itself the solution of the mentioned problems of the pensioners by offering a further 1% of their wage.”⁶² Vincze’s proposal was never implemented, and as other sources suggest, the reception of the idea was not very positive either. According to the reports of 40-50 enterprise committees, workers, especially if they were younger, objected any such move.⁶³

⁶¹ Law 45/1957 “on the pension entitlements of those persons and their relatives, who died or became disabled during the counter-revolution” (“az ellenforradalom során megrokkant vagy meghalt személyek, illetőleg hozzátartozóik nyugdíjjogosultságának szabályozásáról”). Day of proclamation: July 17, 1957.

⁶² “Tájékoztató anyag a nyugdíjasok helyzetéről és problémáiról,” p. 60.

⁶³ “Feljegyzés a nyugdíjproblémák megoldásával kapcsolatos tapasztalatokról”, September 13, 1957, PIL VI, fond 868, ö. e. 22, pp. 3-4. The personal file of Miklós Somogyi.

It took more than a year for a substantial pension raise to be carried out as part of the new pension legislation, which was passed in late 1958 and was effective from January 1, 1959.⁶⁴ Its passing – although had been planned for a long time before – was still bound with politics in the aftermath of the 1956 revolution. The consolidation of the new regime was carried out by the dual processes of strong political oppression and revenge combined with an immediate emphasis on easing the financial difficulties of the population.⁶⁵ Inglot notes that still in 1956, right after the Soviet forces entered Hungary, real wages rose by 8-15% in different areas of industrial production. This was followed by a 2,6% raise in 1957.⁶⁶ Similarly, Pető and Szakács document an extended program to raise the living standard of the people, that included not only direct pay raises but the temporary reintroduction of the former system of provisions in kind and, very importantly, the speeding up of flat construction.⁶⁷ The 1958 pension legislation for the workers and employees formed part of this effort, just like the pension legislations of 1957 and 1960 that finally addressed the plight of the agricultural population. These legislations together turned pension into an important sociopolitical tool for the stabilizing Kádár regime, allowing the pensioner population to expand radically. Their passing signaled the start of those times when the financial wellbeing of the pensioners became an increasing political priority.

The passing of the 1958 legislation for workers and employees was preceded by growing political focus on pensioners and their financial problems. In the late spring of 1958, for example, pension was an important topic at an event of group

⁶⁴ Decree 40/1958 of the Presidential Council.

⁶⁵ On the Kádár regime, see, e.g., Tibor Huszár, *Kádár: A hatalom évei 1956-1989* (Kádár: The years of power, 1956-1989) (Budapest: Corvina, 2006). See also János M. Rainer, *A Kádár-korszak, 1956-1989* (The Kádár era), *Magyarország története 22* (Budapest: Kossuth Kiadó, 2010), and idem, *Bevezetés a Kádárizmusba* (Introduction to Kádárism) (Budapest: 1956-os Intézet and L'Harmattan Kiadó, 2011).

⁶⁶ Inglot, *Welfare States*, 183.

⁶⁷ Iván Pető and Sándor Szakács, *A hazai gazdaság négy évtizedének története: 1945-1985* (A history of four decades in Hungarian economy, 1945-1985), vol. 1: *Az újjáépítés és tervutasításos irányítás időszaka: 1945-1968* (The period of rebuilding and command economy, 1945-1968) (Budapest: Közgazdasági és Jogi Könyvkiadó, 1985), 313-315.

conversations with non-party-member skilled workers, where they discussed the politics of the MSZMP.⁶⁸ And resolutions by SZOT and the MSZMP KB were also very much concerned with the pensioner issue. SZOT devoted a great deal of attention to the pensioner issue in early 1958, during its 19th Congress. In the Congress Resolution the union representatives called for finding a solution to the growing discrepancy between the old and the new pensions, preferably financed from the resources of the new three-year plan that were allocated to raise the living standard of the population. The resolution also stressed the unions' former critique regarding both the lack of pension bonuses paid after the years worked in the interwar period and, on a more general level, the fact that pensions did not reflect the actual time spent working.⁶⁹

In late August 1958, the Presidency of SZOT passed a resolution detailing the goals of a long-term politics for improving the living standard of the populace. Among its most important objectives it stated the termination of existing discrepancies in the living standard of the people. People with many children, just like people living from their pensions were singled out as those in need of help.⁷⁰ Two months after, on October 13, the MSZMP KB accepted a resolution that reflected similar concerns. It focused on the most important party tasks regarding the working class, and it argued for raising their living standard by implementing other measures besides wage raises. It particularly mentioned family benefits and the reform of the pension system as

⁶⁸ The discussion took place in Budapest at the MÁVAG factory. Workers here seemed to be aware of the efforts made to improve the pension provisions, noting that that there had been great improvements in this realm and large sums had been spent on pension "Feljegyzés. A csoportos beszélgetések tapasztalatai" (Memorandum. The experiences with conversations in groups), MÁVAG, MSZMP VB, May 1958. MOL M-KS, fond 288-22, év 1958, ö. e. 2, p. 20.

⁶⁹ *Magyar szakszervezetek XIX. kongresszusa, 1958. február 28 - március 2* (Budapest: SZOT and Táncsis Kiadó, 1958), 208. The three-year plan between 1958 and 1960 was designed to create a more balanced development, which included the raising of the living standard for the population and the improvement of the agrarian production.

⁷⁰ "Javaslat a SZOT Elnöksége számára a távlati életszínvonal politika kidolgozására" (Proposal to the Presidency of SZOT to create a long-term policy of living standards), prepared on 25 August, 1958 and accepted by the Presidency on August 30, 1958. PIL XII, fond 2, állag 3, ö. e. 222.

important means in the process of achieving this goal.⁷¹ The emphasis on the well-being of the pensioner population was also acknowledged by Jenő Fock, the Central Committee's secretary during the same meeting.⁷²

When finally the pension raise was carried out in the framework of the new legislation, it was substantial but, in line with the former practice, it was selective and concentrated solely on lower pensions.⁷³ No raise was given to pensions over 800 forints a month. And even for those under the limit, the exact amount of pension raise depended on the time of their retirement. Pensioners, who had retired before the second general pension law took effect, received a 25% raise. But those who retired thereafter only received the annual bonuses for every year worked between 1929 and the time of their retirement. The new legislation left the minimal pension level at 500 forints a month, but made minor modifications regarding those whose actual income as active earners was lower than the minimal pension level. It also left the contribution levels untouched, leaving the 3% employer and 4% employee contribution rates for pension. In an important modification, the law redefined the amount of work allowed next to retirement. Whereas prior the maximum amount of work was given in the number of working days – which meant that some were allowed to earn much more than others, typically those with higher pensions anyway – the new regulation was more equalizing. It universally introduced a 500-forint per month limit, which stayed so for many years to come.

The legislation brought two principal novelties into the Hungarian pension system, steering its development into a new direction. Firstly, it very importantly

⁷¹ “Feljegyzés a dolgozók társadalombiztosítási ellátásáról” (Memorandum on the social security provisions for the workforce), prepared on January 13, 1964 by SZOT's department of social security. PIL XII, fond 2, állag 16, ö. e. 2, 1964, pp. 13-17.

⁷² Jenő Fock discussing “A munkásosztállyal kapcsolatos egyes feladatokról szóló határozati javaslat” (Draft resolution about certain tasks concerning the working class) at the MSZMP KB meeting of October 13, 1958. MOL M-KS, fond 288, csoport 4, ö. e. 19, pp. 62-63.

⁷³ Decree 40/1958 of the Presidential Council.

created the long lost continuity with the interwar period in the calculation of the pension value. The continuity was created through the extension of the pension bonuses system. While maintaining the former regulation that the pension base equals 50% of the average monthly income, it changed how bonuses worked. Whereas formerly pension bonuses were given only from 1945, it introduced the possibility of receiving them for each year worked after 1929 until the time of retirement. Given that the documentation of employment was not always retractable, the legislation allowed for the maximum of two years to be proven by witnesses. Proving working history appropriately was, in fact, a difficult process with no proper administration in place for a long time in many vocational areas. In an attempt to ease these difficulties for the future, the Ministry of Labor issued a decree on December 19, 1957 that empowered the SZTK centers to manage detailed individual files (*munkaviszony nyilvántartó lap*) on the working history of each insured individual.⁷⁴

Secondly, the legislation introduced the concept of full and partial pensions. The introduction of partial pensions can be understood as an attempt to change the system in a way to combine two, essentially contradictory ideas: social justice – that everyone deserves some income in old-age – and the concept of pension as a saving earned through a life of work. Under the new circumstances, merely partial pensions were awarded after 10 years of working history – to serve those who only worked a fraction of their adult life officially. Full pensions were only given after 25 years. The introduction was gradual, starting at 14 years in 1959 and reaching 25 in 1970. With this move the legislation strengthened the merit-based character of the pensions system. But it also aided the reproduction of low pensions – since partial pensions were very low – and clearly disfavored certain groups – like women, who were

⁷⁴ For all the details about the pension legislation see the Decree 11/1957 of the Ministry of Labor.

traditionally the parents entrusted with child rearing, and often lacked enough years to have a full pension.⁷⁵

The public reception of the new pension law was closely followed by the MSZMP KB's Agitation and Propaganda Department. In May 1959 they prepared a detailed mood report on how workers in Budapest felt generally. The report included a variety of topics including how people felt at the enterprises and how they assessed the political atmosphere there and in Budapest. The report also focused on specific subjects that influenced the daily life of workers. Pension was one of these, and according to the report the new legislation was generally perceived positively. Workers felt positive about enforced class preferences in the regulations that clearly distinguished between them and the cooperative members. (As it will be explained in the following subchapter, the separate pension system for cooperative members offered less favorable conditions than the 'worker-employee' system.) Among the few problems of the new system as seen by the workers – according to the document, at least – were the relatively limited opportunities of early retirement offered. Members of certain vocations involving manual labor, like printers or welders, tried to lobby for an inclusion of their vocations in early retirement schemes, even proposing to raise the 3% employee pension contribution to 4% to cover the costs.⁷⁶

Another – and much more important – source of dissatisfaction with the new legislation in the report was the way it handled pension raises. People felt that it left numerous people – unjustly – out and there were some who regarded the amount of raise as unsatisfactory. Many who by this time seem to have accepted the state as the

⁷⁵ On the details of the law, see *A nyugdíj szabályai: Társadalombiztosítási kézikönyv szakszervezeti aktivisták részére* (The rules of pension: A social security handbook for union activists) (Budapest: SZOT Társadalombiztosítási Főosztálya, 1959).

⁷⁶ "Tájékoztató a dolgozók hangulatáról Budapesten" (Briefing about the mood of the workforce in Budapest). MSZMP KB Agitációs és Propaganda osztály iratai, MOL M-KS, fond 288-22, év 1959, ö. e. 2, pp. 13-18.

primary funder of old-age income for workers and pensioners, even complained by sending letters for example to the popular women's weekly, the *Nők Lapja*.⁷⁷ The magazine had a correspondence column, and letters arriving there not only received publication often, but were used as important barometers of the public mood. The editors compiled a quarterly summary of their content for the Agitation and Propaganda Department of the MSZMP KB. In the third quarter of 1960, the editor of the correspondence column noted that there was a growing number of letters expressing dissatisfaction with the pension system. A part of these letters were written by pensioners who retired according to the rules of the 1954 legislation or even earlier and felt that the additional raises were not enough. Many of them had spouses to support who received no pension at all.⁷⁸

Counting on a large range of possible questions and also on dissatisfied people, the unions made sure that their activists had the answers. So in October 1959, SZOT issued a leaflet containing not only the details of the 1958 pension law, but providing important arguments in favor of the new legislation. The leaflet reflected on the growing merit-based character of the pension system and portrayed the introduction of full and partial pensions as the fulfillment of workers' legitimate

⁷⁷ Interestingly, different papers and magazines, despite the well-known character of their centrally controlled editing and writing process, received many letters critical of the measures and legislations of the times. For instance, people wrote long letters of complaint about the horrific events of the forced collectivization to the most important daily of the times, *Népszabadság*. On these letters, see József Ö. Kovács, “Ekkora gyűlölet még nem volt a falunkban, mint most’: Szövegek és kommentárok az erőszakos kollektivizálás befejező hullámáról” (“So much a hatred has never been in our village as now”: Texts and commentaries on the concluding wave of forced collectivization), *Századvég*, no. 47 (2008): 37-69. *Nők Lapja* (Females' Weekly) also received letters, including complaints and letters asking for advice. The topics were wide-ranging, they touched upon the problems of cooperatives or cultivating a household parcel, but also included youth and vocational problems, family matters and of course pensions as well. The magazine was established in 1949, aiming at an audience of females of different classes and occupations. It mixed the elements of classical female magazines with reporting from all over the country and significant literary sections. It was and continuous to be one of the most popular weekly magazines of Hungary, successfully surviving the transition.

⁷⁸ “Jelentés a Nők Lapja levelezési rovatához 1960. III. negyedévében érkezett főbb problémákról és a személyes látogatók észrevételeiről” (Report on the main problems sent to the correspondence column of *Nők Lapja* in the 3rd quarter of 1960 and on the observations made by visitors in person), December 1, 1960, sent to the Agitation and Propaganda Department of the MSZMP KB on November 28, 1960. MOL M-KS, fond 288-22, év 1960, ö. e. 10, p. 318.

wishes. It also stressed – as a possible answer to questions about the still not too high pension levels – that any further improvement of the pension system was only possible with the improving economic conditions that should be produced by the workers themselves.⁷⁹

What the SZOT leaflet did not emphasize was the fact that the passing of a new legislation with no retroactive power further strengthened the already existing problem of the different pension systems. As it was said before, by the early 1960s the three consecutive pension legislations, coupled with the lack of regular indexing and the occasional raises concentrating only on the lower pensions, had created many inequalities. It took another decade with older retirees passing away that the main source of low income pensions ceased to be the pre-1958 retirement. By 1969 the lowest pensions among the workers and employees, those under 600 forints a month, belonged mostly to those receiving only partial pensions. And even those who received somewhat more were left behind, since no pension raise was given to those retiring after 1958 until 1966. And even then, only the poorest were included who had 750 forints per month or less.⁸⁰

2.3. The further expansion of entitlements (1950-1970)

For the pension to be generally accepted as the primary source of income for the elderly, the rate of coverage had to grow. In 1950, prior to the passing of the first general pension law, only 47% of the populace could count on receiving some kind of allowance during retirement. This was in a stark contrast with the demographic parameters of the country. As mentioned before, in the same year, 65% of all newborn males and 73% of newborn females were expected to reach the official retirement age

⁷⁹ *A nyugdíj szabályai*, 3-10.

⁸⁰ KSH, *A nyugdíjasok helyzete*, 5-8.

of 60 in Hungary. And the rate of survival until the official retirement age was higher among those already working. Among the 40-year-olds, 86% of all females and 81% of all males were to reach the age of 60.⁸¹ The gap between those reaching old age and those covered by a pension policy meant not only a problem to solve in the ensuing decades, it also signaled that pension policy could become an important tool in the hands of the contemporary political elite. And as this subchapter will demonstrate, pension expansion was used as an important means of the legitimization of the Kádár regime after the revolution in 1956, also helping its effort to collectivize agriculture. But as said earlier, this growth of coverage also fit well with the general European trend of welfare state expansion.

In the course of two decades, between 1951 and 1970 the rate of pension entitlement among the economically active population grew to 85% by 1960, and to 97% by 1970.⁸² The result however, was not a unifying system of pension coverage. On the contrary, by the time the almost complete coverage was achieved, a very fragmented system had emerged that was not only characterized by constantly changing rules but by huge divisions amounting to the parallel existence of three separate pension systems. Besides the worker-employee system – itself regulated by the three distinctive pension legislations already described – there was the system covering the members of agricultural cooperatives and a separate system covering artisans and merchants.⁸³ The worker-employee system offered more favorable conditions than the other two, reflecting the regime's ambivalent relationship to the other social groups: their pacification was necessary both politically and

⁸¹ Klinger, "Az öregedés demográfiai vonatkozásai," 39-40.

⁸² Tomka, *Szociálpolitika a 20. századi Magyarországon*, Annex, Table 12.

⁸³ For a brief description of the systems, see Ádám Forgács, "A nyugdíjrendszer fejlődése és problémái Magyarországon" (The development and problems of the pension system in Hungary), in *Szociálpolitikai értesítő*, no. 3 (1985): 35-53. See also Katalin Csemniczki (Szabó Sándorné), "Nyugdíjrendszerünk 1929-től 1997-ig" (The Hungarian Pension System from 1929 to 1997), in *Körkép reform után: Tanulmányok a nyugdíjrendszerről*, ed. Mária Augusztinovic (Budapest: Közgazdasági Szemle Alapítvány, 2000), 28-50.

economically, but they did not constitute the supposed ideological base of the regime. In an – eventually vain – attempt to limit the costs of insurance cooperative members were even supposed to have a separate, self-sustaining system. With the time passing the differences became harder to defend and were baffling to many. The tendency of slow unification of the separate systems became apparent by the second half of the 1960s, leading to the final merging of the pension systems in 1975.

The present subchapter focuses on how pension rights were extended to these formerly excluded groups, and follows the events characterizing the development of the two new pension systems until the achievement of the almost complete coverage of the population in 1970. It first looks at the case of the agrarian population in detail, embedding the passing of the 1957 and 1960 legislations into the events of the second round of collectivization, and analyzes the subsequent attempts by the state to reduce the differences between cooperative members and workers/employees. Then it also reviews briefly the development of the pension system for artisans, lawyers and merchants. Finally, it devotes a separate section discussing how the administration of social security in general was changed in the middle of 1960s, as decision makers attempted to modernize the system that was facing a growing complexities of laws and regulations.

2.3.1. The evolution of the cooperative pension system

The transformation of the agrarian sector after 1945 was one of the most profound processes of social change in modern Hungarian history, which completely rearranged rural life and made to disappear many of its conventional elements.⁸⁴ Although it started right after 1945, between that time and 1961, when the second round of

⁸⁴ See for example Imre Kovács and Tibor Kuczsi, “Agricultural small market producers,” in *Stratification and Inequality*, ed. Rudolf Andorka and Tamás Kolosi, Hungarian Sociological Studies 1 (Budapest: Institute for Social Sciences, 1984), 267-286.

collectivization was practically terminated, the transformation changed its course many times. It started with the land reform of 1945 that modified the property structure by eliminating middle-sized and larger estates and greatly increased the number of small lands. Despite its limited competitiveness in economic terms, it seemed for a brief period of time that small-scale farming would be tolerated. This short-lived tolerance was followed by the adverse peasant policies of the 1950s – most importantly the high taxation and the system of compulsory deliveries – that were also accompanied by measures aimed at breaking up the traditional social structure of rural society. Among others, the anti-church policies and the abolition of church schools intensified the social transformation.⁸⁵

An important element in the transformation was the process of collectivization, whereby a *kolhoz*-type farming system was created in Hungary, based on the Soviet example. This process, as it was pointed by József Ö. Kovács, not only included the creation of a set of mutually owned landholdings for farming and production in place of the former individual farms, but it should be understood in the context of extensive industrialization and the program for urbanization of the times.⁸⁶ The first round of collectivization began in 1949 and it lasted until 1953. Carried out during the darkest years of state terror, it never quite succeeded. By the middle of 1953 approximately 26% of all agricultural lands belonged to cooperatives, whereas 54% was the share of private farms.⁸⁷ It was the same year that membership peaked with 360 000 people. After this, following the reforms of Imre Nagy, membership started to decrease. In the 1956 revolution 40% of the agricultural cooperatives disbanded, while many others

⁸⁵ József Ö. Kovács, “A kollektivizálási kampány ‘szocreál’ kontextusai Magyarországon (1948-1953)” (Contexts of the collectivization campaign related to “social realism” in Hungary [1948-1953]), *Aetas*, 24.4 (2009): 32-45.

⁸⁶ *Ibid.*, 33

⁸⁷ *Ibid.*, 44.

fell apart without legal declaration. As a consequence, by 1957 membership was down to 154 000 individuals.⁸⁸

People, who entered the cooperatives then were, in the first place, landless wage laborers or owners of very small property. Studying the village of Sárosd, Martha Lampland concluded that the first round of collectivization motivated mostly people who wanted to avoid the growing burdens of the compulsory quota system. There was also a few who joined due to their communist beliefs.⁸⁹ Although the primary means to facilitate entering into the cooperatives were agitation and force, there were concessions made to cooperative members to make it attractive. On the one hand, there were the lower levels of taxation and compulsory deliveries, while on the other hand there was the partial extension of social security measures. Starting from 1949, a step-by-step inclusion of cooperative members in the social provisions can be observed. In April 1949 family benefits became available for members. From March 1953 maternity aid (*anyasági segély*) was given as well, and from October – when regulations were already more relaxed due to the new political course of Imre Nagy – accident benefits (*baluster kártalanítás*) were paid.⁹⁰ Furthermore, on a voluntary basis for a monthly payment of 6 forints cooperative members and their families were also entitled to partial health care insurance.⁹¹ Pension provision, however, was not

⁸⁸ Ákos Róna-Tas, *The Great Surprise of the Small Transformation: The Demise of Communism and the Rise of Private Sector in Hungary* (Ann Arbor: The University of Michigan Press, 1997), 51-61. As Ö. Kovács points out, cooperatives were faced with many hardships. They often farmed very unprofessionally, with the land often being dispersed making rational large-scale farming unattainable. There was also the problem of appropriate working distribution among members, making production even more difficult. Ö. Kovács, “A kollektivizálási kampány,” 45.

⁸⁹ Martha Lampland, *The Object of Labor: Commodification in Socialist Hungary* (Chicago: The University of Chicago Press, 1995), 144-160.

⁹⁰ Zsuzsanna Varga, *Politika, paraszti érdekvédelem és szervezetek Magyarországon, 1956-1967*, (Politics, assertion of peasant interests and co-operatives in Hungary, 1956-1967), *Politikatörténeti Füzetek* 18 (Budapest: Napvilág Kiadó, 2001), 130.

⁹¹ PIL XII, fond 2, állag 16, ö. e. 4, pp. 209-228. The document is filed among the documents of 1950, but it is from the SZTK and probably really dates from 1951. The partial health insurance contributed to the deficit ridden nature of the SZTK budget. In 1954, in a proposal written for the Political Committee by the SZOT, it was specifically mentioned that the actual cost of health insurance coverage for cooperative members was five and a half times more than the paid monthly rate, equaling 33 forints a

among the benefits granted to cooperative members. It was only during the second round of collectivization that a pension system was developed for them.⁹²

This is not to say that the agrarian population as a whole was completely without pension coverage at the time. Starting from 1939, agricultural wage laborers were entitled to pensions, although women on their own right were not included, only widows. Modifications in 1945 broadened generally the social security coverage for those whose ownership or lease of land did not exceed 5 *holds*. (1 *hold* equals 5754,64 m²).⁹³ The social security coverage was transformed into a stamp system from 1947, and women were included in the pension system from 1948 onwards.⁹⁴ But pension provisions were meager, even by contemporary standards, providing a 50 forints per month allowance as pensions based on one's own right and 30 forints per month for widows in 1950.⁹⁵

The pension system introduced in 1957⁹⁶ and 1960⁹⁷ created a completely different situation. This was an important political move, a great symbolic act. By entering a cooperative peasants gave up their land – the source of their independence – and became part of the socialist state. Their move was honored by the state, granting them social rights, which included pension and health care coverage. In other words, they were admitted into one of the costliest segments of social protection, even though in case of pensions the conditions offered were less favorable than those of the worker-employee system and their pensions were supposed to come from a self-sustaining fund.

month. "Előterjesztés a Politikai Bizottsághoz a szakszervezeti társadalombiztosítás önálló gazdálkodására," November 18, 1954, p. 22.

⁹² Varga, *Politika, paraszti érdekvédelem*, 130.

⁹³ Governmental decree no. 6.180/1945 M.E.

⁹⁴ Baranyai and Eiler, "A nyugdíjasok számának és ellátásának alakulása."

⁹⁵ PIL XII, fond 2, állag 16, ö. e. 4, pp. 209-228. The document is filed among the documents of 1950.

⁹⁶ Decree 65/1957 of the Presidential Council on the compulsory pension insurance of agricultural cooperative members.

⁹⁷ Governmental decree 6/1960 on the allowance for cooperative members of old-age and the lack of ability to work.

An overwhelming part of the agrarian sector became insured by the end of the collectivization campaign. In 1958, right before the beginning of the second collectivization campaign and after the passing of the new pension legislation for workers/employees, there were 1.580.000 registered agrarian farmers, all uninsured – a number that went down drastically by 1962 to approximately 111.000.⁹⁸ By that time the vast majority of peasants had either joined the cooperatives, or given up agriculture completely.⁹⁹ Those who entered cooperatives received in turn – together with their family members – social security coverage. Their inclusion brought with itself a rapid expansion of the pension system. In a very short time span the number of pension recipients in the cooperative sector grew dramatically: from zero in 1958 to 320.000 in 1965.¹⁰⁰ A major part of the growth was stemming from people receiving a fixed rate old-age allowance based on the 6/1960 governmental decree. The amount paid was very little, but nonetheless it was a paid retirement available for masses.

There were many differences between the system covering cooperatives and the worker-employee system. First of all, old-age was defined differently: people in the cooperative sector could retire five years later than in the worker-employee pension system. Men at the age of 70 and women at the age of 65 were deemed old enough to retire. And contrary to the trend of differentiation tangible in the laws regulating the retirement income of workers and employees, the law regarded retired cooperative members as a homogeneous lot: it attached an average salary to everyone, and took this average salary as the basis for pension calculation. Pensions became both low and uniform compared to the worker-employee system. Counting with the contemporary national average monthly income of cooperative farmers, it was

⁹⁸ Ö. Kovács, “Ekkora gyűlölet még nem volt a falunkban, mint most.”

⁹⁹ The number of people leaving agriculture altogether is estimated to be around 350.000. Varga, *Politika, paraszti érdekérvényesítés*, 58-71.

¹⁰⁰ *A magyar társadalombiztosítás 20 éve*, 120.

determined that 900 forints would be used as the basis for pension calculation. According to the regulations 35% of this sum was paid as a pension base, opposed to the 50% of the worker-employee system. There was also an annual bonus of 1% of the base to be added but only from 1957 on.¹⁰¹ The pension contribution rate paid by the cooperative members was fixed at 3% of the average income – 27 forints at the time – while cooperatives themselves also paid a social security contribution based on the income produced on their land. Cooperative members also had to work longer for acquiring the right for a pension: with no partial pension system in place, they had to have 20 years of employment to be eligible for pension. In this case, however, concessions were made: taking note of the elderly character of the possible membership, and most probably thinking to enlarge cooperative membership sooner, the law allowed to grant pensions with only 10 years of employment for those, who entered cooperatives until the end of 1961. Further concessions were made for those who had already been cooperative members earlier. Awarding early entry and political loyalty, pension could be granted after merely 5 years if someone entered a cooperative before 1953 and was still a member by December. 1957.

Finally, there were numerous other minor differences that added up to making cooperative pensions significantly less accommodating than the ones offered by the worker-employee system. One of importance was the lack of spousal pension supplement normally paid to those who supported a retired spouse without pension entitlement. Conditions for disability pensions were also noticeably less favorable, since the system offered only two disability categories – instead of three as in the worker/employee system – and thus it did not allow for a more nuanced registration of the seriousness of the disability. And, finally, people, who stopped being employed for

¹⁰¹ As it was said before, workers and employees had the same supplements paid from 1945, and after the pension legislation of 1958 it was paid already from 1929 onwards.

at least 2 consecutive years were subject to lose their pension rights acquired so far. This was an even stricter regulation than the much criticized 5 years rule in the worker-employee system.¹⁰² Not surprisingly, the gap between the pension levels in the two systems was rather huge. In 1965, 8 years after the cooperative pension system was created, the average pension earned on one's own right – that is without the widow's pension – was 320 forints, which was less than half of the average level of the worker-employee pension of the time equaling 772 forints.¹⁰³

The extension of pension coverage to cooperative members was timed right before the second round of collectivization campaign began, so it raises the question of the legislation's role in the campaign. The accounts of the events surrounding the campaign suggest that it can be perceived as one of the most important offers made by the state for those who were willing to succumb to the growing pressure, and opted to give up their independent existence and join the socialist agrarian sector. Another important measure was the promise of the land rent (*földjára*), paid after the land brought into the cooperative by the state.¹⁰⁴ These measures formed part of a strategy to build confidence among the peasants in order to enhance the success of collectivization.¹⁰⁵ However, none of these measures would have been effective without the political and physical pressures present, as persuasion to enter the

¹⁰² Law 65/1957 on the compulsory mutual pension insurance of cooperative members. For the details of the implementation of law 65/1957, see the governmental decree 21/1958 of February 25, 1958. For a very detailed summary of the precise regulations see Igazné Prónai, *A kötelező társadalombiztosítás kialakulása*, 147-148. See also SZOT Társadalombiztosítási Főigazgatóság, “*A mezőgazdasági termelősövetkezeti tagok új nyugdíjrendszeréről*” (On the new pension system for members of agricultural cooperatives), December 24, 1966. PIL, fond 14, állag 9, ö. e. 74.

¹⁰³ *A lakosság jövedelme, társadalombiztosítás, családpolitika*, 80.

¹⁰⁴ And there were smaller promises as well: on the one hand there was a certain amount of autonomy: cooperative members could elect their leaders, and this time around there was less interference from the state than in the first phase of collectivization. And, on the other hand, central authorities also started to pump more resources into the newly formed cooperatives. Róna-Tas, *The Great Surprise*, 65-66.

¹⁰⁵ As an article from *Népszabadság* in early 1958 put it: “In 1957 our cooperatives have been solidified to a considerable extent, and the rural socialist sector is more attractive than ever. Both its output and its lucrativeness have increased. This year we have to move forward in building Socialism even in the countryside, not least on the basis of the ever growing trust amongst the peasantry “Felelősségteljes új esztendő,” *Népszabadság*, January 5, 1958, 1.

cooperatives was frequently not enough. The second collectivization campaign – despite all the measures to produce consent – was in fact brutal and involved not only strong propaganda and an array of repressive measures, but did not shy away from physical violence and menacing either.¹⁰⁶

Entering the cooperatives was part of a complex family strategy, where people bent in front of the central political power, and gave up their individual land, but did so by maximizing the benefits available to them. Many contemporaries believed that women and elderly were overrepresented among the members as men often chose to leave the agricultural sphere instead and find work elsewhere. It was suspected that the elderly population was trying to make use of the social incentives offered by the cooperatives. In fact, during the campaign in the winter of 1960, when special groups of activists were created and sent out to help stabilizing village politics on the one hand, and to report on the situation of the cooperatives on the other, the problematic nature of the working constituency was mentioned more than once.¹⁰⁷ Similarly, letters written to *Nők Lapja* in 1960 indicated that many cooperative members were

¹⁰⁶ When evaluating the success of the campaign we cannot overlook the fact that it was carried out in the aftermath of the failed 1956 revolution and a strong campaign of retaliation. Presumably, many peasants recognized that the Kádár regime was consolidating and was determined to force collectivization. That determination had a multitude of manifestations: there was intense propaganda, with cadres from the city coming to villages to persuade, and propaganda leaflets distributed, posters hung to spread the word. The efforts focused on the local peasant elites, they were to enter the collectives first. Economic measures were also implemented to improve the success of the collectivizing effort, to make peasant existence harder: agricultural prices were reduced, whereas the price of certain industrial goods was increased. Furthermore, a new tax was introduced that was to be levied on private peasants. Lampland, *The Object of Labor*, 176-187. However, where all persuasion and pressure failed, raw physical brutality of varying degrees entered. The newly established corps of workers' militia (*munkásőrség*) was deployed in several villages to enforce collectivization against the will of many. Reports survived, as many who were beaten up complained to the press – even though it was controlled by the party – and sometimes the prosecution also got involved as well. József Ó. Kovács, “‘Sűrített népnevelő’: A kollektivizálás tapasztalattörténetei (1958-1959)” (“The condensed demagogue”: Stories from the experiences with collectivization,” *Korall*, no. 36 (2009): 31-54.

¹⁰⁷ “A falusi munka megsegítésére kiküldött aktívák jelentései, Karancsság” (Reports by the groups of activists sent out to help rural work, Karancs region), MOL M-KS, fond 288-22, év 1960, ö. e. 3, p. 244. and “A falusi munka megsegítésére kiküldött aktívák jelentései, Szalmatercs” (Reports by the groups of activists sent out to help rural work, Szalmatercs), MOL M-KS, fond 288-22, év 1960, ö. e. 3, p. 245.

actually unable to work as they were too old or disabled.¹⁰⁸ Statistical data from the times show that the ratio of pension-aged population among members of the cooperatives was significantly higher than among the total population. In mid-1961, 17,1% of the members were found to have passed the age of 70 for men and 65 for women.¹⁰⁹ But regarding the whole population a year earlier, it was registered that only 5,5% had reached the age of 70, and 13,8% the age of 60.¹¹⁰ Similarly, in a review of how the local offices of the SZTK were working and how they managed their work, controllers sent by SZOT noted that after 1958 the number of pension requests grew radically. An important part of the increase was stemming from the growing number of requests presented by cooperative members. It was calculated at the times that between 1959 and 1962, requests for some kind of old age benefit for cooperative members – should it be pension or allowance – increased by 82%.¹¹¹

As a proposal to the Economic Committee of the MSZMP KB from 1962 explains, the old-age allowance for cooperative members – introduced in early 1960 – created a situation where many were inclined to enter the cooperatives right before their retirement, in order to receive the allowance. Such an allowance was available only after a very brief, six-months-long membership for all men aged 70 and women aged 65. It equaled to 260 forints a month and 130 forints for widows. The allowance

¹⁰⁸ “Jelentés a Nők Lapja levelezési rovatához 1960. III. negyedévében érkezett főbb problémákról, p. 307.

¹⁰⁹ “A Politikai Bizottság határozata a termelőszövetkezeti nyugdíj alaphoz való hozzájárulás módosítására” (Decision of the MSZMP PB about modifying the contribution to the cooperative pension fund), September 7, 1961. MOL M-KS, fond 288, csoport 5, ö. e. 243, p. 31.

¹¹⁰ The data includes both sexes. Klinger, “Az öregedés demográfiai vonatkozásai,” 36.

¹¹¹ “Beszámoló jelentés az alközpontok munkájáról a szervezési osztály 1962-ben végzett ellenőrzése alapján” (Briefing report about the work of the sub-centers on the basis of the inspection made by the organization department in 1962), sent by Jenő Bérces to Comrade Gál on April 6, 1963; PIL XII, fond 2, állag 16, ö. e. 3, pp. 80-97.

– like the pension coverage – included the benefit of health care coverage as well, but did not include the spousal supplement available in the worker-employee system.¹¹²

The strategies to make use of the pension/allowance system were manifold. Trying to diagnose the reasons for the growing deficit of the cooperative pension fund, decision makers of the time acknowledged that people in villages tried to use the old-age allowance as a welfare aid, when landless people were taken as cooperative members in order to receive the allowance.¹¹³ A typical strategy employed by people with land was to enter the cooperatives in the last minute.

It is also an empirical fact that a part of the landholding peasants submitted only their lands for the purposes of the cooperative but they themselves did not enter. The cooperative pays rent for them on the basis of the land, but when they reach the age of retirement, they apply for membership in the cooperative.¹¹⁴

Widows also asked to enter the cooperatives upon the death of their husbands, so they could receive 260 forints instead of the 130 forints otherwise granted. Indeed, in 1962, among all the allowances granted, 30% were for those who entered cooperatives fairly late, after March 1961.¹¹⁵ And, apparently, working was also reported in a way to make sure that retired but still working members would be under the legal limit and able to receive the allowance.¹¹⁶

The large share of pensioners constituted a problem for the cooperative pension fund, which was managed by the SZTK but was meant to be financed separately. Politicians were somewhat baffled by the high number of elderly, which was the combined effect of the individual strategies trying to make use of new opportunities, as well as the violent and relentless collectivization campaign. The

¹¹² Governmental decree 6/1960 on the allowance for cooperative members of old-age and the lack of ability to work, February 14, 1960.

¹¹³ “Előterjesztés a Gazdasági Bizottsághoz” (Draft for the Economic Committee) about the pension fund of cooperatives, prepared by the Ministry of Labor and the Ministry of Finance in March, 1963. PIL XII, fond 2, állag 16, ö. e. 2, p. 16.

¹¹⁴ Ibid., p. 16

¹¹⁵ Ibid., p. 16.

¹¹⁶ Ibid., p. 17.

cooperative pension fund was originally planned to be self-sustaining. “Our principle was that the cooperative peasantry should support its elders” stated the economic expert of the Party, Rezső Nyers at a meeting of the Political Committee in September 1961 while discussing the financial situation of the fund.¹¹⁷ But this principle was virtually unrealizable, since in the course of planning politicians were unaware of how many people would actually become pensioners, as it was admitted by Kádár at the same meeting.

When we decided about the pension decree then its proponents unanimously stated that a surplus will be manifest here for many years. And we decided on this basis. But practice is different because the absolute number of pensioners is far bigger than we thought. We do not complain about this to the proponents but we have a valid decision and now we supplement some of the deficiencies of this decision.¹¹⁸

During the meeting, as a solution to find the missing resources, it was mentioned that the land rent paid by the state could be channeled into the cooperative pension fund instead. Given the political sensitivity of the topic, and the fact that such a land rent was one of the major incentives to lure people into cooperatives, the proposal was refuted despite the dire financial outlook of the fund. It would have undermined the regime’s credibility in Kádár’s view:

Now, however, it would be a mistake to abolish land rent. Still, we have to think! It has been less than a year ago that we invited the peasant to the cooperative with this moral commitment! Ten months have elapsed since mass-scale organizing and shall we say now that there is no land rent? [...] Now there is no other way than increasing the sums a little, and I think that what we can discuss is whether the amount of the increase is reasonable or not.¹¹⁹

Kádár’s proposal was accepted, and whereas the contribution paid by the members remained the same – 27 forints pension contribution and 2,25 forints accident

¹¹⁷ “Jegyzőkönyv a Politikai Bizottság 1961 szeptember 7-i üléséről. Javaslat a termelőszövetkezeti nyugdíj-alaphoz való hozzájárulás módosítására” (Minutes of the MSZMP PB meeting of September 7, 1961. Proposal about modifying the contribution to the cooperative pension funds), MOL M-KS, fond 288, csoport 5, ö. e. 24, p. 13.

¹¹⁸ Ibid., p. 14.

¹¹⁹ Ibid.

insurance – the social security contribution paid after the amount of land cultivated by the cooperative more than doubled, raising the amount paid by all cooperatives after their land from an annual 175 million forints to an estimated 400. For cooperatives in financial need a temporary state loan was offered.¹²⁰ However, the problem only grew in the coming years, with increasing deficit of the fund that was covered partly by a long-term loan from the state budget without any interest on it and partly by a loan supplied by the Hungarian National Bank.¹²¹ In an attempt to curb the number of people receiving old-age allowance, the waiting period was lengthened starting from July 1, 1963. From then on a 3-year-long cooperative membership was required before the old-age allowance could be awarded.¹²² The SZTK was also entrusted to look very meticulously and see if all the conditions were fulfilled for the receipt of the pension.¹²³

However, no measure would succeed in overcoming the deficit. Not only was the political will missing to really make the pension fund self-sustaining, but the demographic and legislative parameters also destined the fund to perpetual deficit. The steady growth of allowance recipients was slowly paralleled with the appearance of cooperative pensioners. By 1970 there were 110 800 of them who, together with the 253 100 recipients of old-age allowance, made up one-third of the whole pensioner population in Hungary.¹²⁴ And a further problem hindering the achievement of financial sustainability of the fund was presented by the inevitable raise of the cooperative pension and allowance levels. The low benefit levels in the cooperative sector were politically unsustainable on the long run, especially in the context of the

¹²⁰ “Politikai Bizottság határozata a termelőszövetkezeti nyugdíjalaphoz való hozzájárulás módosítására” (Decision of the MSZMP PB about modifying the contribution to the cooperative pension fund), September 7, 1961, MOL M-KS, fond 288, csoport 5, ö. e. 243, pp. 31-32.

¹²¹ “Előterjesztés a Gazdasági Bizottsághoz,” p. 15.

¹²² Governmental decree 12/1963, May 18, 1963.

¹²³ “Előterjesztés a Gazdasági Bizottsághoz,” pp. 17-19.

¹²⁴ *A magyar társadalombiztosítás 20 éve*, 238.

Kádár regime, which made the expansion of welfare benefits one of its most important means to increase legitimacy over time. As early as 1961, Jenő Fock, the secretary of the MSZMP KB noted that the 260 forints allowance had to be raised sometime.¹²⁵ And cooperative members also perceived the lower pension levels for the agricultural sphere unjustified, a fact that politicians must have known if only as a result of the intensive agitational work and the following feedback reports of the times. As an example from 1964 shows, during a two-week-long course held for propagating Party ideology in the counties of Veszprém and Fejér, cooperative members frequently asked that, given the much propagated worker-peasant union, how could the separate system for pensions, family allowances and other social benefits be upheld.¹²⁶ The cases of Veszprém and Fejér were not isolated incidents as the relation of the worker-employee system to the cooperative pension system in general, and the reduced size of welfare provisions in the latter as compared to the former in particular, were topics that have gained importance over time among cooperative members. As suggested by a detailed report written in 1965 by the MSZMP Agitation and Propaganda Department of in the county of Győr-Moson-Sopron, the issue of different welfare provisions was pressing. The report summarized the most important tasks of ideological and propaganda work in the county and as part of this it dwelt on the problems of peasant-worker relationship in detail. Juxtaposing the different views expressed by workers and cooperative members, it highlighted the unsatisfactory level of social security coverage as a typical problem expressed by cooperative members.¹²⁷

¹²⁵ “Jegyzőkönyv a Politikai Bizottság 1961 szeptember 7-i üléséről,” p. 11.

¹²⁶ “Feljegyzés a falusi téli tanfolyamokkal kapcsolatos Veszprém és Fejér megyei tapasztalatokról” (Memorandum about the experiences with winter courses in villages of Veszprém and Fejér counties), MOL M-KS, fond 288-22, év 1964, ö. e. 18, p. 8.

¹²⁷ “Az ideológiai munka helyzete és időszerű feladata megyénkben” (The situation and timely function of ideological work in our county), report sent to Miklós Szatmári, the head of the Agitation and Propaganda Department of MSZMP KB, by Róbertné Dóczy, the local Agitation and Propaganda Department leader in the county of Győr-Moson-Sopron, on 18 May, 1965. MOL M-KS, fond 288-22, év 1964, ö. e. 21, p. 212-232.

“What a nice alliance this peasant–worker alliance is, when there is a significant difference in social provisions, in pensions, enterprise meal plans, and health care to the disadvantage of the peasantry.”¹²⁸ The report stressed the importance of creating the necessary conditions to provide social security benefits for cooperative members that were reminiscent of those provided for workers and employees.¹²⁹ A year later, in late 1966, the 9th Congress of the MSZMP explicitly stated in its resolution the importance of increasing both the family benefits and the level of pensions in the cooperative sector urgently. Politicians hoped that such an increase, together with a general improvement of the living standard of the peasantry and the extension of cultural provisions would change the tide of youngsters leaving the villages in search for a better life in the towns and cities.¹³⁰

In fact, starting from January 1967, a new pension system was put in place for cooperative members that terminated the practice of granting pensions based on an average wage. Finally the system started to reflect the amount of work done in the cooperative, just like the years spent working. The new system created 21 income categories between 900-5000 forints, and people were classified each year by the cooperative itself based on their actual revenue that included their private income from cultivating their household parcels as well. The pension was a certain percentage of the amount of the appropriate income category: after 10 years it was 33% of it, and it grew by an annual 2% each year until reaching 63% after having worked 25 years. The growth rate decreased to an annual 1% thereafter, reaching the maximum of 70% with 33 actively employed years. Following this reform, replacement rates became noticeably higher for cooperative members than for workers and employees who only

¹²⁸ Ibid., p. 232.

¹²⁹ “Az ideológiai munka helyzete és időszerű feladata megyénkben,” p. 232.

¹³⁰ “Az MSZMP IX. kongresszusának határozata,” 157-204.

received 22% of their actual income after 10 years of employment.¹³¹ Nevertheless, given the higher salaries of the non-cooperative sector, pensions remained lower for cooperative members. The minimal pension level was also raised, but the new 400 forints was still significantly lower than the 550 forints for workers and employees.

Interestingly, as part of the reform process, the new legislation raised the requirements for a full pension year. Considering the difficulty that agricultural work has high and low seasons, it still raised the number of working days required for a full pension year: starting from 1967 it was 150 days for men – increased from the previous 120 – and 100 days for women – increased from 80. The higher retirement age of the cooperative members was also left intact. However, this very strict rule that resulted in the loss of pension rights after leaving the cooperative for two consecutive years was altered, and five years were introduced similarly to the worker-employee system. Spousal supplement was also introduced, although at a minimal level. And, finally, disability pension was also refigured and came to reflect more the principles of the worker-employee system with three categories of disability replacing the former two, but the amount paid remained inferior to that of workers and employees. A final important change included the reorganization of the pension contribution system, which also became more reminiscent of the worker-employee system. Instead of the contribution paid by cooperatives after their land and the fixed sum contribution paid by the members, both started to pay a given percentage of their income. Cooperatives paid as social security contribution 7,5% of their income that was produced in the mutual lands and was dividable among members. This amount covered insurance for

¹³¹ “Az öregségi nyugdíj mértéke az átlagkereset százalékában” (The amount of old age pension given as a percentage of the average wage), Annex 1 for the “Előterjesztés a Politikai Bizottsághoz a társadalombiztosítási jogszabályok egységesítésére és továbbfejlesztésének irányára” (Draft for the MSZMP PB about the homogenization of social security regulations and the direction of their development), prepared by the Economic Department of the MSZMP KB on March 28, 1974, and discussed during the MSZMP PB meeting of April 9, 1974. MOL M-KS, fond 288, csoport 5, ö. e. 634, p. 64. For the detailed regulations, see SZOT Társadalombiztosítási Főigazgatóság, “*A mezőgazdasági termelősövetkezeti tagok új nyugdíjrendszeréről.*”

pension, sickness, and accidents. For members, the 3% pension contribution remained the same, but it was not equal anymore since it was paid according to the income class – one of the 21 – they were placed at.¹³² The cooperative pension fund was overseen jointly by SZOT and the Ministry of Agriculture.¹³³

The changes in the pension system, on the one hand, were inseparable from the growth of social security benefits in the cooperative sphere and, on the other hand, they were part of the overall reform of the cooperative sector. Around the same time as pension coverage was reformed, entitlement to family benefits was also altered: while formerly it was only given until a child reached 10 years, now it was increased to 14 years and people with two children became also eligible alongside more extended families with three or more children. This meant 65 000 new recipients right after the introduction. Similarly, a sickness aid (*betegségi segély*) was introduced to substitute the sickness benefit (*táppénz*) for cooperative members.¹³⁴ All these growths in provisions were part of the larger process of agrarian reforms. The new pension law was passed approximately the same time a new law regarding cooperatives was passed – law IV/1967 – following years of debates. The new regulations were aimed at making cooperative farming more rational and profitable, thus providing more to the members. They were also conceived with the hope that people would stop leaving the countryside for the cities.¹³⁵ As part of these measures, profound internal changes ensued within the cooperatives. As Lampland notes, they lead to a new type of management within the cooperatives, altering significantly the character of both agricultural production and village life. Among other things, the

¹³² SZOT Társadalombiztosítási Főigazgatóság, „A mezőgazdasági termelősövetkezeti tagok új nyugdíjrendszeréről”; Igazné Prónai, *A kötelező társadalombiztosítás kialakulása*, 147-148.

¹³³ Igazné Prónai, *A kötelező társadalombiztosítás kialakulása*, 147-148

¹³⁴ SZOT Társadalombiztosítási Főigazgatóság, „A mezőgazdasági termelősövetkezeti tagok új nyugdíjrendszeréről”; Varga, *Politika, paraszti érdekérvényesítés*, 133.

¹³⁵ Varga, *Politika, paraszti érdekérvényesítés*, 134-135.

wage structure started to resemble that of other spheres, based on hourly or monthly wages or piece rates, and a slow rise of technocracy within the management of cooperatives, with changing attitudes towards education and knowledge, could be observed.¹³⁶

2.3.2. *Expanding pension coverage to other uninsured groups*

The inclusion of the cooperative sector in the pension provision was the largest step in the extension of pension coverage, but not the only one. In the two decades examined in the present chapter, other groups were included as well and a separate, third pension system was set up to cover artisans and merchants. The process of expansion started in with the inclusion of members of artisanal cooperatives. For them voluntary sickness, accident, old-age, disability, widowhood and orphanage insurance were available from 1949 onwards, however, a compulsory system was only introduced in 1951. Their pensions were regulated by the same general pension laws that regulated the pensions of workers, but their access to other social provisions differed. Members of artisanal cooperatives received an income substituting support (*jövedelempótló támogatás*) instead of sick leave benefits, pregnancy and birth aids (*terhességi és gyermekágyi segély*) available to workers and employees. The income substituting support was not paid by an SZTK fund, rather the costs were covered by a mutual artisanal cooperative fund. This was motivated both by trying to protect the ideologically important better position of workers and employees, but also by the conviction that these artisanal cooperatives were harder to control, and thus social provisions could be exploited easier. A proposal within SZOT argued that their complete inclusion would be

dissatisfying as far as the perspective is concerned since it takes cooperative members and those recipients of insurance who work for a wage under the

¹³⁶ Lampland, *The Object of Labor*, 218-231.

same consideration. It is multiply worrisome in a practical respect as well since between cooperative members and those working for a wage there are also practical differences. [...] [H]ere [at the cooperatives] there can occur temporary stoppages of work because of shortages of work or raw materials or because of organizational disorders. And such stoppages are undoubtedly attractive for cooperative members to make use of the sickness benefit by bringing out their sicknesses in stock.¹³⁷

Starting from 1953 a separate insurance company, the KSZKBI managed their social security coverage.¹³⁸ Lawyers were given pension coverage after 1955, but starting from 1958 the regulations of the third general pension law for workers and employees started to apply to them.¹³⁹ A completely separate pension system was set up in 1961 to cover independent artisans.¹⁴⁰ Róna-Tas calls their inclusion in the pension coverage a by-product of the expansion of the system towards collectivized peasantry. However, he also notes that other factors might have contributed as well, since artisans were both aging rapidly and losing ground in important branches of the economy. By 1960, just before the introduction of the new system, 48% of them were over the age of 50, and 21% had already passed 60.¹⁴¹ Their new pension system offered the same official retirement age as workers and employees had, but the pension level was established differently. Based on their income, artisans were put into three categories that determined both the level of contribution necessary to pay, as well as the pension received. Like in all the other pension systems, pension was made up of two parts: a base and an annual bonus. 10 years were necessary to receive a minimal pension, and upon retirement working full time had to be stopped. The only exception to this rule was provided by people with very low pensions who were

¹³⁷ “Feljegyzés a kisipari szövetkezetek tagjainak társadalombiztosításáról”, SZOT Legal Department, March 31, 1951, PIL XII, fond 2, állag 16, ö. e. 2, p. 31.

¹³⁸ On the description of the social security coverage for the artisanal cooperatives, see “A társadalombiztosítás hatályos törvényerejű jogszabályainak hivatalos összeállítása”, PIL XII, fond 2, állag 16, ö. e. 1, 1952, pp. 1-43. See also Igazné Prónai, *A kötelező társadalombiztosítás kialakulása*, 94.

¹³⁹ Governmental decree 69/1958 on the social security pension of lawyers.

¹⁴⁰ Law 20 of 1961 on the compulsory mutual pension insurance of artisans.

¹⁴¹ Róna-Tas, *The Great Surprise*, 63-64.

allowed to continue their trade. This system was expanded in 1970 to cover merchants as well.¹⁴²

2.3.3. The changing structure of social security administration

As the consecutive expansions unfolded, over the late 1950s and early 1960s, the basic structure of pension and social security administration remained the same. There was, however, a growing pressure to change it as it was viewed by many to be too disintegrated, not very efficient, and too costly. The system was designed when the social security coverage was a fraction of that of the early 1960s, so problems were inevitable to rise. The MSZMP PB decided in April 1963 to pursue a new structure, saying that the current system of social security was in need of cutting the excess bureaucracy and costs by the creation of a unified structure. True, by then besides the SZTK, that still did the largest part of the work, there were other insurance organizations looking after people. The KSZKBI looked after the artisan cooperatives for the most part, but health care coverage, sick visiting and the provision of health care equipment in the countryside were the responsibility of the SZTK. Employees of the two railroad companies were also insured by different bodies: the Rail Workers' Union was responsible for the provision of health insurance as well as for administering and paying family benefits, while the Pension Bureau of the Hungarian State Railway Company administered and paid the pensions. The Association for the Recreation of Journalists (*Újságírók Szanatóriumi Egyesülete*) was also involved in

¹⁴² Csemniczki "Nyugdíjrendszerünk 1929-től 1997-ig," 41. The expansion of the system continued with the inclusion of a few small groups in the 1970s and 1980s. Starting from 1971, members of specialized agricultural cooperatives (*mezőgazdasági szakszövetkezetek*) became entitled to old-age allowance. From 1982, small-scale entrepreneurs (*kisvállalkozók*) became eligible for pension, and at last, in 1983, agricultural small producers (*mezőgazdasági kisárutermelők*) were also covered. See Forgács, "A nyugdíjrendszer fejlődése és problémái Magyarországon."

the social security administration and provision by maintaining a separate system of doctors, only for journalists.

The Political Committee's decision for a unified system called for a new arrangement of social security provisions, strengthening the position of SZOT. It stated that

through their activity in social security, the unions in the last thirteen years have proven that they have efficiently done the work entrusted to them, they have dealt with financial matters according to the instructions, they have accomplished most of the social security tasks by social means [i.e. with the help of voluntaries].¹⁴³

The accepted resolution called for the termination of the supervisory rights of the Ministry of Labor, nevertheless it still kept the general practice of the governmental supervision¹⁴⁴

A month later, during the 20th Congress of the unions, SZOT accepted a resolution that resonated with the Political Committee's decision. It not only called for a new institutional structure to be set up, but there was a visible attempt to further enlarge SZOT's role by committing it to a growing level of activity in the whole area of social security provision, involving more volunteers. Among others, it decided to create pension preparation committees in the enterprises to speed up the administrative process of pension provision for the retired and to alleviate the work of the SZTK county directorates and branch offices. At the same time it decided to further expand the tasks assigned to enterprise social security councils and the committees for social security in order to increase the share of voluntary work in the provision and administration. The resolution also hoped to increase the role and

¹⁴³ "Javaslat a Politika Bizottságnak a társadalombiztosítás egységes szakszervezeti irányítására" (Proposal to the MSZMP PB concerning the unified management of social security by the trade unions), prepared by SZOT and the State Economic Department of MSZMP KB on March 26, 1963, and accepted by the MSZMP PB on April 2, 1963. MOL M-KS, fond 288, csoport 5, ö. e. 296, p. 60.

¹⁴⁴ Ibid, pp. 59-62.

responsibilities of unions in health coverage and participate in the process of rehabilitating people with reduced working ability.¹⁴⁵

The law regulating the new structure of social security management and administration was finally passed in 1964, and came into effect by January 1965 (Law 6/1964).¹⁴⁶ It not only terminated the different smaller insurance organizations – with the exception of the one looking after the employees of the two railway companies – but also the SZTK and the ONYI. All tasks of the former organizations were inherited by the newly set up SZOT Directorate-General of Social Security (*Társadalombiztosítási Főigazgatóság*) that also incorporated the newly established Pension Payment Directorate (*Nyugdíjfolyósító Igazgatóság*). The respective county level directorates and branch organizations carried out the administrative tasks. As planned, the new law stripped the Ministry of Labor off its former supervisory role but gave it compulsory consultation rights instead. The reorganization of social security provisions led to the establishment of a new counseling body next to SZOT, the National Social Security Council (*Országos Társadalombiztosítási Tanács*). The membership of this body reflected the changing times in a sense that it not only consisted of union members and representatives of state administrative bodies, but also of members from other organizations that represented the interests of non union member groups who were nevertheless covered by social security.¹⁴⁷

The unification of the administration was hoped to save 3,5 million forints annually, despite the fact that approximately 150 people had to be hired in the new structure.¹⁴⁸ We can assume that the planned larger involvement of volunteers had

¹⁴⁵ The Congress was held between May 9th and 12th in 1963. *A magyar szakszervezetek XX. kongresszusa*, 267. The Presidency of SZOT passed its final resolution regarding the new scope of pension preparation in the enterprises on June 22, 1963.

¹⁴⁶ Law 6/1964 on the unification of social security administration, declared on March 14, 1964.

¹⁴⁷ Law 6/1964 and Igazné Prónai, *A kötelező társadalombiztosítás kialakulása*, 64-65.

¹⁴⁸ PIL XII, fond 2, állag 16, ö. e. 1, 1964, pp. 19-35.

financial purposes as well: with every job done by a volunteer a paid job could be spared or at least executed better. In fact, such a move was all the more important as people working in the county and branch offices of the social security administration were overworked – at least according to István Bartos, who led the SZOT Directorate-General of Social Security at the times. He called attention to the fact that while the qualification of people working there had improved over time, work was abundant, payments were low, and the fluctuation rate high in these offices.¹⁴⁹ Furthermore, the cost of social security administration at the enterprise level was paid by the enterprise itself, thus further alleviating the central budget of social security provision.¹⁵⁰

The reform meant more freedom, and growing share of responsibility for the unions on both county and enterprise levels. The enterprise level structure remained the same, with the social security councils providing the basis for the operation. However, the organizational requirements eased, and the councils were allowed more freedom to adapt to the exact requirements. Like before, the social security councils worked with the help of sub-committees, one of which was the pension preparation sub-committee. It not only headed the efforts of carrying out the necessary administrative tasks before retirement, but it was also responsible for maintaining a contact with the retired population.¹⁵¹ Similarly, the other important union body of social security provision, the committees for social security, retained its function of control but its membership now reflected the changing constituency of the insured population: representatives of non-union member groups were also present. With regard to pensions, the committee had two important tasks: on the one hand it served

¹⁴⁹ “A társadalombiztosítás időszerű kérdései, Dr Bartos Istvánnak, a SZOT TB Főigazgatójának beszámolója,” 46-57.

¹⁵⁰ Law 6/1964 and Igazné Prónai, *A kötelező társadalombiztosítás kialakulása*, 65.

¹⁵¹ *Felsőfokú társadalombiztosítási tanfolyam: A társadalombiztosítás szervezete és irányítása* (Higher-level course of social security: The organization and management of social security) (Budapest: SZOT Központi Iskola, 1968), 83-96.

as a first forum for appeals in disputed cases, on the other hand it also had the right to recommend anyone for exceptional pensions (*kivételes nyugellátás*) if members felt that the person deserved it but lacked the necessary years for pension provision.¹⁵²

Finally, the reform attempt to involve more volunteers in social security administration led to the growing role of the County Secretariat of the Unions (*Szakszervezetek Megyei Tanácsa*, SZMT). They had multiple tasks to juggle that included not only the direction of the trade union movement but the control of the social security administrative apparatus as well. They also had to cooperate with different mass organizations and the state administration.¹⁵³ The Secretariats' conflicting roles of the defender of workers' interest and of the administrator of social security highlight the problematic nature of the unions' position in social security provision in general; and especially so after the reform of 1964, when the responsibilities became even more mixed as the reform aimed for more involvement of volunteer work. It can be assumed that contemporaries viewed this combination with growing perplexity as well, prompting SZOT officials to respond. In a teaching booklet from 1968, designed for future administrators of social security and issued by SZOT, there was even a separate part dedicated to clarify the case. It listed a series of critiques like law and norm making activities, or the application of sanctions being incompatible with defending interests, or the fact that unions possessed decision making authorities via the administration of social security over people who were not even their members; nevertheless, it promptly defended the unions' complex role, claiming that their different types of engagement complemented and helped each other.¹⁵⁴

¹⁵² Ibid., 64-80.

¹⁵³ Ibid., 59-64.

¹⁵⁴ Ibid., 37-46.

Given the fact that the reform of 1964 was partly driven by the aim to create a simpler and more transparent system of administration, it could be called an important step in the process of the unification of social security provisions for everyone that was finally reached in 1975. Nevertheless, at this stage the regulations still called for separate budgets for the different groups, underlining that agricultural cooperatives, artisanal cooperatives, artisans and lawyers – together with their families – should be provided from their own separate funds.¹⁵⁵

2.4. A growing system of pension privileges until the 1980s

A final important process marking the development of pension provisions at the times was the growing system of privileges that aimed at providing extra old-age benefits for those who had clearly demonstrated their political loyalty. People receiving pension privileges belonged to different groups: there were those who had participated in some form of working class movement prior to WWII. Then there were the functionaries operating socialist Hungary at different positions. And, finally, there were the members of the armed forces, who were regarded as the cornerstones of maintaining the regime and thus enjoyed a great number of privileges, among them easier pension requirements.

The pension privileges meant different provision levels and modes of provision for different groups. More precisely, having pension privileges could mean three distinct things. First of all, pension privileges meant exceptional pensions for a large number of people. Exceptional pensions involved significant supplements that varied in amount: in the majority of cases supplements functioned as quasi social benefits reserved for the politically loyal that allowed the recipients to have a

¹⁵⁵ PIL XII, fond 2, állag 16, ö. e. 1, pp. 19-35. The document is filed among the documents of 1964.

somewhat better quality of life. In a minority of cases, however, mostly when honoring current or former important party politicians, the pensions ensured an above-average income, and in a few cases an income that equaled the earnings of the pre-pension times. A part of the exceptional pensions was awarded without having enough working years to qualify for pension at all. Secondly, pension privileges also included the possibility of early retirement for those serving in politically important positions. And thirdly, there were cases, when working next to pension was less restricted, thus enabling the recipients to have a higher income.

To be sure, these measures were occasionally employed in other areas of the pension provision as well. There were early retirement schemes available in a number of vocations involving difficult working conditions and hard physical work just as well as with the time passing there were exceptions to a growing number of regulations regarding paid work in retirement, which typically affected vocations with high seasonal need or an overall shortage of personnel. Nevertheless, what set the pension privileges apart were the criteria for awarding them: their reception was explicitly based on political loyalty. And with the exception of the privileges granted for all members of the armed forces, pension privileges were typically not group-based, but awarded individually, upon request. This last subchapter focuses on the growth and evolution of this special type of privileges. Although the major part of the events discussed here belong to the time-frame between 1951 and 1970, in order to maintain a logical consistency some events that took place in the 1980s are mentioned as well. Whereas events in the 1960s and early 1970s characteristically fostered the growth of privileges, in the 1980s a period of slow retrenchment entered, affecting all but the very high pensions of the party elite.

The basis for exceptional pensions was laid down in 1951, in the first general socialist pension legislation. The legislation not only provided an opportunity to offer better pensions for those who have “exhibited outstanding merits” in building socialism, but also created a niche for people who did not possess enough years to gain pension entitlement but “in the exceptional event of a case requiring special appreciation” were nevertheless awarded pensions.¹⁵⁶ Over the years both types of exceptional pensions persisted, but typically the value limit was lower for those cases, where recipients did not have enough working years to be entitled to pension, thus even the awarding was “exceptional”. Although the law did not provide a precise description of who the recipients of exceptional pensions would be, practice showed that, especially in the first two decades of socialism, it meant those who could demonstrate their participation in the labor movement prior to WWII and those who served as high ranking officials of the socialist system. The final decision in awarding the exceptional pensions rested with the Finance Minister.¹⁵⁷

The granting process for those, who involved in the interwar labor movement meant proving the exact nature of their activities. Although participation in the labor movement could mean a wide range of things, the majority of the cases concentrated on membership in communist or social democratic parties or union membership. There were also a few hundred cases of partisans who were registered by the Hungarian Alliance of Partisans (*Magyar Partizán Szövetség*). Regulations and practice over the years show that old party members were esteemed the most – receiving the highest supplements – whereas partisans the least. Witnesses were used

¹⁵⁶ *A nyugdíjtörvény ismertetése*, 26.

¹⁵⁷ *Ibid.*

to confirm the pre-WWII memberships and current high ranking functionaries wrote letters of recommendations to advance the cases.¹⁵⁸

To handle the cases of old party members the MSZMP KB set up a special body, whose decision was the final step in a longer process of administration. First, former members had to present their request to their local party branch. And this – as for example the case of Antal Szakasits and his wife from 1958 shows – involved the presentation of a curriculum vitae with a detailed description of their party and labor movement activities. Witnesses were also necessary: two party members, whose interwar period membership had already been acknowledged officially, had to validate the claims of the curriculum vitae and confirm the applicant's active participation in the interwar labor movement and party life. The process could take quite long: in the case of the Szakasits couple it took more than two years when finally both their party membership and involvement in the labor movement were officially acknowledged as starting from 1907.¹⁵⁹

Until 1957 SZOT only had a limited opportunity to provide for its own cadres. Whereas exceptional pensions at the times for old party members could reach 1500 forints, the exceptional pensions recommended by SZOT could not surpass 1000 forints. It was only in late 1957 that SZOT received the right to ask for pension supplements similarly reaching the maximum of 1500 forints for those “old union fighters, who were subject to persecution by the authorities or were put on a blacklist

¹⁵⁸ See e.g. the case of Lajosné Gró, whose case was advanced by the Minister of Light Industry in 1957. PIL XII, fond 36, év 1957, ö. e. 1525, files of the Union of Civil Servants (*Közalkalmazottak Szakszervezete*), pp. 15-16.

¹⁵⁹ PIL VI, fond 902, ö. e. 11, pp. 1-6. The personal file of Antal Szakasits. The lengthy nature of the process in case of Antal Szakasits is interesting, as he himself was a very prominent member of the interwar working class movement and the brother of Árpád Szakasits, the second president of post-war Hungary. Both Antal and Árpád Szakasits were jailed during the Rákosi era, and their rehabilitation – including the awarding of pensions – began after a 1956 decision of the MDP. “A Magyar Dolgozók Pártjának Programnyilatkozata” (Manifesto of the Hungarian Workers’ Party), in *A Magyar Dolgozók Pártjának határozatai: 1948-1956*, ed. Miklós Habuda et al. (Budapest: Napvilág Kiadó, 1998), 400-403.

under capitalism.”¹⁶⁰ What was required was 20 years of continuous union membership for those above the age of 70, and 25 years for those who were younger.¹⁶¹

The 1500 forints was way above the average pension level of the times: in 1957 people on average received 369 forints as a pension or social security allowance, whereas those freshly retiring from the worker-employee system received 714 forints, which was still significantly lower than the maximum amount of the exceptional pension.¹⁶² However, most people did not receive the maximum amount of exceptional pensions either. In 1964, upon reviewing the pensions of old party members, the Political Committee found an important territorial division among the recipients: whereas everyone living in the capital had pensions above 1200 forints, people living in the countryside were awarded significantly less, in some cases just a few hundred forints.¹⁶³

The separate systems of exceptional pension provisions were unified after the administrative changes initiated by the Political Committee in 1964. The reform created a special body, the Committee for Exceptional Benefits (*Kivételes Ellátások Bizottsága*) working next to the government for deciding in matters of exceptional pensions with its three members representing the MSZMP KB, the SZOT and the Ministry of Labor. The secretariat of the government did the administrative work for the new committee. In the framework of the reform, the value of the exceptional pensions was raised significantly. In doing so, the reforms terminated the differences between the capital and the countryside, but strengthened the old system of hierarchies

¹⁶⁰ PIL XII, fond 36, ö.e. 1526, pp. 2-3. Files of the Union of Civil Servants from 1957.

¹⁶¹ *Ibid.*, pp. 1-3.

¹⁶² *A társadalombiztosítás fejlődése számokban*, 236.

¹⁶³ “Javaslat a felszabadulás előtti párttagok nyugellátásának rendezésére” (Proposal about regulating the pension provision of pre-liberation [i.e. pre-1945] party members), minutes of the MSZMP PB meeting of June 18, 1964. MOL M-KS, fond 288, csoport 7, ö. e. 210, pp. 19.

as they gave the interwar period's party members a better financial position than any other person with a history of participation in the labor movement. The new regulations created 1400 forints and 1600 forints minimal pension levels for those registered as interwar party members – the exact sum depended on if they were centrally registered or not. This pension could be raised with another 300 forints or 500 forints if deemed necessary. At the same time, for non-party members the exceptional pensions were maximized at 1400 forints a month.¹⁶⁴ Interestingly, partisans were placed in the pension hierarchy even lower and were honored for their fighting efforts less generously. Their exceptional pensions were regarded too low by the Political Committee only much later: in 1970 the PB advised to raise them to the maximum of 1200 forints.¹⁶⁵

The raises enforced by the 1964 regulations were effective from September 1964 and had retroactive power. The regulations provided for widows/widowers and orphans as well, although by offering only a fraction of the pension. Importantly, regulation clarified that party members of the interwar period were eligible for these exceptional pensions even when they did not have enough years to be entitled to regular old-age pensions.¹⁶⁶

A further step in institutionalization of the hierarchy of exceptional pensions came only two years later, when the Award for the Socialist Homeland (*Szocialista*

¹⁶⁴ “A Politikai Bizottság 1964 július 28-i határozata a felszabadulás előtti párttagok nyugellátásának rendezésére” (Decision of the MSZMP PB of July 28, 1964 about regulating the pension provision of pre-liberation [i.e. pre-1945] party members). MOL M-KS, fond 288, csoport 5, ö.e. 340, pp. 38-39.

¹⁶⁵ “Kitüntetésekkel és munkásmozgalmi tevékenységgel járó nyugdíjkezdvezmények” (Pension privileges concomitant with decorations and labor movement activity); Annex 1 to the document “Jelentés és javaslat a Politikai Bizottságnak a kivételes nyugellátást valamint a nyugdíjkiegészítést élvezők ellátása rendszerének egységesítésére” (Report and proposal for the MSZMP PB about homogenizing the systems of provision for those having exceptional pension provision and those having pension supplement), prepared by the MSZMP KB Department of Party and Mass Organizations and the Economic Department on July 7, 1971. It was discussed and accepted by the Political Committee on July 13, 1971. MOL M-KS, fond 288, csoport 5, ö. e. 559, pp. 181.

¹⁶⁶ “A Politikai Bizottság 1964 július 28-i határozata a felszabadulás előtti párttagok nyugellátásának rendezésére,” pp. 38-39. That the regulation had retroactive power was only decided a month later, on August 25. „Feljegyzés a Politikai Bizottság részére” (Memorandum for the MSZMP PB), MOL M-KS, fond 288, csoport 5, ö. e. 342, pp. 27.

Hazáért Érdemrend) was established in 1966. The award honored old party members who were active in the interwar period and its receipt meant exceptional pensions automatically for those reaching the official retirement age.¹⁶⁷ It was given to altogether 8952 persons, benefiting them with a pension of at least 1600 forints that could be raised with a further 500 forints to the maximum of 2100 forints. For those without enough working years for pension it was only half the sum, 800 forints.¹⁶⁸ (The average pension value was 613 forints in the year of establishment.)¹⁶⁹ The Award for the Socialist Homeland was not the only award that brought with itself exceptional pensions, but the other awards were given to significantly fewer people.¹⁷⁰

By the early 1970s, exceptional pensions granted as a result of different awards, recognized union membership and participation in labor movements have affected the lives of approximately 35 000 people, roughly 2,4% of the whole pensioner population of the times. And the biggest segment, approximately 25 000 pensions, covered those who were not party members but had a recognized interwar union membership or participated in the labor movement in any other way. Their exact numbers were actually unknown to the authorities, the 25 000 was an approximation. Unlike in case of the awards, their exceptional pensions were not automatic, but were requested and individually granted. The pension levels were

¹⁶⁷ The award was granted only three times, once in 1967 and twice in 1968. Its granting stopped as requests grew and it became increasingly difficult to decide, who really had been a party member and who had not.

¹⁶⁸ “Jelentés a Politikai Bizottságnak a felszabadulás előtti párttagság elismerésének helyzetéről” (Report for the MSZMP KB about the acknowledgement of pre-liberation [pre-1945] party membership), written on December 12, 1968 by the MSZMP KB Department for Party and Mass Organization and discussed at the MSZMP PB meeting of December 21, 1968. MOL M-KS, fond 288, csoport 5, ö. e. 480, pp. 36-39.

¹⁶⁹ *Magyarország népessége és gazdasága*, 197.

¹⁷⁰ By 1971 approximately 10 000 people received exceptional pensions due to different awards bestowed on them. Some of these awards were given to a small number of people, only a couple of dozens, but the numbers were usually around a few hundred. Importantly, all these awards were conferred for political activity and loyalty, with the exception of the Master of Folk Art (*Népművészet Mestere*), established in 1953, and that of Excellent and Worthy Artist (*Kiváló és Érdemes Művész*), established in 1970. For all the details about the awards, the number of people receiving related pensions and the pension values, see “Kitüntetésekkel és munkásmozgalmi tevékenységgel járó nyugdíjkezdmények,” pp. 177-182.

lower, and raises were not automatic but delegated to the authority of the Committee for Exceptional Benefits, who granted them upon request.¹⁷¹

Given this framework that granting was individual and based on the requests, it is interesting to see how requests were handled and what type of arguments people put forward to gain exceptional pensions. An analysis of union cases shows that they were meticulous, when handling the requests. The Union of Workers in Building, Woodworking and Building Material Industries (*Építő-, Fa- és Építőanyagipari Dolgozók Szakszervezete*, ÉDOSZ), for example, had their activists visit the applicants and check their living conditions.¹⁷² There were also very detailed questionnaires to fill out. A wide range of questions were asked that covered topics from interwar to post-war activities in the labor movement, possible awards and functions, but were also meticulous about the welfare situation of the applicant.¹⁷³ This checking of the living conditions and the emphasis on the welfare situation shows that the concern for the wellbeing of the beneficiary played an important part during the granting of exceptional pensions. The analysis of requests shows that the exceptional pensions granted can be regarded as welfare benefits reserved for the “rank-and-file of the labor movement”.

People who submitted requests presented two main lines of argumentation. One was the description of the past deeds done while participating in the labor movement, while the second concerned health and financial reasons necessitating the exceptional pensions. Regarding the first line of argumentation, the requests, besides proving the interwar union memberships, often presented a detailed description of

¹⁷¹ “Jelentés és javaslat a Politikai Bizottságnak a kivételes nyugellátást valamint a nyugdíjkiegészítést élvezők ellátása rendszerének egységesítésére,” p. 174.

¹⁷² PIL XII, fond 32, ö. e. 3138. Files of the Union of Workers in Building, Woodworking and Building Material Industries (*Építő-, Fa- és Építőanyagipari Dolgozók Szakszervezete*, EDOSZ) from 1967.

¹⁷³ “Régi munkásmozgalmi elvtársak kérdőíve” (Questionnaire of old labor movement comrades), PIL XII, fond 33, év 1961, ö. e. 1814, pp. 21-22. Files of the Union of Workers in Building, Woodworking and Building Material Industries (*Építő-, Fa- és Építőanyagipari Dolgozók Szakszervezete*, EDOSZ) from 1961.

atrocities and punishments suffered during the Horthy regime, like the case of Ferenc Tuba Kovács from 1961 shows:

My brother was a red soldier [during the Commune of 1919] and we have, indeed, suffered much because of it. The gendarmes frequently visited us and we have, indeed, deserved a few slaps in the face, because my brother went into hiding and how should we have known where.¹⁷⁴

There were of course many more serious cases, like the one presented by Mrs. Ferencné Pesti. She applied as a widow of a faithful communist, whose atrocities suffered were recounted in the letter of support written by the Union of Workers in Building, Woodworking and Building Material Industries (ÉDOSZ).

Her husband was a red soldier, died in 1932. From 1918 he was member of the Tapolca group of the Union of Construction Workers and worked here as a notary, he was very active until his death. In the First World War his right eye was blinded by a shot. During the counterrevolution [against the Commune] in 1919, he was shot in the chest, his lungs were damaged. The Horthy regime took from him even the veteran's pension. He died young at the age of 35, the widow is sickly unable to work anymore. On the basis of fairness, we request the establishment of 500 forints widow's pension for the widow of the once good combatant.¹⁷⁵

Mrs. Pesti's case also highlights the second line of argumentation apparent in the requests: that of health problems often combined with financial difficulties and the inability to work. People often took great pains at explaining that exceptional pensions were their last resort, the only means left for them to get help. Ferenc Virág for example, a retired woodworker who also supported a wife without pension, asked for an exceptional pension on the grounds of his union membership starting in 1918. But he meticulously depicted the financial and health problems that forced him to ask for it.

Me and my wife too are ill, I cannot do any work. I have a two-room semi-comfort apartment [i.e. with running water and lavatory but without bath], I cannot have a subtenant and the new housing rent law affects us seriously. I

¹⁷⁴ PIL XII, fond 33, ö. e. 1814, p. 22. Files of the Union of Workers in Building, Woodworking and Building Material Industries (*Építő-, Fa- és Építőanyagipari Dolgozók Szakszervezete*, EDOSZ) from 1961.

¹⁷⁵ PIL XII, fond 33, év 1961, ö. e. 1814, file of EDOSZ, March 9, 1961, p. 7.

have to pay 120 forints more rent a month. [...] My wife is frequently in hospital with gall, kidney, and liver disorders; I myself too am under constant medical treatment with my heart. From this sum I cannot obtain appropriate food.¹⁷⁶

Health and financial problems alone were not enough for an exceptional pension, so in case a politically unfounded application arrived SZOT committees for social security were advised to contact the local council and try to arrange welfare aid.¹⁷⁷ But over the years there were attempts to try to widen the eligibility criteria and support the financially vulnerable even with minimal levels of interwar political involvement. During a 1964 meeting of the Political Committee, as the reform of exceptional pensions was discussed, a member of the Committee, Zoltán Komócsin, tried to argue for the widening of eligibility criteria. He hoped to include those who held neither old party nor union memberships but participated in the Commune of 1919. Komócsin's arguments rested on the moral duty of the state to help these people who were often without pension and health coverage. "They were honest persons. They were put on blacklists. They do not have health insurance, whereas it is beyond doubt that they are fighters of this regime [...] and now according to the law they cannot be given pensions."¹⁷⁸

The whole system of exceptional pensions – including those received after awards and those received upon requests – was reregulated in 1971. The new regulations changed the system in a way that exceptional pensions from then on were given as fixed-sum supplements to the regular old-age pension. (In case there was no pension at all, then the supplement itself served as one). It also tackled the general problem of awards that entitled their recipients to exceptional pensions, emphasizing

¹⁷⁶ Virág was supported by SZOT. The administrator marked with a pencil on the request that SZOT suggested his pension to be raised from the current 980 forints to 1200 forints. PIL XII, fond 33, év 1961, ö. e. 1814, file of EDOSZ, p. 12.

¹⁷⁷ *Felsőfokú társadalombiztosítási tanfolyam*, 64-80.

¹⁷⁸ "Javaslat a felszabadulás előtti párttagok nyugellátásának rendezésére," pp. 21-22.

that these fixed pension supplements should reflect the differences in value among the various types of awards.¹⁷⁹

The 1970s saw an increase in applications for the exceptional pension raise. As a consequence, the authorities were faced with much more work and greater expenses looming. In response, in 1976, SZOT introduced new regulations that made the formal eligibility criteria stricter. Although a strong emphasis on the social and health conditions of recipients remained, the question of work/employment started to play a more important role than before. Exceptional pensions were only awarded if the applicants had worked for at least half of the years necessary to be eligible for pensions.¹⁸⁰ And applicants who did not pass the official retirement age by at least 5 years were automatically discarded, unless their health condition prohibited them to work.¹⁸¹ This move was in line with the political conviction of the times about the role of paid work as a source of welfare. As it will be explained in the following chapter, the political elite that wanted to assure a better lifestyle for pensioners, but was unable to finance it from state budget started to look at work next to retirement as an important resource.

The concern for cost containment did not affect a key branch of exceptional pensions: those that were granted to the high ranking officials and politicians of socialist Hungary. Though very few in numbers – they were ministers, government functionaries in the rank of a minister, deputy ministers, department heads of the MSZMP KB, leaders of different party organizations, county level general secretaries of the MSZMP, presidents of county councils, leaders of mass organizations in

¹⁷⁹ “A Politikai Bizottság 1971 július 13-ai határozata a kivételes nyugellátást, valamint a nyugdíjkiegészítést élvezők ellátása rendszerének egységesítéséről,” pp. 191-192. The changes were carried out by the governmental decree of 3455/1971 effective from January 1972.

¹⁸⁰ It has to be stressed, however, that with the pension eligibility expanded to cover virtually everyone, this was not such a difficult criteria to meet.

¹⁸¹ “Irányelvek. A SZOT Társadalombiztosítási Főigazgatóság körirata” (Principles. Circular of the SZOT Directorate-General of Social Security), December 20, 1976. PIL XII, fond 14, állag 9, ö. e. 75.

retirement – their pensions were often multiple times higher than the average pensions of the times.¹⁸² The pension values included supplements received after state awards, but deputy ministers and above were also exempt from such pension diminishing rules as the policy of digression introduced in 1968 that maximized the income countable as a base for pension at 10 000 forints a month.¹⁸³ Furthermore, decision makers also paid special attention to the fact that these pensions maintained their value and received substantial raises above the regular raises and indexing. As the example from 1978 shows, when the Secretariat of the MSZMP, upon specifically reviewing these pensions felt that those retiring in 1970 received significantly more than those retiring earlier, so it decided to carry out a limited compensation. The raises affected only 20 people, but were very substantial. They varied between 1000 and 3000 forints, and resulted in pension levels between 8000 and 11 000 forints a month.¹⁸⁴ These pensions were way higher than the average pension in the same year – 1709 forints – or even the average of the worker-employee pensions granted in 1978 – 2471 forints.¹⁸⁵ The pension privileges for the party and ruling elite were maintained until the late 1980s, despite the trend of the 1980s when the different reforms aimed at cutting back the costs of the pension system.¹⁸⁶

¹⁸² “Javaslat a Titkárságnak” (Proposal to the Secretariat), prepared by the MSZMP KB Department of Party and Mass organizations on September 11, 1978 and discussed by the MSZMP Secretariat on September 25, 1978. MOL M-KS, fond 288, csoport 7, ö. e. 560, p. 27; and minutes of the MSZMP Secretariat meeting of September 25, 1978. MOL M-KS, fond 288, csoport 7, ö. e. 560, pp. 6-7.

¹⁸³ Introduced in 1968 and effective until 1981, the pension legislation maximized the income countable as a base for pension at 10 000 forints a month. “Javaslat a Politikai Bizottságnak a nyugdíj alapjául szolgáló keresethatár változtatására,” p. 87.

¹⁸⁴ Minutes of the MSZMP Secretariat meeting of December 18, 1978. MOL M-KS, fond 288, csoport 7, ö. e. 568, pp. 9-10. Despite the compensations, however, the pension levels were still far away from the amounts high ranking politicians could enjoy if they retired in the 1970s. Data shows that their pensions could go as high as 14 000 or 16 000 forints a month. “Jelentés a Titkárságnak a vezető beosztásból nyugdíjba kerültek nyugellátásáról” (Report for the Secretariat about the pension provision for those having retired from high ranking positions), Annex 1: “Kimutatás a javaslatban nem érintett nyugdíjas állami vezetők nyugellátásáról” (Overview of the pension provisions for leaders of the state not considered in the proposal). MOL M-KS, fond 288, csoport 7, ö. e. 568, pp. 73-74.

¹⁸⁵ *A magyar társadalombiztosítás 20 éve*, 236.

¹⁸⁶ The privileges were supported by the governmental decree 1077/1987 and the governmental order 54/1988 that allowed the provision of pensions that equaled the amount of earnings. However, pension

Besides exceptional pensions, early retirement schemes constituted the second important type of pension privileges. Early retirement was available to a great many people: upon requests to party bureaucrats, people serving in different high ranking post of the state administration, in big companies or in mass organizations could count on early retirement as a source of privilege. And it was automatically available to people serving in the armed forces.

For those people whom early retirement was awarded individually, the final decision rested with Minister of Labor. The cases were brought in front of the minister upon the recommendation of a wide range of different institutions, organizations, and individuals. This list included the individual party organizations, government members, the general secretary of SZOT, council presidents in Budapest and in the different counties, the president of the Presidential Council as well as the president of the Parliament. This type of privilege was quite widely used. In the late 1970s, people making use of this option varied between 700 and 1100 annually. It was only from 1980 – part of an attempt to curtail pension expenditures – that decision makers started to restrict the number of people entitled to early retirement.¹⁸⁷

For members of the armed forces early retirement was combined with somewhat higher pension values. Starting from 1970 their pensions were 5-10% higher than the normal pensions. Depending on their rank 20 or 25 years of duty were required for pension eligibility.¹⁸⁸ This regulation meant that people could retire very

privileges were only part of a larger spectrum of privileges that these people enjoyed. About an interesting account of what type of amenities they enjoyed and what kind of lifestyle they led, see György Majtényi, *K-vonal: Uralmi elit és luxus a szocializmusban* (K-line: Ruling Elite and Luxury in Socialism) (Budapest: Nyitott Könyvműhely, 2009).

¹⁸⁷ “Javaslat a Politikai Bizottságnak a nyugdíjrendszer néhány kérdésének megoldására” (Proposal to the MSZMP PB for the settlement of some problems in the pension system), prepared by the Ministry of Labor on November 3, 1980, and discussed on the MSZMP PB meeting of November 11, 1980. MOL M-KS, fond 288, csoport 5, ö. e. 813, pp. 74-75.

¹⁸⁸ “Javaslat a Politikai Bizottságnak a fegyveres erők és testületek fejlődése során létrejött problémák kezelésére” (Proposal to the MSZMP PB for handling problems emerged during the development of armed forces) prepared by the Department of Public Administration of the MSZMP KB on November

early, in some cases in their early forties. The only restrictions were that people under 45 were could receive only 50% of their pensions, and from 45 till 55 years they received 70% of their pensions. Full pensions were granted from 55 years on, the age the upper limit of service set at. The replacement rates were also very favorable. Twenty years of service earned a person 60% of his/her active income, whereas the maximum pension level – after serving 37 years – could reach up to 90% of the active earnings, which was significantly higher than the maximum of 75% for other pensions.¹⁸⁹ Starting from 1980 however, these privileges were partly curtailed. Curtailments included raising the minimal years of service to 25 for everyone, and early retirements were made harder in a sense that working conditions next to retirement became stricter and retirees only received 50% of their pensions until the age of 50.¹⁹⁰

All pension privileges presented so far involved an institutionalized process of granting them – should they be on group basis as in case of the armed forces, or given upon individual requests as in case of people who participated in organized working class movements. But there was a third type of pension privilege, constituting of those few requests that evaded the usual route, and were sent directly to high ranking officials, who had the power to grant them. These pension privileges were few in numbers and worked like personal favors. During the debate of reforming the exceptional pensions in 1964, a member of the Political Committee, József Veres noted that as a Minister of Labor he had the right to grant pensions in the maximum

13, 1980, and discussed by the MSZMP PB on October 20, 1980. MOL M-KS, fond 288, csoport 5, ö. e. 529, pp 41-42.

¹⁸⁹ “Javaslat a Politikai Bizottságnak a nyugdíjrendszer néhány kérdésének megoldására,” p. 77

¹⁹⁰ *Ibid.*, pp. 79-81.

amount of 3000 forints.¹⁹¹ But it was mostly Kádár to whom the requests were addressed, and even in cases when Kádár was not the addressee, he was mostly notified and in many cases he decided himself. The requests were different, what united them was that they were presented by people who somehow did not fit into the groups that received pension privileges, or were dissatisfied with the way their cases were handled. The requests also came from people with very different backgrounds. What Veres was referring to was a group, whose work for building socialism should be honored, like presidents of well-working cooperatives. But there were many requests forwarded to high ranking party politicians which appealed for leniency, or – in the case of the letters of complaints – turned there as an ultimate source of justice.

The letters that were sent directly to high ranking officials requesting exceptional pensions presented strikingly similar arguments to the requests processed by the unions for the same reasons. The applicants accentuated their loyalty to socialism, or other deeds that were equivalent with it and, at the same time, emphasized their deplorable conditions, in terms of both finances and health. Among the applicants there were people who served at very high positions in the Horthy regime, like Géza Lakatos, the last Prime Minister before 1945.¹⁹² Lakatos wrote a detailed letter stressing that he saved the life of thousands of Jews and left-wing activists, and was subsequently detained by the Germans. He also listed the numerous atrocities suffered during the Rákosi regime, among them the retraction of his pension and his forced relocation, and finished the letter describing the exceedingly hard

¹⁹¹ “Javaslat a felszabadulás előtti párttagok nyugellátásának rendezésére” (Proposal about regulating the pension provision of pre-liberation [i.e. pre-1945] party members), minutes of the MSZMP PB meeting of June 18, 1964. MOL M-KS, fond 288, csoport 7, ö. e. 210, pp. 19.

¹⁹² Lakatos was the Prime Minister between August 29, 1944 and the inauguration of the Szálasi government. It was during his period that the Horthy regime attempted to leave the war. Lakatos' pension was revoked in 1949 and only reinstated in 1957, granting him first 400, then 500 forints. See Anna Kosztricz, “Volt politikusok levelei Kádár Jánoshoz megvont nyugdíjuk ügyében” (Letters of ex-politicians to János Kádár with regard to their pensions), *Archivnet* 12.3 (2012): http://archivnet.hu/pp_hir_nyomatat.php?hir_id=423 (last accessed: September 23, 2012).

situation he found himself in. Lakatos closed his request hoping to gain some final justice over the injustices suffered, highlighting his inability to work at an advanced age.¹⁹³ Although he sent his letter to the President of the Presidential Council, István Dobi, the decision rested with Kádár. Dobi passed on Lakatos's request to Kádár, and assured Kádár of his support for Lakatos, but nevertheless left the final decision to him. "I myself don't know the circumstances of the mentioned [person] beyond the letter. But I deem it justified their reconsideration and settlement in a way regarded as appropriate by you too."¹⁹⁴

Some wrote more pleading letters, like Roland Kiss, who turned to Ferenc Münnich, then Prime Minister of Hungary, in 1958.

Since in the autumn of 1954, during a speech of mine at a peace rally, I got a brain hemorrhage. I need restfulness and constant medical supervision and, because of my diabetes, costly diet. For this I had to sell my low-value house in the countryside. I offered half of my flat to ease the shortness of flats. – Now I'm already supplementing my pension by selling movables. I'm recommending my case trustfully to Comrade President's considerate benevolence and thank it with reverence.¹⁹⁵

There are no documents saying what Münnich's reaction was, but Kiss turned to Kádár five years later asking him to enlist him as an old party member.¹⁹⁶ What is interesting about the case of Kiss, is that it exemplifies how the pension – or its retraction – was used as an important political tool not only during socialism but before as well. Kiss participated in the Commune of 1919 and, as a result, suffered a serious backlash during the Horthy regime, among others losing his right to pension as a civil servant. In 1932, he wrote a letter to the Minister of Interior, asking for an

¹⁹³ "It is with trust in this and justice, that I'm turning to you, Mr. President, that, considering my 74 years and diminished working ability, I could receive a just treatment and a pension that ensures my living, which are worthy of my honest Hungarian past." See Kosztricz, "Volt politikusok levelei Kádár Jánoshoz."

¹⁹⁴ Ibid.

¹⁹⁵ The request was written on September 13, 1958. PIL VI, fond 762, ö. e. 4, p. 171. The personal file of Roland Kiss.

¹⁹⁶ His wife received an exceptional pension starting from 1958. PIL VI, fond 762, ö. e. 4, pp. 172-186. The personal file of Roland Kiss.

exceptional support based on his poor health. He enclosed supporting letters from various organizations that all assured the Minister that despite his social democratic beliefs, Kiss was a good and devout Christian. His request to Münnich and Kádár, on the other hand, logically emphasized a very different part of his life, namely his participation in the Commune and his long-standing support for socialism.¹⁹⁷

Given that Kádár and a handful of other high ranking officials had power to interfere with the pension system at any moment, writing to them and informing them was also used as a threat to the administrators of pensions. As it was done by Ferenc Tóth, who was seeking pension but lacked the necessary years of coverage. During his quarrel, where he disputed a decision that did not count many of his years as working years, he involved both the Directorate-General of Social Security as well as the local social security administration. While the review of his case was going on, he threatened twice with turning to Kádár in the hope of seeking ultimate justice. “I ask you, comrade [a woman], to inform me about the decisions made in my case. Otherwise I have no other choice but turning to the Kádár office with my complaint. And to the Ministry of Justice.”¹⁹⁸ Similarly, the widow of Ferenc Münnich also turned to Kádár, in her attempt to ensure higher income for herself. And Kádár asked to review the case. Given the high position of her deceased husband, any decision concerning her pension was delegated to the Political Committee and the Secretariat of the MSZMP. Despite the denial of any further raise, even the refusal was a topic of the highest political relevance.¹⁹⁹

¹⁹⁷ PIL VI, fond 762, ö. e. 4, pp. 169-186. The personal file of Roland Kiss.

¹⁹⁸ It is unknown if Ferenc Tóth really did write to Kádár, but his case was closed on December 5, 1967, without granting him the pension. PIL XII, fond 32, év 1967, ö. e. 3138, files of ÉDOSZ, pp. 17-22.

¹⁹⁹ “Jegyzőkönyv a Titkárság 1980. február 4-én megtartott üléséről” (Minutes of the Secretariat meeting of February 4, 1980). MOL M-KS, fond 288, csoport 7, ö. e. 598, pp. 7-8.

3

Growing income in old-age: 1970-1990

The changes in the 1950s and 1960s provided the Hungarian population with an almost universal pension coverage. By 1970, 97% of active earners could count on pension as an important source of income in their old age, and amongst those who have passed the official retirement age 67% had already received pension or a pension-like allowance.¹ Furthermore, pension levels were considerably raised as well, reaching approximately 35% of an active earner's monthly wage by 1970.² As a result of these processes, a formerly non-existent group was born with its own separate set of interests: the pensioners. What tied them together besides their age was their dependence on state support for their financial well-being.

The development itself was unfolding step-by-step, as decision makers adapted to the economic, demographic and political requirements of the times. The political will to raise the pension levels was apparent from very early on, but the guiding principles of how the raise should be done were changing. Raises were random, and decision makers were grappling with two, somewhat contradictory objectives. On the one hand, they were hoping to strengthen the merit-based character of the system where pension was to reflect the amount of work and earnings of the active life. On the other hand, they entertained the wish that pension provisions should provide an adequate income to all those entitled by age or other relevant criterion.

¹ Béla Tomka, *Szociálpolitika a 20. századi Magyarországon* (Social policy in twentieth-century Hungary) (Budapest: Századvég, 2003), Annex, Table 12; and *Magyarország népessége és gazdasága: Múlt és jelen* (The population and economy of Hungary: Past and present) (Budapest: KSH, 1996), 197.

² The data of the Central Statistical Bureau refers to the percentage of pensions values compared to the gross earning. However, until 1980 there is no significant difference between the percentages regardless whether we take gross or net earnings. *Magyarország népessége és gazdasága*, 197.

The process of expanding provisions was also subject to contemporary political goals. By the end of the 1950s a system was created that favored workers and employees over other vocational groups, as they enjoyed higher provisions and easier requirements. Furthermore, in a time when the pension system was designed to provide relatively meagerly, the party elite could benefit from very generous pensions. Political loyalty was honored on lower levels as well: it was rewarded with exceptional pensions or other types of pension privileges. Nevertheless, it was still discernable over time that the pension system was heading towards offering a more equal coverage for the different groups of society. The inclusion of a large part of the agrarian sector must be regarded as a crucial step in this respect, since previously pension coverage had been available only to a small segment of the sector. And the 1960s brought with themselves the initial measures to close this coverage gap: the legislations were altered in a way to provide a more equal access to pension provisions for all vocational groups.

The changes of the pension system were part of a larger trend that regarded the whole of the Kádár regime. Starting from the mid-1960s, assuring a higher standard of living for everyone became a top political priority that manifested itself in various ways. There was an extensive state financed housing program that culminated in the creation of large housing estates. These estates symbolized socialist prosperity and, very importantly, offered a formerly unachievable level of housing comfort for many. Income raises were also significant and, as part of the economic reforms of 1968, there was more space for private production, agricultural or other.³ As a consequence there was also boom in consumption, which was aided by the growing availability of different consumption goods: it included different household appliances, television

³ Iván T. Berend, *The Hungarian Economic Reforms: 1953-1988* (Cambridge: Cambridge University Press, 1990).

sets, and also meant the larger availability and spread of cars.⁴ Finally, welfare provisions also grew, and they were used as key elements in achieving a growing standard of living for the population.⁵ The bulk of their expansion concentrated into two areas: that of family benefits and pensions.⁶

Connected to the general growth of welfare during the 1970s, the public expectation was born that everyone deserved a decent living standard in retirement. When it did not happen – like in case of numerous low-income pensioners – it was regarded as going against a general consensus about the amount of welfare provisions. Politicians also expressed their wish to provide for pensioners. And despite their inability to solve the persisting problem of big income divisions among the retired population, policies in the decades following 1970 aimed at providing for everyone in retirement and had a particular focus on low-income pensioners. This political commitment was embodied in the resolution of the 11th Congress of the MSZMP in 1975, which envisioned a rather generous provision for the pensioners.

It is our objective that elderly people, after years of work spent honestly, enjoy the deserved pension in material safety. We deem it important both from a social and an individual point of view that retirement mean no severance from the workplace, the smaller or larger groups of society. We encourage those eligible for pension to work – in areas also important for the people's economy – according to their abilities, if they want to continue working. [...] Low pensions must be raised. The real value of pensions must be retained. The still existing discrepancies in social security must be gradually eliminated.⁷

⁴ János M. Rainer notes that despite the growth, the standard of living remained higher in GDR or in Czechoslovakia. However, people in Hungary could enjoy more freedoms, most importantly could travel with less restrictions. János M. Rainer, *A Kádár-korszak, 1956-1989* (The Kádár era), Magyarország története 22 (Budapest: Kossuth Kiadó, 2010), 59.

⁵ Júlia Szalai, “A társadalombiztosítás érdekviszonyairól: Történeti vázlat a hazai társadalombiztosítás funkcióinak változásáról” (On the relations of interests in social security: Historical outline of the changes of functions of Hungarian social security), *Szociológiai Szemle* 2.2 (1992): 27-43.

⁶ Sándor Horváth, *Két emelet boldogság: Mindennapi szociálpolitika a Kádár-korban* (Happiness on two floors: Social policy in the everyday life of the Kádár era) (Budapest: Napvilág Kiadó, 2012), 21-74.

⁷ *A Magyar Szocialista Munkáspárt XI. kongresszusa: 1975. március 17-22.* (The 11th congress of the MSZMP: March 17-22, 1975) (Budapest: Kossuth Kiadó, 1975), 175-176.

The growth of pension level affected the state budget expenditures thoroughly: in the late 1980s pension costs made up 9% of the Hungarian GDP, and by the mid-1990s this increased to 11,4%, and constituted by far the costliest segment of welfare provisions, including health care and education.⁸

Besides the impressive increase of pension values, a variety of other factors were also present behind the growth of pension costs. The unification of the different pension systems in 1975 was an important one. It created almost equal conditions for all pensioners and thus automatically raised the pension levels and gradually lowered the official retirement age of the cooperative members. Furthermore, the number of pensioners also grew. In 1971 there were 1.496.000 pensioners, which went up to 2.520.000 by 1990; that is, by the end of socialism in 1990, pensioners made up 24% of the whole population, and very importantly constituted 110% of the pension-aged population.⁹ This growth was propelled by the aging of Hungarian society, but it was not enough to account for it alone. The achievement of complete pension coverage for the whole population by the mid-1980s further raised the number of people in retirement. And there was another significant factor: the growth of early retirement and disability pensions.

The growing importance of work in retirement was also characteristic of the pension policies of the times. It came about both as a result of economic need for more workforce and as a solution to provide more income for pensioners. There was also a growing number of disability pensioners, a part of whom worked as well. This trend was only strengthened by the economic crisis unfolding from the mid-1980s. The escalating economic crisis brought about strong a retrenchment in welfare provisions in general which effected the pensioner population strongly: as a result of

⁸ Mihály Zafir (ed.), *Életszínvonal: 1988-1997* (Standard of living: 1988-1997) (Budapest: KSH, 1998), 106.

⁹ *Magyarország népessége és gazdasága*, 197.

surging prices and their diminished ability to supplement their income, pensioners were severely hit by the introduction of more means-tested procedures in welfare politics. However, pensions themselves were largely spared by the changes – compared to other welfare provisions. The value of the average pension compared to the value of the average income even kept on growing slowly; and with the political and economic transition in the early 1990s, the pension system evolved into the most important sociopolitical and labor policy tool in the hands of the government: it was expanded to provide a refuge for masses from unemployment and prevent social crisis.¹⁰

The following chapter examines this final period of pension development under state socialism, starting from 1970 and finishing with the regime change. It is divided into four subchapters, each examining a different aspect of the change. The first one presents a general overview of welfare state transformations in Hungary in the period, placing the developments into a broader European context. It makes the claim that the changes slowly turned Hungary into a rather elderly-oriented welfare state. The second subchapter discusses a seminal moment in this process from the perspective of the pension system: the passing of the 1975 legislation on social security. The third subchapter focuses on examining how pension levels and the living conditions of pensioners changed in the period. It argues that – despite the general and impressive growth of pension levels – neither the financial vulnerability of a large segment of the retired population was solved, nor was the value maintenance of higher pensions achieved. Both of these persisting problems have contributed to the growing

¹⁰ On how the economic changes of the early 1990s affected the pensioners, see Pieter Vanhuyse, *Divide and Pacify: Strategic Social Policies and Political Protests in Post-Communist Democracies* (Budapest: CEU Press, 2006); and Zsolt Spéder, “A nyugdíjasok anyagi jóléte – időben és összehasonlításban” (The material well-being of pensioners – in temporal and comparative perspective), in *A korfa tetején*, ed. Etelka Daróczi and Zsolt Spéder, A KSH Népeségstudományi Kutatóintézetének Kutatási Jelentései 64 (Budapest: KSH NTI, 2000), 11-23.

importance of work during pension, the subject of the last subchapter. Emerging as a combined result of individual, enterprise and political interests, the growing importance of pensioner work in a time of generally increasing pension levels has profoundly influenced how pension policy was transformed even after the end of socialism.

3.1. Transforming the welfare state in Hungary and Europe (1970-1990)

It was during the mid 1970s that the expansion of welfare rights culminated in Hungary. The transformations from the late 1960s meant a growing generosity of welfare – apparent in all spheres, not just in pension provisions – upheld even when the economic conditions were already unfavorable. Change into the reverse direction came only in the early 1980s, when the step-by-step retrenchment was also accompanied by important institutional changes. The ensuing transformation fundamentally changed the character of welfare provisions, turning the Hungarian welfare state more and more elderly oriented, especially after the regime change. This subchapter will highlight this process of transforming welfare provisions. It will review the welfare achievements of the 1970s and the retrenchment period of the 1980s in Hungary. While doing so, it also contextualizes the Hungarian development by comparing it to the experiences of other socialist and non-socialist countries in Europe. And, in an attempt to understand the changes of the 1980s better, it tries to identify the position of Hungarian welfare policies with reference to the debate about the age group preferences of welfare states. Finally, it will present how, in connection with these developments, the social security administration changed in the period.

3.1.1. Periods of growth and retrenchment in Hungary and Europe

The final expansion of the Hungarian welfare state unfolded against the backdrop of an ongoing world economic crisis and a beginning Hungarian economic crisis. Politicians were determined however to continue the expansion, and by 1974-1975 it was decided that the well-being of the population would be upheld at any costs. Documents suggest that decision makers were well aware that the economic difficulties would be present for a longer time period, but nevertheless felt that welfare developments were crucial enough to be carried out. While deciding on the guiding principles of the budget and the economic plans for the year 1975, members of the Central Committee of the MSZMP declared that

[w]e have to anticipate that those factors in external economic relations which negatively influence the development of the people's economy will presumably endure for a longer period. For this reason, it is a chief task in economic work in the coming period to gradually restore and reinforce the stability of the people's economy. [...] [But] the growth of the living standard of the populace and the amelioration of its circumstances must be guaranteed in 1975 as well.¹¹

As part of achieving this objective, real incomes were expected to rise in 1975 by 5,5% and consumption by 6% on average. Prices were expected to increase only by 2%, and a strong price control and subsidies to different enterprises were to ensure that increases from the outside could not affect Hungary. Furthermore, almost 90 000 apartments were to be constructed, social and child care services were to be developed further by constructing kindergartens, elementary schools, nurseries and hospitals.¹²

But the core expansion of the welfare provisions was achieved by the passing of a new law on social security in 1975. Among others, it created a universal health

¹¹ "A Központi Bizottság 1974 december 5-i határozata az 1975. évi népgazdasági terv és állami költségvetés irányelveiről" (Decision of the MSZMP KB of December 5, 1974 about the guiding principles of the 1975 economic plan and state budget), MOL M-KS, fond 288, csoport 4, ö. e. 131-132, p. 179

¹² Minutes of the meeting of the MSZMP KB on December 5, 1974. MOL M-KS, fond 288, csoport 4, ö. e. 131-132, pp. 10-18.

care coverage based on citizenship, established the legal basis for the gradual elimination of most existing differences in pension entitlements and expanded family and child care services. This legislation meant the pinnacle of Hungarian welfare state building under socialism and cemented in the idea of complete state responsibility in all spheres of welfare provisions. After the law took effect on July 1, 1975, articles in different newspapers were dedicated to explain all the changes affecting the population. SZOT's paper, *Népszava*, for example, ran a detailed assessment about the new legislation twice in July, emphasizing the most important changes and how they were going to affect people.¹³ And the biggest daily, *Népszabadság*, also honored the event by publishing a detailed, but more personal article. It was written by the well-known journalist and humorist of the times, József Árkus. His personal account of the new legislation – in a tone betraying little of his penchant for humor – emphasized precisely the new, comprehensive role the state was to fulfill in the provision of welfare:

This day is remarkable for more than one reason. The social security law passed by the parliament in April, which asserts that the state is required to care for the laborers and their relatives in case of illness, disability and old age, and it also makes a state responsibility the protection of families, mothers and children, comes into force.¹⁴

The principles of the new legislation – laid out between paragraphs 2 and 9 of the law – declared the supreme responsibility of state for all aspects of social provisions, saying that the provision of social security was a state task that should be developed in compliance with the economic development.¹⁵ The principles also clarified the primary financial responsibility of the state by saying that contributions should be

¹³ *Népszava*, July 4, 1975, 7; and July 11, 1975, 7.

¹⁴ József Árkus, "Orvoshoz – állampolgári jogon" (Visiting a doctor – on the basis of citizenship), *Népszabadság*, July 1, 1975, 5.

¹⁵ Law 2/1975 on social security, §2.

paid, but all expenses that exceeded the value of contributions were to be covered by the state.¹⁶

In line with these developments, during the 1970s the share welfare provisions in the income of the population grew considerably: whereas welfare provisions constituted 23% of the population's income in 1970, their share grew to 32% by 1980. As long as the state budget – with the help of a growing share of Western loans – was able to cover for the costs, welfare provisions were used to compensate for the economic difficulties of the times. In 1979 and 1980 for example, when the real earnings of the population decreased by 1.6% and 1.7% respectively, welfare provisions were used to compensate for the losses. So people still had an income that equaled that of 1978.¹⁷

Many of the welfare measures of the times were targeting families and the younger. In 1975, during his concluding speech for the 11th Congress of MSZMP, János Kádár highlighted that, in his opinion, there were two crucial social questions worthy of attention: the condition of youngsters and that of women.¹⁸ And he seemed to be determined to further strengthen the focus on them:

It was perceivable even here, in the congress hall that the social position of women has significantly improved in the last years. The party has to do everything that their position improves further. An essential condition of this is that we develop the protection of mothers, children and families with additional measures, and further ease the burden of housework.¹⁹

The help for active and younger families consisted very importantly of the extensive housing program that not only included the building of large housing estates but the

¹⁶ Ibid., §5.

¹⁷ This growth followed earlier trends, as the share of social provisions in the income of the population started to grow much earlier. Whereas in 1950 it was 14%, it reached 18% by 1960. Over the decades of socialism the volume of all social provisions (cash and non-cash benefits included) grew at a much higher speed than the earnings. Whereas earnings grew by 2.6 times between 1950 and 1980, social provisions multiplied by 7.8 times. About the data, see *Életszínvonalunk a felszabadulástól napjainkig* (Standard of living in Hungary from the end of WWII to the present) *Életszínvonal* füzetek 1 (Budapest: Statisztikai Kiadó Vállalat, 1981), 26-39; and Zafir (ed.), *Életszínvonal 1988-1997*.

¹⁸ *A Magyar Szocialista Munkáspárt XI. kongresszusa*, 137-149.

¹⁹ Ibid., 139.

construction of educational and welfare facilities as well. Family benefits also grew, and there were successive policies making child bearing financially easier for families. The latter culminated with the introduction of GYED in 1985 that allowed mothers to stay at home for one year with their newborn children, and still receive 75% of their salary and keep their jobs.²⁰

However, the fiscal and economic difficulties of the 1980s changed this trend, which resulted in the serious retrenchment of welfare provisions from the mid-1980s. It meant most importantly that state financed housing construction was severely reduced, and became non-existent by the early 1990s. Furthermore, most welfare benefits became means-tested and they lost their value very quickly in the time of surging inflation.²¹

These welfare state transformations, which first included expanding welfare to formerly unknown levels during the 1970s and then introducing policies in trying to cut the expenses, were not unique to Hungary. Although the exact beginning of growth and retrenchment periods might differ, other socialist and non-socialist countries went through the same experience. Both in Poland and Czechoslovakia the 1970s brought the expansion of welfare provisions. Although the content and timing of the exact measures differed, the developments meant the growing importance of cash transfers, the better accessibility of benefits for everyone and the improvements in family benefits.²² But starting from the 1980s Poland experienced severe restrictions and, like Hungary, also went through a considerable reform of its welfare

²⁰ It was gradually raised to two years by 1996. See about this András Gábor and István György Tóth, *A gyermekvállalás támogatásának gazdasági motívumai és hatásai* (The economic motives and effects of child support), working paper prepared for the ad hoc Committee of Population and Work (Népesedéspolitikai ad hoc Munkabizottság), <http://www.c3.hu/scripta/szazadveg/19/gabtort.htm#fn0> (last accessed: September 22, 2012).

²¹ See, e.g., Lynne Haney, *Inventing the Needy: Gender and the Politics of Welfare in Hungary* (Berkeley: University of California Press, 2002), 101-103.

²² Tomasz Inglot, *Welfare States in East Central Europe, 1919-2004* (Cambridge: Cambridge University Press, 2008), 195-201.

system in order to cut back costs. At the same time welfare provisions in Czechoslovakia remained relatively stable.²³

In Western European countries welfare provisions reached their most comprehensive level during the 1970s, although by the end of the decade the retrenchment period also began. Peter Flora describes the early 1970s, together with the 1960s, as a period of high season for postwar welfare states. Not only was the growth rate of the social expenditures far above the average, but it was coupled with a speedy growth of the economy as well. Economic halt came in the middle of the 1970s, following the oil crisis of 1973 and the stock market crash of 1973-1974. Nevertheless, social expenditures continued to grow, as many governments – similarly to the Hungarian reactions of the second half in the 1970s – responded to the economic crisis by spending more on welfare provisions. It was usually not until close to the end of the decade, when austerity measures were started to be employed.²⁴

Importantly, pensions were among the benefits that were hardly touched even during the reconfiguration of welfare benefits and often the pension system was expanded in order to reduce the tensions resulting from the economic and labor market crisis. The measures introduced during the 1970s in various Western European countries often included the introduction of social minimums for pensioners and the creation of pathways that made early retirement easier. In Italy the 1970s meant a general reform of the welfare system that resulted in more generous provisions. In 1969 social pensions were introduced for the poorest and during the early 1970s pension benefits were greatly improved in general.²⁵ In Sweden there were also changes carried out from the late 1960s on to raise pension benefits. In 1969 a special

²³ Ibid.

²⁴ Peter Flora, "Introduction," in *Growth to Limits: The Western European Welfare States since World War II*, ed. Peter Flora, 5 vols. (Berlin and New York: Walter de Gruyter, 1986-1987), 1: xii-xxxv.

²⁵ Maurizio Ferrera, "Italy," in *Growth to Limits*, ed. Flora, 2:392 and 2:397-398.

pension supplement was introduced for people with very small pension; in 1976 the official retirement age was lowered from 67 to 65, and an option was created to retire anytime between the age of 60 and 70.²⁶ France also made a series of steps to accommodate elderly people without appropriate income. In the mid 1970s modifications in the pension system made possible that a few groups – like working class mothers, who have worked for at least 40 years – could retire earlier than the official retirement age. In 1972 the country set up a pre-retirement scheme for those over the age of 60 who were unable to find work. This scheme was broadened in 1977, leading to the rapid growth of early retirements; and finally, starting from 1982, the official retirement age was lowered from 65 to 60.²⁷ Germany, on the other hand, initiated curtailments in its pension system when most countries were still trying to avoid them. The first cuts were carried out – with the aim of curbing the growth rate of pension expenditures – in 1977, only five years after the second major pension reform which expanded individual entitlements by introducing a flexible age-limit and a minimum pension aimed at low-income groups.²⁸

The restructuring of welfare systems from the late 1970s onwards, with measures generally designed to affect the elderly less than the active population, directed the attention of contemporaries to old-age benefits and led to a debate about the reasons behind the welfare restructurings in general, and intergenerational justice in particular. Given the sheer size of the programs aimed for the aged, the conviction spread among many that the welfare state was abandoning the younger generations. The welfare state was accused of leaning towards the elderly, and claims were made that the programs for the aged were significantly more costly than the programs

²⁶ Sven Olson, "Sweden," in *Growth to Limits*, ed. Flora, 1:18 -19.

²⁷ Anne-Marie Guillemard, "France: Massive Exit through Unemployment Compensation," in *Time for Retirement: Comparative Studies of Early Exit from the Labor Force*, ed. Martin Kohli et al. (Cambridge: Cambridge University Press, 1991), 127-181.

²⁸ Jens Alber, "Germany," in *Growth to Limits*, ed. Flora, 2:23.

designed for the non-aged. Political scientist David Thomson even called people retiring from 1970 onwards a selfish generation. He argued on the example of New Zealand, but held his finding attainable to all English-speaking Western countries, claiming that members of the birth cohort who reached adulthood around the end of WWII and started to retire from the 1970s secured themselves the main benefits of welfare state.²⁹ The academic debate itself started from the mid-1980s, with an article written by the American demographer Samuel Preston, who referred to the political leverage of the elderly support system as an important reason behind the way the welfare state was transformed.³⁰ In their review of the debate, Fred C. Pampel and John B. Williamson also concluded that the elderly population's political efficiency – often called grey-power – was an important factor in how welfare transformations were handled, and this efficiency was further enhanced by the fact that everyone was expected to pass through their experience, so their goals were easily identified with. Pampel and Williamson have also noted that the different measures, like the benefit levels of the elderly being tied to inflation, elderly benefits becoming available to more groups or allowing earlier retirement, have all contributed to the enormous funding problems of welfare benefits.³¹

Despite this, Pampel and Williamson argued against the concept of the selfish generation, stating that, similarly to the active population, the retired had been

²⁹ Paul Johnson, Cristoph Conrad, and David Thomson, "Introduction," in *Workers versus Pensioners: Intergenerational Justice in an Aging World*, ed. Paul Johnson, Cristoph Conrad, and David Thomson (Manchester: Manchester University Press, 1989), 1-16; and David Thomson, "Generation, Justice and Collective Action," in *Justice between Age Groups and Generations*, ed. Peter Laslett and James S. Fishkin (New Haven: Yale University Press, 1992), 206-222.

³⁰ Samuel Preston, "Children and the Elderly: Divergent Paths for America's Dependents," *Demography* 21 (1984): 435-457. On a detailed account of this debate and a good assessment of how public spending was directed towards the different age groups between 1980 and 1995, see Janet C. Gornick, "Social Expenditures on Children and the Elderly in OECD Countries, 1980-1995: Shifting Allocations, Changing Needs," in *Allocating Public and Private Resources across Generations*, ed. Anne H. Gauthier, C. Y. Cyrus Chu, and Shripad Tuljapurkar, International Studies in Population: Riding the Age Waves 2 (Dordrecht: Springer, 2007), 201-226.

³¹ Fred C. Pampel and John B. Williamson, *Age, Class, Politics, and the Welfare State* (Cambridge: Cambridge University Press, 1989), 5-7.

characterized by huge a diversity of income. Others have also painted a more nuanced picture about the leanings of welfare states, claiming that no major group can be singled out as a winner of the welfare transformations. Janet C. Gornic, upon studying the behavior of OECD countries in a time period encompassing the 1980s and the early 1990s, contended that different states dealt with their economic difficulties and political challenges by following very different paths with regard to a preferred age group. While some have followed paths that led to favor the elderly over other groups, in other states the transfers to families and children grew at a higher speed.³² Similarly, Julia Lynch has found the Scandinavian countries, the Netherlands and Great Britain to be youth oriented in their welfare spending, while Italy, Spain, Greece and Austria were significantly more elderly oriented. She placed Germany in between these two types.³³

The Hungarian experience with retrenchment shows a step-by-step process, with a growing focus on elderly provisions. As mentioned before, the welfare provisions were cut drastically. This affected pensioners as well, and surveys found that in the 1980s the living and financial conditions of the pensioner population were the worst in the Hungarian society.³⁴ However, if we examine pension values themselves, we get a different picture. They, if compared to average earnings, could grow, however modestly during the 1980s. Their comparative value peaked around

³² Gornick, "Social Expenditures on Children and the Elderly."

³³ Julia Lynch, *Age in the Welfare State: The Origins of Social Spending on Pensioners, Workers and Children* (Cambridge: Cambridge University Press, 2006), 20-40. Lynch, analyzing the Netherlands and Italy in detail, puts forward a very interesting thesis, according to which the age orientation of a welfare state can be explained by two main factors. The one is the structure of early welfare state programs: where occupationalist programs were first institutionalized, these states tended to become elderly-oriented. The other is the type of political competition established after WWII: particularistic party competition made sweeping reforms of the welfare state structure almost impossible, and also contributed to the fact that the age orientation of a state remained stable.

³⁴ József Kepecs, "Az időskorú népesség problémái a család- és lakásstatisztika tükrében (Problems of the elderly population in the mirror of housing statistics), in *Az időskorú népesség demográfiai helyzete és problémái. Tudományos konferencia, 1982. április 20-21.*, ed. Barnabás Barta (Budapest: Statisztikai Kiadó Vállalat, 1983), 52-55; Zsuzsa Ferge, *Fejezetek a magyar szegénypolitika történetéből* (Chapters from the history of Hungarian poverty policy) (Budapest: Kávé Kiadó, 1998).

the regime change, when the average pension made up 66% of the average net earning of the actively working population.³⁵ And compared to the value loss suffered by most social provisions, pensions remained remarkably stable. The economic changes following 1990 even strengthened this trend of elderly orientation in the policies. Actually, pension became a primary tool in a fight against poverty and social unrest right after the economic restructuring began. Its conscious expansion allowed many under the official retirement age to retire in order to escape unemployment, similarly to the models followed by many Western European countries in the 1970s and 1980s.³⁶ Between 1986 and 1998 pensions lost only 16-17% of their real value.³⁷ In a similar time frame, between 1990 and 1996, the value of family allowance for example shrunk much more considerably. By 1996 it was worth only an estimated 40% of its 1990 value. Furthermore, in 1996 – as part of the financial crisis management – the maternal benefit program, GYED, was temporarily terminated and family allowance was likewise made means-tested for a while.³⁸ At the same time pension levels were not touched, modifications in the pension system – the introduction of a compulsory private pillar – regarded only the future pensioners. Even some new measures were introduced, like the free use of all public transportation means – with the exception of airplanes – for everyone reaching the age of 65.

Hungary was not alone with its protection of pensioners: other socialist countries, like Poland or Slovenia, also kept the value of the pensions relatively

³⁵ *Magyarország népessége és gazdasága*, 197.

³⁶ Vanhuysse, *Divide and Pacify*; Kohli et al. (eds.), *Time for Retirement*.

³⁷ The inflation rate was about 550% between 1988 and 1996. For the details see the homepage of the Hungarian Central Statistical Office, www.ksh.hu/docs/hun/xstadat/xstadat_hosszu/h_qsf001.html

³⁸ András Gábos, “Családok helyzete és családtámogatások a kilencvenes években” (The situation of families and family allowances in the 1990s), in *Társadalmi riport 2000*, ed. Tamás Kolosi, István György Tóth, György Vukovich (Budapest: TÁRKI, 2000), 99-122.

untouched by the economic restructuring following the regime change.³⁹ And Poland also followed the same path as Hungary in its decision to broaden the pensioner base in order to fence off growing unemployment and trying to control social tensions provoked by the harsh economic changes.

3.1.2. The changing role of SZOT

The structure of welfare administration had to be changed answering to the economic and social challenges of the times. The model, which was set up in the 1950s had already been modified somewhat over time, with the work-based element partially losing its importance. Lynne Haney notes in her analysis of the Hungarian welfare state that during the 1970s a distinct sphere of social policy arose, separate from the still functioning, and in a large part still enterprise-related provisions. Step by step local councils started to have a growing influence in social policy. This growing segment of social policy first targeted mothers and families.⁴⁰ But soon the wellbeing of pensioners also became their focus, and they started to pay special attention to the low income pensioners. Local councils took part in the development of the diversifying elderly care system, which manifested itself in the slow introduction of home-care and the similarly slow development of such care facilities as nursing homes or day care centers.⁴¹

Eventually the unions' role was dramatically changed in 1984, when the administration of social security was transferred to the newly established National Social Security Head Directorate (Országos Társadalombiztosítási Főigazgatóság). The new institution was placed directly under the control of the Ministry for Labor. Its

³⁹ Spéder, "A nyugdíjasok anyagi jóléte".

⁴⁰ Haney, *Inventing the Needy*; Zsuzsa Ferge, *A Society in the Making: Hungarian Social and Societal Policy, 1945-1975* (Harmondsworth: Penguin Books, 1979).

⁴¹ On this topic, see Horváth, *Két emelet boldogság*, 149-168.

budget was still part of the state budget. It was only five years later, in 1989, on the eve of the regime change, that social security started to be administered separately as a fund – even if the independently administered Social Security Fund (*Társadalombiztosítási Alap*) continued to enjoy full financial guarantee by the state.⁴²

The emergence of social policies independent from the unions, on the one hand, and the growing state responsibility in all spheres of welfare provisions on the other, led understandably to a growing need on behalf of the political elite to reform the welfare administration, meaning stripping the unions off their primary role as providers of social security. This should not only be understood as breaking away from the old Soviet tradition, but also as an attempt by the state to give a new direction to welfare spending. The exact motives for reforming the social security administration had changed over time. Curtailing the welfare budget became a priority in the early 1980s in face of the growing economic crisis,⁴³ whereas the preparation for the reform started much earlier, in the early 1970. The wish to reform the welfare administration was first officially expressed at the meeting of the MSZMP KB on November 3, 1971, which accepted a resolution about creating a unified, state-led administration for social security, social policy and labor safety. Then it was still imagined as part of a larger transformation of state bureaucracy, enabling its further development.⁴⁴

This larger transformation was supposed to be carried out until 1975, and it was a complex program, consisting of 5 separate pillars that barely connected with each other. First, the transformation aimed at the overall growth of governmental

⁴² For a brief summary of post-1989 changes, see the homepage of the National Health Care Fund www.oep.hu/portal/page?_pageid=34,32914&_dad=portal&_schema=PORTAL (last accessed: September 18, 2012).

⁴³ Szalai, “A társadalombiztosítás érdekviszonyairól.”

⁴⁴ “Javaslat a Központi Bizottságnak” (Proposal to the MSZMP KB), about the postponement of the reform of social security administration, discussed and accepted by the Political Committee on October 15, 1975. MOL M-KS, fond 288, csoport 4, ö. e. 140, p. 103.

involvement in the work of individual ministries. Second, it hoped to improve economic planning and regulation. Third, it resolved to develop a unified welfare administration. Fourth, it hoped to reorganize the sports movement in order to strengthen the party's influence in it. And fifth, it aimed at modernizing and further decentralizing bureaucracy. How each pillar progressed was monitored over the years.⁴⁵

With regard to the administrative transformations affecting the provision of social security and welfare, there was little change to be reported for a very long time even though in July 1972 a proposal was accepted by the government that practically stripped SZOT off its decision making and executive power with regard to both social security and labor safety, putting the Ministry of Labor in charge instead. The proposal clarified that the administration of social security would be run by the State Social Security Head Directorate (*Állami Társadalombiztosítási Főigazgatóság*), placed under the control of the Minister of Labor. The influence of the unions was to be retained only in the would-be strategic body, the National Social Security Council (*Országos Társadalombiztosítási Tanács*), to be entitled to oversee and control the functioning of the administration, to discuss plans about the development of social security provision and about the social security budget, and to offer its opinion about the planned measures.⁴⁶

But the acceptance of the proposal was not followed by its implementation. As early as 1972, the Political Committee noted that, despite the existing plans, the final

⁴⁵ "A Politikai Bizottság 1974. április 9-i határozata a Központi Bizottság 1971. november 3-ai, az államigazgatás fejlesztésére vonatkozó irányelvei végrehajtásának eddigi tapasztalatairól" (Resolution of the MSZMP PB on April 9, 1974 about the experiences with the implementation of the guiding principles of the MSZMP KB from November 3, 1971 regarding the development of state administration), passed by the Political Committee on April 9, 1974. MOL M-KS, fond 288, csoport 5, ö. e. 634, pp. 46-47.

⁴⁶ *Ibid.*, p. 47.

decision about the necessary measures to carry it out would only be made later.⁴⁷ It was also noted that in the process of negotiations SZOT had difficulty reaching an agreement with state bodies over a few important points. Over the years these differences seem to have persisted, as this was the reason given for allowing the continued postponement of the administrative reform. In 1975, when the Political Committee allowed another five years to pass before the creation of a unified and state directed social policy, social security and labor safety administration, it noted that despite intensive discussions between SZOT and the different state bodies, “they were unable to find a mutually acceptable solution”. It was upon the request of SZOT that the introduction of the new system was postponed again.⁴⁸ Finally, in the spring of 1983, no more postponements were allowed and the introduction of the new system was decided.⁴⁹

The most important argument given for the imminent introduction of the new system after a long hesitation of a decade and a half was the necessary separation of the two functions SZOT had been performing: that of being part of state bureaucracy by administering and running the social security system and that of defending the interests of the workforce.⁵⁰ This was not a new argument, and there had been public discussions about the incompatible nature of these two roles before. SZOT even thought the topic was important enough to defend its position in an education leaflet

⁴⁷ Decision of the MSZMP PB after the report of Sándor Gáspár, the President of SZOT, on July 25, 1972. MOL M-KS, fond 288, csoport 5, ö. e. 586, p. 7.

⁴⁸ “Javaslat a Politikai Bizottságnak” (Proposal to the MSZMP PB), discussed and accepted by the Political Committee on October 7, 1975. MOL M-KS, fond 288, csoport 5, ö. e. 674, p. 52.

⁴⁹ “Javaslat a Politikai Bizottságnak a társadalombiztosítás, a munkavédelem irányításának módosítására” (Proposal to the MSZMP PB for modifying the administration of social security and labor safety), prepared by the Economic Policy Department of MSZMP KB on May 17, 1983, and accepted by the MSZMP PB on May 24, 1975. MOL M-KS, fond 288, csoport 5, 883 ö. e., pp. 20-24.

⁵⁰ *Ibid.*, p. 24.

issued to future social security administrators in the late 1960s.⁵¹ In its turn, the argumentation of the Political Committee in 1983 emphasized that the incompatibility of these roles have become stronger as the economic pressure was mounting. But it is also likely that this incompatibility was not the only – or the main – reason behind the decision to finally carry out the transformations. Júlia Szalai offers the plausible hypothesis that placing the administration of social security in governmental hands in 1984 came as the economically more reform-minded party leaders hoped to sideline the more conservative union leaders. Taking social security provisions into state hands was also useful in allowing to curb the expenses. Gone were the times, when social security and other welfare provisions were the primary means to boost population income. Critiques often talked instead about the wasteful operation of welfare politics, and urged more targeted welfare benefits.⁵² Szalai's hypothesis is further supported by Haney, who dates the appearance of the liberal welfare state in Hungary approximately from the same time. She notes that starting from 1985 the state began to rearrange its welfare provisions in order to be less universal and more targeted.⁵³

By the time SZOT was stripped off its important role in the provision of social security, it has started to define itself as an important defender of pensioner interests. SZOT congresses expressed repeatedly the unions' concern for the elderly, and especially emphasized the vulnerability of low income pensioners.⁵⁴ SZOT's organizational structure started to reflect its growing focus on the pensioner population: it was not only that the pension preparation committees within the

⁵¹ *Felsőfokú társadalombiztosítási tanfolyam: A társadalombiztosítás szervezete és irányítása* (Higher-level course of social security: The organization and management of social security) (Budapest: SZOT Központi Iskola, 1968).

⁵² Szalai, "A társadalombiztosítás érdekviszonyairól."

⁵³ Haney, *Inventing the Needy*, 1-22 and 173-205.

⁵⁴ For the 22nd Congress of SZOT, held on May 4-8, 1971, see *A magyar szakszervezetek XXII. kongresszusa* (The 22nd congress of Hungarian trade unions) (Budapest: Táncsics Könyvkiadó, 1971). For their 23rd Congress, held on December 8-13, 1975, see *A magyar szakszervezetek XXIII. kongresszusa* (The 23rd congress of Hungarian trade unions) (Budapest: Táncsics könyvkiadó, 1976).

enterprises were ordered to look after the already retired as well, but the particular unions in various branches of the economy started to have special groups or committees dedicating themselves to pensioner issues. Much of the work done by them was administrative and fit well into the overly bureaucratized structure of the unions; nevertheless, their existence was a proof of the growing importance of looking after the elderly for SZOT.⁵⁵

As a further sign of growing union involvement in the life of the elderly, SZOT's territorial directorates became keen carrying out comprehensive surveys, focusing on pensioner lifestyles and wellbeing. Especially active in this respect was the *Szakszervezetek Budapesti Tanácsa* (Budapest Council of Unions, hereafter SZBT), which is understandable given that pensioners in the capital were close to being half a million in the 1980s.⁵⁶

Furthermore, unions started to be engaged in performing various activities in nursing homes and different day care centers. This involvement usually manifested itself in carrying out reparatory works and organizing events ones or twice a year. As it was done by the clothing factory called May 1, which became the patron of the nursing home in the second district of Budapest:

They [union activists of the factory] invited 50 nursing home residents to the cheerful gathering organized for their own pensioners. Among the residents of the home there are two motorically-impaired young patients; the socialist

⁵⁵ For an example, see PIL XII, fond 38, év 1978, ö. e. 6482 on the work that was done by the Allied Union of Agricultural, Forestry and Hydraulic Workers (*Mezőgazdasági, Erdészeti és Vízügyi Dolgozók Szakszervezeti Szövetsége* MEDOSZ) from 1978. About the work the committee did in the Budapest Council of Unions (SZBT), see PIL XII, fond 14, állag 9, ö. e. 77.

⁵⁶ For the surveys, see, for example, "Tájékoztató jelentés az SZBT Elnökség 1968-as nyugdíjasokra vonatkozó határozata végrehajtásának tapasztalatairól. További tennivalók az idős emberek érdekében" (Briefing about the experiences with the implementation of the decision of the SZBT Presidency concerning the pensioners of 1968. Further agenda in the interest of the elderly), September 18, 1971. PIL XII, fond 14, állag 9, ö. e. 74, pp. 103-116. For a detailed survey of the low-income pensioners in 1977, see PIL XII, fond 14, állag 9, ö. e. 75, pp. 98-105. On the survey of 1978, see "Beszámoló a fővárosban élő, alacsony összegű nyugellátásban, járadékban valamint tanácsi rendszeres szociális segélyben részesülők körében végzett felmérés tapasztalatairól, a tett intézkedésekről és a további feladatokról" (Briefing about the experiences of the survey conducted among those residents of the capital who receive low-level pensions, allowances, as well as regular social benefits from the city council, about the measures taken, and about the further tasks). PIL XII, fond 14, állag 2, ö. e. 62.

brigade volunteered to fix the wheelchair [and] presented the two youngsters with a radio and an electric shaver. They arranged that the leadership of the institute could acquire coats, suits, garments at second-hand price for the inmates of the home.⁵⁷

Officials at SZOT kept track of their various involvements demanding regular feedbacks about the different events, where union activists participated. These reports usually listed not only the type of programs offered, but also the number of participants and the overall success. The organization of different events figured importantly among the type of involvement preferred by SZOT. Between October 12 and 18, 1975, for example, the week of the elderly was organized in Budapest, with the help of the SZBT. In the weeks following the events, letters were pouring into the SZBT offices describing each event in detail, like the one describing the festivities in the first district of Budapest:

Dear Comrade Vészi, according to your commission, I visited on October 17, 1975, the „Day of the Elderly” organized with the sponsorship of the first-district Popular Front and, in relation to this, I report the following: The number of participants was approximately 300 persons. The one-hour-long, spectacular and very beautiful show was performed by the Hungarian State Ensemble of Folk Music and Dance with great success. From those elderly people I asked I received the answer that they were very much content with the high quality of the show, they enjoyed themselves. I beg the cordial acknowledgement of the above-written. Wishing efficient work and good health to all of you, Mrs. Dóczy, social activist group.⁵⁸

In much the same vein SZOT declared 1982 the year of the elderly, following the United Nations’ declaration of April 7, 1982, the day of the elderly. The basis of the planned “celebrations” consisted mostly of strengthening the already running programs, like helping to prepare employees to living as a pensioner, aiding them during the administrative process of retirement and tightening the relationship with the already retired. These included the organization of cultural and sport activities, the changing of collective contracts in the enterprises to include the rights of pensioners

⁵⁷ PIL XII, fond 14, állag 9, ö. e. 78, p. 19.

⁵⁸ Letter written to László Vészi on October 21, 1975. PIL XII, fond 14, állag 9, ö. e. 75, pp. 22-42.

as well, and helping those living in nursing or pensioner homes, or frequenting pensioner day care centers.⁵⁹ But, in an attempt to lay more emphasis on the problems of the elderly, the Social Security Head Directorate also recommended to set up a special advisory body, the Council for the Elderly (*Idősek Tanácsa*) next to the Presidency of SZOT. Its role was planned to include commenting on major national decisions affecting the elderly, cooperating with other social organizations' elderly committees and working on special programs targeting the elderly.⁶⁰

3.2. The new legislation on social security in 1975

A crucial step in the process of providing for all pensioners was the passing of the 1975 law on social security.⁶¹ It followed a lengthy preparatory process and many debates. The present subchapter will analyze the legislation from the point of view of pension provisions. It will first look at the preparatory works that preceded the passing of the new law and led up to the 11th Congress. Then it will examine the measures that brought thorough changes to the pension system.

Given the magnitude of the new social security legislation, it was already decided in 1974 that the codification of the new law would be announced during the 11th Congress of the MSZMP.⁶² The Congress issued a new party Manifesto – the follow-up of the Manifesto of 1948 – which contained the principal ideological foundations for further development in Hungary and among other issues it outlined an

⁵⁹ “A Szakszervezetek Országos Tanácsa Titkárságának Felhívása az ‘Időskorúak Éve’ feladataira” (Call of the SZOT Secretariat for tasks during the “Year of the Elderly”), 1982. PIL XII, fond 14, állag, 9, ö. e. 75, pp. 133-142.

⁶⁰ “Előterjesztés az időskorúakról szóló társadalmi gondoskodás továbbfejlesztésére” (Draft concerning the further development of the social provisions for the elderly), prepared by the SZOT Social Security Head Directorate for the Secretariat of SZOT in 1982. PIL XII, fond 14, állag 9, ö. e. 76, pp. 2-13.

⁶¹ Law 2/975 on social security.

⁶² “Előterjesztés a Politikai Bizottsághoz a társadalombiztosítási jogszabályok egységesítésére, egyszerűsítésére és továbbfejlesztésének irányára,” pp. 50-51.

expansion of the welfare state. The Manifesto also reflected on the question of pension provisions.⁶³

Prior to the finalization of the Manifesto, mass organizations had a chance to comment on its draft. SZOT – that increasingly acted as a representative of the interests of the elderly – felt that the part about the pensioners was lacking force and was not reassuring enough. They proposed to declare that “the socialist state cares materially and institutionally for the elderly fatigued in work, ensures their safe living, endeavors that, simultaneously with the increase of the general well-being of the country, their situation and provisions also improve systematically.”⁶⁴ The Popular Front (*Hazaftias Népfront*), an important mass organization of the times, even raised the possibility of a special separate law on the elderly, similarly to the already existing law on youth. This law was to ensure that society cared more about its elderly population.⁶⁵

In its final, accepted version the Manifesto contained an important passage that pictured a caring state with manifold responsibilities towards retired people. As a result of a last minute modification it also included a reference to a phenomenon of rapidly growing importance: pensioner work.⁶⁶

Our society ensures regular pensions and health care for the old age of all laborers. Increasing efforts must be made to improve the pensioners’ living conditions. We endorse that those eligible for pension and the pensioners – upon their wish – could work according to their abilities. We expand the network of institutions which serve the recreation of, provision and care for the elderly.⁶⁷

⁶³ “A Magyar Szocialista Párt Programnyilatkozata. Tervezet” (Manifesto of the MSZMP. Draft), December 1974. MOL M-KS, fond 288, csoport 3, ö. e. 20, pp. 249-261.

⁶⁴ MOL M-KS, fond 288, csoport 3, ö. e. 21, p. 25.

⁶⁵ *Ibid.*, p. 36.

⁶⁶ Manifesto of the MSZMP. Exemplar corrected after the MSZMP KB meeting of February 26. MOL M-KS, fond 288, csoport 3, ö. e. 27, pp. 53-142.

⁶⁷ *Ibid.*

Work on the new pension legislation began actually years before the acceptance of the Manifesto. In 1969 SZOT prepared the first document about the comprehensive reorganization of the pension system. It already called for the unification of all three systems, but still wanted to keep the higher retirement age of the cooperative workers. SZOT also called attention to the problem of the low value of old pensions, as something that should be taken care of. Between 1969 and 1971, the newly established Work Force and Living Standard Long Term Planning Committee (*Munkaerő és Életszínvonal Távlati Tervezési Bizottság*) worked on the plan of the new social security law, including the new pension regulations. The Committee was very cautious about the prospects of pension system development. While preparing a 15-year-long outlook it warned that the demographic change alone would result in a dynamically expanding pensioner population and continuously growing expenditures. It stressed that even under the most favorable economic circumstances any further development of the pension system should be done with much caution. So it recommended the decision makers to focus their attention on the most vulnerable cases by raising the old pensions and the very low ones.⁶⁸ The Committee's warning was not taken seriously, and in the ensuing years various measures were introduced that alleviated the living conditions of the entire pensioner population and created equal conditions of retirement for everyone. One of the most important ones was the general reform of 1975.

Although economic calculations preceded the 1975 reform, they would turn out to be wrong. These calculations counted with a much more favorable scenario than what would eventually unfold. Planners expected a period of intensive growth in the

⁶⁸ These developments are summarized in Katalin Csemniczki (Szabó Sándorné), "Nyugdíjrendszerünk 1929-től 1997-ig" (The Hungarian Pension System from 1929 to 1997), in *Körkép reform után: Tanulmányok a nyugdíjrendszerről*, ed. Mária Augusztinovic (Budapest: Közgazdasági Szemle Alapítvány, 2000), 42-43.

number of pensioners until 1980, but starting from 1980 they projected to see only a small increase in their numbers and a relative stability with regard to pensioners' overall share within the population. In line with this, they also calculated that the share of pension expenditures would remain stable in the GDP between 1980 and 1990. While their short-time predictions were rather accurate, the time period between 1980 and 1990 turned out to be quite different from the predictions, with demographic and economic factors both contributing to the unexpected expansion of the number and share of pensioners. Whereas the plan calculated with 2 250 000 pensioners in 1990, there were significantly more, 2 520 000 people in retirement by that time. And their share in the population, instead of being stable, increased significantly: from 19,2% in 1980 to 24,3% in 1990.⁶⁹ Furthermore, in contrast to the projection, the actual percentage the pension costs took up from the GDP increased as well. In 1978 pension expenditures made up 6,4% of the GDP, and they grew by 50% over the next decade, reaching 9,7% of the GDP in 1990.⁷⁰

By 1974 expectations crystallized what principles the new pension system should reflect. The document prepared by the Department of Economic Policy of the MSZMP KB for the Political Committee in 1974 about the new legislation drew up the picture of a comprehensive care in retirement that provided enough for everyone, but at the same time tried to incorporate economic considerations, first and foremost by encouraging people to work as long as possible. It specifically stated that the new system had to value the length and the amount of work a person did before retirement.

⁶⁹ For the numbers the economists worked with, see "Előterjesztés a Politikai Bizottsághoz a társadalombiztosítási jogszabályok egységesítésére, egyszerűsítésére és továbbfejlesztésének irányára," Appendix 2, p. 65. For the data on the actual number and share of pensioners see *Magyarország népessége és gazdasága*, 197. Only a few years later did predictions become much more accurate. The Statistical Department of SZOT, for example, forecasted very precisely in 1980 the number of people receiving pensions in 1990. "Feljegyzés a nyugdíjas állomány és a nyugdíjkiadás VI. és VII. ötéves tervidőszakban várható alakulásáról" (Note on the expectable changes in the number of pensioners and pension expenditures during the 6th and 7th five-year plan), April 3, 1980. PIL XII, fond 2, állag 16, ö. e. 10, pp. 77-78

⁷⁰ Zafir (ed.), *Életszínvonal 1988-1997*, 106.

The new pension system also had to validate the sociopolitical concerns by providing an adequate income for those with lower earnings and a shorter working period. Furthermore, the regulations had to be compliant with the regulations that encouraged working past the retirement age. In addition, planners emphasized that changes should not affect any of the formerly acquired pension rights. And finally the new system was hoped to be simple and understandable for everyone.⁷¹

The document also listed various problems that specifically had to be solved. It found that the worker-employee system was unnecessarily complicated and the value of partial pensions was too low. The 22% replacement rate that was awarded after working 10 years resulted in the continuous reproduction of low pensions. With regard to the system covering cooperative members, the main problem mentioned was that replacement rates stopped to grow after 32 years of employment was reached.⁷² During the debate in the Political Committee the problem of the higher official retirement age of the cooperative sector was also highlighted. Emphasizing the strong pressure from the agrarian sector to change it, members of the Political Committee expressed their hope that decreasing the retirement age would encourage youngsters to stay in the countryside.⁷³

The new pension legislation came into effect on July 1, 1975.⁷⁴ It thoroughly reformed the pension system by unifying two of its separate branches, the worker-

⁷¹ “Előterjesztés a Politikai Bizottsághoz a társadalombiztosítási jogszabályok egységesítésére, egyszerűsítésére és továbbfejlesztésének irányára” (Draft for the MSZMP PB about the homogenization and simplification of social security regulations and the direction of their further development”), prepared by the Department of Economic Policy of the MSZMP KB on March 28, 1974, and discussed by the Political Committee on April 9, 1974. MOL M-KS, fond 288, csoport 5, ö. e. 634, p. 53.

⁷² *Ibid.*, p. 52.

⁷³ Minutes of the MSZMP PB meeting of April 9, 1974 regarding “Előterjesztés a társadalombiztosítási jogszabályok egységesítésére, egyszerűsítésére és továbbfejlesztésének irányára.” MOL M-KS, fond 288, csoport 5, ö. e. 634, pp. 113-114.

⁷⁴ Law 2/1975 on Social Security.

employee branch and that of the cooperative members.⁷⁵ It unified the two systems in a way that it always took the more favorable regulation from each. So after 10 years of work pension levels were raised to 33% – a big increase from the 22% what was formerly available in the worker-employee system – and the official retirement age was lowered with one year annually for cooperative members, becoming 55 and 60 years in 1980. Replacement rates grew slightly, becoming more favorable for everyone: they reached 70% after 32 years of work and the maximum of 75% after 42 years of work. Disability pension was also reformed, and the new regulation was as favorable for the cooperative members, as for the workers/employees. Another important change, that meant an improvement both for workers/employees and cooperative members was the modification of the rule that stripped any person off his/her formerly owned pension rights after a five-year-long hiatus from active labor. The modifications allowed workers and employees this hiatus⁷⁶ if at least five more years were worked upon returning to work. The only difference remaining was the higher minimal pension level for workers and employees. This was justified by the extra income of cooperative members deriving from their household plots.⁷⁷

Contribution levels were also changed by the new legislation. Employers started to pay generally 17% social security contribution.⁷⁸ The only exception was

⁷⁵ Artisans were only covered if they belonged to artisanal cooperatives. See Law 2/1975 on Social Security, §§. 10-11.

⁷⁶ Changing the five-year hiatus rule had been urged for about a decade. It was deemed as outdated already in 1964 by officials of the Ministry of Labor in their pension proposal. It had originally been conceived as a protection against people working only 10 years and still getting full pensions, but by 1964 planners at the Ministry of Labor thought that the introduction of partial pension solved the original problem, and maintaining the rule disadvantaged mothers and many of those who had received land as part of the 1945 land reforms. Both groups tended to leave their employment for more than five years. „Előterjesztés” (Draft) sent by the Ministry of Labor and SZOT together to the MSZMP PB on August 18, 1964. PIL XII, fond 2, állag 16, ö. e. 1, pp. 117-126; and the Economic Committee of the MSZMP KB, on September 25, 1964 see PIL XII, fond 2, állag 16, ö. e. 1, pp. 89-101. On how the regulation was finally altered in 1975, see Csemniczki, “Nyugdíjrendszerünk 1929-től 1997-ig,” 44.

⁷⁷ Law 2/1975 on Social Security. See also Csemniczki, “Nyugdíjrendszerünk 1929-től 1997-ig,” 43-45.

⁷⁸ This which was an extension from 1967 when only part of the enterprises was obliged to pay 17%. Borbála Igazné Prónai, *A kötelező társadalombiztosítás kialakulása, fejlődése Magyarországon* (The

provided for the public organizations, which still paid 10% after their employees. Employees had already been paying a progressive pension contribution between 3% and 10% since 1967, and in their case there was no change involved. For the cooperatives the 1975 legislation meant a sharp increase in the value of social security contributions. They had formerly paid 7,5% after their employees and it was raised to 17%. But the contribution of cooperative employees were not changed, as it had been raised previously – in 1972 – to the same level workers and employees were paying.⁷⁹

In the ensuing decade after 1975, as a response to the speeding inflation rate and the growing social security expenses, the contribution rates paid by the employers were raised at a staggering speed. Remarkably, however, the differences between the contribution rates valid in individual sectors grew as well. Enterprises endured the most dramatic increases. Already in 1976 the contribution rate paid after each employee was raised to 22%, and it grew to 24% in 1980, reaching 40% by 1984. Cooperatives only had to pay 33% at the same time. Furthermore, increases in case of cooperatives also started later: their contribution rate was first raised in 1982. The only sector that remained stable for the whole time period was that of public organizations. Here the 10% contribution rate prevailed.⁸⁰

Finally, in line with its other unifying attempts, the law of 1975 expanded the scope of those who were compensated for suffering politically motivated injustices affecting their pension coverage under the Rákosi regime or even before. Although earlier regulations, importantly the 1958 pension law for workers and employees, had also contained partial compensations, the 1975 law went a step further. It targeted

emergence and development of compulsory social security in Hungary), PhD diss., Péter Pázmány Catholic University, 2006, 95.

⁷⁹ Ibid., 95-96.

⁸⁰ Ibid., 96.

civil servants who had been fired before the B-list procedures of 1946 began,⁸¹ or who could not really document the time and the reason for their layoff.⁸² Handling these matters were the special Old-Age Pension Committees of SZOT (*Öregségi Szakbizottságok*), who upon reviewing the cases stated their recommendations. They actually often found their work challenging, lacking the appropriate guidelines for overruling former court decisions.⁸³

The new pension legislation also made a major concession to those who spent a part of their lives pursuing professions that had not been covered by pension insurance. It allowed people to receive pensions after the years worked between 1929 and 1952, even if they had had no pension coverage at the time. This concession is a telling example of the extended use of pension as a general tool of social policy, partly detached from the contributions paid. Although the merit-based character of the system was still dominant, precisely the application of this concession created the opportunity for a relatively large number of people to receive benefits for years spent in work without paying contribution. It was an entirely new situation, as previously appeals for pension corrections were rejected partly based on the lack of coverage during earlier times of work.⁸⁴

This regulation was ensuring better pensions mostly for former agrarian workers, whose pension coverage had appeared only later: in 1939 for men and in

⁸¹ B-list procedures were the politically motivated layoffs in the public administration carried out in 1946. For more on the procedures and their effects see e.g. György Gyarmati, “Harc a közigazgatás birtoklásáért. A koalíció belüli pártküzdelmek az 1946. évi dualizmus időszakában” (Fight for the possession of public administration: Struggles between coalition parties during the 1946 dualism), *Századok* 130 (1996): 497-570.

⁸² “Jelentés az öregségi nyugdíj szakbizottságok tevékenységéről” (Report on the activity of special old age pension committees), 1976. PIL XII, fond 14, állag 9, ö. e. 72.

⁸³ *Ibid.*, p. 4.

⁸⁴ Imre Bácsi’s claim was rejected only a year before the new legislation was passed on the same grounds. Filed in December 1973, he complained about the fact that he only had a partial pension, despite having worked almost all his life. His appeal was refused on the grounds that all his work as an artisan could not be counted since during that time artisans were not covered by insurance. It was also noted that exceptional pension could not be granted either as his union membership did not date back to interwar times. PIL XII, fond 31, ö. e. 1903, pp. 1-4. Files of the Union of Leather Workers (*Bőripari Dolgozók Szakszervezete*) from 1974.

1945 for women. But it helped members of other occupations, like artisans, as well. The Political Committee estimated the number of people affected to be around 40.000 or 50.000.⁸⁵ Two witnesses were necessary to prove the time of employment.⁸⁶ As a report from January 1976 shows, the regulation actually prompted many retirees in the countryside to mobilize possible witnesses, with a varying degree of success. Some were willing to become a witness, while others were afraid to get involved with any official procedure. “It is a scary thing” – said Gábor Ferkó, one of the interviewees of the weekly magazine, *Élet és Irodalom* – “because it may have consequences still. Many may come off badly.” Others were more positive, hoping for a higher pension for the rest of their lives. “The new decree suits me well; it came just in the right moment! I will be able to have at least five or six years acknowledged, based on where, for whom, and how long I worked before ’45, which will be possible to reckon with in establishing the sum of the pension,” said Sándor Tenyeres.⁸⁷

3.3. Pension raises and the changing living standard of pensioners

All the changes affecting the pensioners in the 1970s were part of the general expansion of the welfare state. As it was explained above, this process manifested itself in the changing legislative environment that regulated a remarkable growth of state responsibility in all areas of welfare provisions. It was also apparent in the increasing living standard of the population, even when the economic circumstances would not have allowed it. And pensioners were placed in a special position, and they

⁸⁵ Minutes of the MSZMP PB meeting of April 9, 1974 regarding “Előterjesztés a társadalombiztosítási jogszabályok egységesítésére, egyszerűsítésére és továbbfejlesztésének irányára,” p. 110.

⁸⁶ *Útmutató a munkáltatóknak a nyugdíj-előkészítésről, az ösztönző nyugdíjpótlékról és a nyugdíjfolyósításról* (Instructions for employers about pension preparations, the incentive pension supplement, and the payment of pensions) (Budapest: Táncsics Könyvkiadó, 1977); and “Előterjesztés a Politikai Bizottsághoz a társadalombiztosítási jogszabályok egységesítésére, egyszerűsítésére és továbbfejlesztésének irányára,” p. 57.

⁸⁷ Simon Serfőző, “Nyugdíj előtt” (Before pension), *Élet és Irodalom*, January 31, 1976, 16. *Élet és Irodalom* has been a weekly magazine with literature and politics in its focus since 1957.

not only profited enormously from the growing welfare expenditures, but – as it was already pointed out – have fared comparatively the best during the retrenchment period from the second half of the 1980s. Although many pensioners remained poor, as demonstrated below, the period starting from the 1970s marked an increasing growth in their income and the strengthening of the conviction that it was the responsibility of the state to provide enough for all pensioners to achieve a decent living standard. The present subchapter will document the process of generally improving financial conditions of the retired population, but it also aims to present a more nuanced picture of income differences among pensioners. First it depicts the general growth of pension levels, and examines the pension raises and the political debates surrounding them. Then it will point out, with a particular attention paid to women that different segments of the pensioner population fared differently during the 1970s and 1980s.

3.3.1. Increasing pension values after 1970

The increase of pension levels makes clear that sometimes in the late 1960s or early 1970s the growth of the income of pensioners had become a top political priority. By the time of the regime change this created pension levels that were significantly closer to the income of the active population than ever before. Replacement rates started to grow at a faster rate starting from the mid-1960s, but their increase really speeded up during the 1970s. In 1971 a pensioner received on average the 35,7% of the gross earning of an actively working person. The average earning equaled 2325 forints whereas the average pension 829 forints. In a mere 10 years the ratio went up to

55,3%.⁸⁸ And although the comparative increase of the pension value slowed down significantly, it nevertheless continued. The rates peaked between 1988 and 1991: on the eve of the transition, in 1990, a pensioner received the 66,1% of the net income of an active earner.⁸⁹ Survey data suggest that, as a result, by the mid-1990s average pensioner income could be placed on the lower end of the middle income segment.⁹⁰

The apparent political push for significant pension raises started in the late 1960s. In 1969 the leader of the Social Security Head Directorate, István Bartos, explained to SZOT leaders that steps would have to be taken to ensure the financial stability of pensioners. He stressed in his report that, despite all previous efforts, pensioners had been far from having a decent living standard due to their generally very low income. Although he called attention to the fact that looking after the elderly involved an overall care, as loneliness and radically changed daily schedules were also problems that had to be dealt with, he stressed that financial concerns were of primary importance.⁹¹

In spite of the significant efforts made to improve the pensioners' living conditions, regardless of the pension raises carried out several times, the principle of the living-standard-policies of our party that the increase of the living standard must affect all strata, was not accomplished. [...] We so judge the present situation, considering all circumstances, that it is the decrease of the pensioners' purchasing power, following from the growth of living costs, to be counterbalanced the most urgently.⁹²

⁸⁸ As it was mentioned earlier, it makes no significant change in this ratio for the period before 1980 that pension values are compared to the net or the gross earnings, as there was little difference between the two. *Magyarország népessége és gazdasága*, 197.

⁸⁹ *Magyarország népessége és gazdasága*, 195 and 197.

⁹⁰ This was in part a result of the loss of income for many active earners and a relative stability of pension raises. Actually, pensioners were exposed to higher risks of poverty during the late 1980s. Zsolt Spéder, "Hungary: Getting Better and Becoming Dissimilar," in *Economic Well-Being of the Elderly. A Comparison across Five European Countries*, ed. Tina Stanovnik, Nada Stropnik, and Christopher Prinz (Aldershot: Ashgate, 2000), 53-97.

⁹¹ "A társadalombiztosítás időszerű kérdései. Dr. Bartos Istvánnak, a SZOT TB Főigazgatójának beszámolója (Contemporary issues of social security. A report by Dr. István Bartos, head of the SZOT Directorate-General of Social Security), in *A Szakszervezetek Országos Tanácsa 1969. december 22-i ülésének beszámolója* (Budapest: SZOT, 1970), 46-57.

⁹² *Ibid.*, 47.

Bartos's recommendation to urgently raise pension levels coincided with the political decision to introduce an annual, compulsory indexing for all pensions. Just how this should be carried out had been the subject of extensive debates.⁹³ Finally, an annual 2% increase was decided. The proposal prepared for the Political Committee named the surging inflation rate as the primary reason for the necessity of its introduction.⁹⁴ Indeed, inflation was speeding up starting from 1968, and it became really high during the 1970s, when the price level grew by approximately 50% between 1970 and 1980. The 1980s were characterized by an even quicker surge, with an approximate 180% growth between 1980 and 1990, and with a staggering acceleration after 1987.⁹⁵

Passed in 1970, compulsory indexing meant a milestone in pension politics in the sense that, for the first time, all pensions were raised at a fixed rate, regardless of the time of retirement and the pension amount. Although the move did not provide the much desired income maintenance for the whole pensioner population, it had both a symbolic and a practical effect. On a symbolic level it showed that the income of the whole retired population – including those with higher pensions – has figured importantly on the agenda of politicians. Pensioner income was treated similarly to the income of the active population: the annual raise for the civil servants was decided on the same meeting of the Political Committee in 1969, and was the same amount pensioners received.⁹⁶ On a practical side it strongly contributed to the sharply rising

⁹³ József Rózsa, *Szociálpolitika Magyarországon* (Social Policy in Hungary) (Budapest: Kossuth Könyvkiadó, 1978) 104.

⁹⁴ “Előterjesztés a Politikai Bizottság részére az 1970. évi bérpolitikai és nyugdíjnövelő intézkedésekre” (Draft for the MSZMP PB about the measures to be taken in 1970 regarding wage policy and pension raise), November 13, 1969; discussed by the Political Committee on November 18, 1969. MOL M-KS, fond 288, csoport 5, ö. e. 504, pp. 15-18.

⁹⁵ For information on the inflation rate starting from 1960, see the homepage of the Hungarian Central Statistical Office: http://www.ksh.hu/docs/hun/xstadat/xstadat_hosszu/h_qsf001.html. Last visited on November 29, 2012.

⁹⁶ “Előterjesztés a Politikai Bizottság részére az 1970 évi bérpolitikai és nyugdíjnövelő intézkedésekre,” pp. 15-18.

pension reimbursement rates, thus helping to raise pension values in a time of economic difficulties.

The discussion of the Political Committee suggests that by the time the measure was passed, politicians perceived a widespread expectation among people for the raise of pension levels.⁹⁷ They were actually concerned that people expected a more generous increase. When the President of SZOT, Sándor Gáspár, suggested during the meeting to communicate the introduction of compulsory annual indexing without mentioning specific numbers, Kádár was quick to point out that this was a dangerous idea: "We have to say it, otherwise they will think it's more."⁹⁸ The legislation was eventually passed in late 1970, and was effective from January 1, 1971.⁹⁹ From 1973 onwards, indexing was reregulated in a way that a minimum level was given for the annual raises. It was 30 forints then, but was subsequently increased and reached 120 forints by 1986.¹⁰⁰ This helped the lower income pensioners, who thus received a 3-5% increase instead of the 2%. But the annual indexing was not enough to keep up with the inflation, so in an attempt to decrease the losses in real value the indexing was complemented with regular raises. But just like before, these raises were gauged towards maintaining the values of lower or average pensions. Often, they were tied to actual price increases, and instead of percentages the amount was given in absolute numbers.¹⁰¹ As a result of these factors, value maintenance was only achieved for the low income pensioners while higher pensions lost a considerable part of their value. With the time passing pension values leveled off.

⁹⁷ The jobs included people working in health care institutions, the armed forces, at higher education institutions, the railway companies and city level transportation and public sanitation companies. See *ibid.*

⁹⁸ Minutes of the MSZMP PB meeting on November 18, 1969. MOL M-KS, fond 288, csoport 5, ö. e. 504, pp. 93 and 96.

⁹⁹ Governmental decree 45/1970 on the annual raise of pensions and other allowances.

¹⁰⁰ István Baranyai, *Időskoriak, nyugdíjasok 1960-1990* (Elderly, pensioners, 1960-1990), MTA KTI tanulmányok 4 (Budapest: MTA KTI, 1995), 43-57.

¹⁰¹ Csemniczki, "Nyugdíjrendszerünk 1929-től 1997-ig," 45-46.

By 1980 it was evident to politicians that maintaining the value of all pensions was not feasible. It was declared publicly during the MSZMP's 12th congress in year, that the party's primary focus regarding pension was securing an acceptable living for all in retirement. The resolution stated that

[t]he party continues to regard the improvement of the pensioners' situation and that of the elderly in general as an important task. Our state, our society cares for them in multiple ways. [...] We endeavor – especially through the raise of the low pensions – that elderly people live in material safety.¹⁰²

3.3.2. *The financial stratification of pensioner society*

Figures show that this aim of the politicians was achieved in a sense that there was a noticeably narrowing gap between the income of active and inactive households. Starting from the late 1960s the ensuing pension raises and the generally growing pension levels of the newly retired brought about that pension values usually grew faster than the earning of the active population. The death of old pensioners with very small pensions and the growing share of women retiring not with widow's pensions but with pensions on their own right also helped to raise the pension levels.¹⁰³ In the 10 years between 1965 and 1975 the average wage increased by 53% whereas the average pension by 121%.¹⁰⁴ And the trend continued into the 1980s as well. In the five years between 1977 and 1982, the average pension value grew by 66%, whereas the average wage by 38%.¹⁰⁵

Averages concealed big differences however, and different pensions fared differently amid the rising general pension levels and inflation rates. On the one hand, small pensions were relatively protected in their values by the frequent raises, but they

¹⁰² *A Magyar Szocialista Munkáspárt XII. kongresszusa, 1980. március 24-27.* (The 12th congress of the MSZMP) (Budapest: Kossuth Kiadó, 1980), 178.

¹⁰³ Péter Győri, "Időskorúak jövedelmi helyzete 1982-ben" (Income situation of the elderly in 1982), *Szociálpolitikai Értesítő* 3.3 (1985): 26-33.

¹⁰⁴ Ferge, *A Society in the Making*, 227.

¹⁰⁵ Győri, "Időskorúak jövedelmi helyzete 1982-ben."

always assured very poor living conditions to their recipients. On the other hand, higher pensions that at one point assured living conditions fairly close to that of the active population increasingly lost a substantial part of their real value in a few years time. Whereas from 1965 until 1975 higher pensions lost only a fraction of their value – 2-5% – this trend changed dramatically. After 1975 the real value loss of higher pensions accelerated. For pensions equaling or above 3000 forints a month the time between 1975 and 1985 meant a 30% loss in real value.¹⁰⁶ And between 1987 and 1990, the higher than average pensions lost 31-37% of their real value in a mere three years.¹⁰⁷ One group of pensioners, who were partly spared from the value loss were those above the age of 70. They usually had lower pensions since they had retired earlier, and were usually off the world of wage labor thus unable to supplement their pensions. Starting from 1985 they received higher raises in order to maintain the real value of their pensions.¹⁰⁸

Although pensioners were not necessarily the poorest segment of the Hungarian society as a result of the significant raises, there were many of them still on the brink of poverty.¹⁰⁹ The 1970s saw the birth of the singling out of a specific group of pensioners in the public discussions: that of the low income pensioners, the *kisnyugdíjasok*. Although even the lowest pensions were higher at the time than in the 1950s, with the growth of the welfare provisions in general the expectations about proper living and financial conditions the elderly should enjoy in retirement had changed significantly. The struggle to eliminate the very low pensions was never won, despite the fact that right before the new legislation of 1975 was passed, Kádár called the problem of the existing old and new pension laws, which was an important source

¹⁰⁶ The average pension value was 1272 forints at the time. *Magyarország népessége és gazdasága*, 197.

¹⁰⁷ Baranyai, *Időskorúak, nyugdíjasok 1960-1990*, 43-57.

¹⁰⁸ Csemniczki, "Nyugdíjrendszerünk 1929-től 1997-ig," 45-46.

¹⁰⁹ Ferge, *A Society in the Making*, 227.

of differences among the pensioner income, the biggest problem of the Hungarian pension system.¹¹⁰ Three years later, in 1978, while discussing how the system of welfare provisions should be changed, the problem of big pension differences was brought up again. The document discussed by the Political Committee noted that financial differences were “greater than desirable” and also greater than in other socialist countries. It singled out three different reasons: the low level of old pensions; the low level of different pension substituting allowances, like widow’s pensions or the old-age allowance for cooperative members; and, finally, the partial pensions offered after 10 years only that reproduced the low pensions again and again.¹¹¹

Although the document did not specify women as those likely to receive small pensions in fact they had significantly lower pension levels than men as a result of their different involvement in the world of wage labor. Many of them received no pension at all. Among women who were older than 60 years and were not active in terms of wage labor anymore, only 27% received some kind of pension (including widow’s pension) in 1960, and this ratio only reached 70% in 1980.¹¹² Among those who received pension, many received pension only after their spouses: in 1976 still 30% of women had a widow’s pension only. And even those, who received pension in their own right often did not have enough working years to qualify for a full pension, since many stayed at home raising children. Furthermore, as a result of their commonly lower qualifications and lower earnings during their active period, their own pensions were also lower. Adding all these factors together, a survey showed in

¹¹⁰ Minutes of the MSZMP PB meeting of April 9, 1974 regarding “Előterjesztés a társadalombiztosítási jogszabályok egységesítésére, egyszerűsítésére és továbbfejlesztésének irányára,” p. 108.

¹¹¹ “Javaslat a Politikai Bizottságnak a társadalmi juttatási rendszerünk fejlesztésére” (Proposal for the Political Committee to develop our system of welfare benefits). Prepared by the Department of Economic Policy on April 8, 1980, and discussed by the Political Committee on April 15, 1980. MOL M-KS, fond 288, csoport 5, ö. e. 798, p. 30.

¹¹² Judit Monostori, *Aktív korúak nyugdíjban: A korai nyugdíjazás jelensége és okai a rendszerváltás utáni évek Magyarországon* (Retirement in active age: The phenomenon and causes of early retirement in Hungary after the transition), PhD Diss., Corvinus University, Budapest, 2009, 25.

1976 that they received 500 or 600 forints less on average.¹¹³ This was a quite significant difference, when the average pension was 1462 forints.¹¹⁴ The difference seems to have been somewhat smaller in the cooperative sector, where six years later it was found that women received 300 forints less on average than men.¹¹⁵ These big differences in income were really troublesome as women tended to outlive men and, thus, were more numerous among the pensioners than men.¹¹⁶ In the middle of 1970s 80% of elder men were still living in a marriage, whereas only 40% of women did.¹¹⁷ And living alone, women were especially prone to falling into poverty, even when many of the everyday costs, like basic food and utility were heavily subsidized during socialism. Given their generally more vulnerable financial condition it is understandable that women were found to have been more fearful from retirement by a survey in 1982 than men.¹¹⁸

Studies conducted by the SZBT in Budapest found that the financial well being of pensioners was closely tied to the possibility of work or family conditions. Those recently retired couples, where both members had full pensions were in a good financial situation. People having retired long time before with the prospect to supplement their income by work or by family support were found to be satisfactory with regard to finances. But those with low pensions, either because they were only qualified to receive an allowance, a partial pension or simply retired a long time ago,

¹¹³ Sándor Jobb, Károly Miltényi, Elek Nagy, *A nyugdíjasok életkörülményei*, KSH Statisztikai időszaki közlemények 435 (Budapest: KSH, 1978).

¹¹⁴ *Magyarország népessége és gazdasága*, 197.

¹¹⁵ Ferencné Nyitrai, "A nyugdíjasok életkörülményei" (The living conditions of the pensioners), *Társadalmi Szemle* 37.7 (1982): 12-25.

¹¹⁶ Jobb, Miltényi, and Nagy, *A nyugdíjasok életkörülményei*.

¹¹⁷ Lilla Garzó and Istvánné Zalai, "Adatok és tények öregekről és nőkről" (Data and facts about elderly people and women), *Szakszervezeti Szemle* 5.2 (1976): 20-26.

¹¹⁸ Edit S. Molnár and Judit Pataki, "Az időskorúak problémái az állam és a család közötti munkamegosztás szempontjából" (The problem of the elderly from the perspective of the division of labor between the family and the state) *Szociálpolitikai Értesítő* 3.3 (1985): 11-25.

if living alone and without work were vulnerable, most probably in want of help.¹¹⁹ In 1977 and 1978 two surveys were carried out that concentrated particularly on the low income segment of the pensioner population in Budapest. Both focused on diverse issues, gauging the living, housing, working and family conditions of the low income pensioners.¹²⁰ The 1978 survey noted that the living conditions among the vulnerable groups were largely determined by possible ways of supplementing their pensions, most importantly the values of available welfare aids and the amount of money possible to get through work or family help. Approximately 24% of all males and 19% of all females in the surveyed population could supplement their income by work, and 10% received financial help from their families. Many of those low income pensioners were very lonely and living alone, and the latter was a factor greatly contributing to their financial problems as well. And a substantial part of them lived in sub-standard apartments without a proper bathroom.¹²¹

The housing conditions of the retired population was problematic as they were largely left out of the modernizing processes affecting profoundly the Hungarian housing market during the 1970s, and many of them still lived under deplorable housing conditions countrywide. Although, it was young couples who suffered from the shortage of housing in the first place, the elderly were clearly disadvantaged with regard to comfort facilities. In 1980, when 50% of all inhabited apartments were properly equipped with all public utilities, cold and warm running water, bathroom, and kitchen, only 30% of the apartments inhabited by the elderly had the same

¹¹⁹ “Tájékoztató jelentés az SZBT Elnökség 1968-as nyugdíjasokra vonatkozó határozata végrehajtásának tapasztalatairól”

¹²⁰ The 1977 survey consisted of 52 questions that not only dwelled on the housing conditions of the recipients, but contained a sizable block about working opportunities, living and family conditions, party membership, union membership and finally Marxist-Leninist schooling. PIL XII, fond 14, állag 9, ö. e. 75, pp. 98-105 and “Beszámoló a fővárosban élő, alacsony összegű nyugellátásban, járadékban valamint tanácsi rendszeres szociális segélyben részesülők körében végzett felmérés tapasztalatairól.”

¹²¹ “Beszámoló a fővárosban élő, alacsony összegű nyugellátásban, járadékban valamint tanácsi rendszeres szociális segélyben részesülők körében végzett felmérés tapasztalatairól.”

characteristics. They were also more likely to inhabit substandard apartments, if they were living in the countryside, where 85% of the apartments inhabited by them lacked one of the above listed amenities.¹²²

Their relatively good position with regard to the availability of housing served the low income and lonely elderly to buy financial support or care for themselves. In return for the inheritance of the apartment, or the inheritance of the tenant right, typically young couples, who did not necessarily reside there, provided financial or actual help, or both. It was approximated in 1970 that among the eldest people – above 80 years old – 8 or 10% were using their apartments to buy some help. They were not only poor, but usually childless as well.¹²³ Ten years later the situation only worsened, especially that by then the large scale housing construction programs, typical of the late 1960s and the 1970s, were coming to the end. The state sponsored large scale housing construction was step-by-step turned into subsidizing the building of individual homes and the constructions financed by housing cooperatives or the largest bank, OTP.¹²⁴ In 1981 the daily newspaper *Magyar Hírlap* printed a report pointing out that the lack of apartments and the low pension levels for a substantial amount of the retirees strengthened the “housing for care” market, creating a very controversial situation full of disputes and widespread abuses.¹²⁵

The use of apartments as pension supplements highlights the problem that despite all the efforts, and the general growth of pension levels, decision makers were incapable to raise a substantial portion of pensioners above poverty level. All in all, the changes of the two decades that resulted in the significant growth of the average

¹²² Kepecs, “Az időskorú népesség problémái”.

¹²³ László Cseh-Szombathy, “Adatok Mo. legidősebb lakóiról” (Data on the Eldest Citizens of Hungary), *Élet és Tudomány*, December 2, 1977, 1525-1527.

¹²⁴ József Hegedüs and Iván Tosics, “A közép-kelet-európai lakásrendszerek átalakulása” (The transformation of the East-Central European Housing Systems), *Szociológiai Szemle* 8.2 (1998): 5-31.

¹²⁵ “Eladott gondoskodás” (Care for Sale), *Magyar Hírlap*, December 10, 1981, 5. *Magyar Hírlap* was established in 1968 as the newspaper of the Council of Ministers (i.e. the government).

pension value still had a lot of unresolved problems. For once, the loss of value for higher pension was problematic. Second, despite all the efforts to raise the small pensions, the low income segment of the pensioner population had remained stable, reproduced again and again. However, there was a lot of attention paid to pensioners in general, and many low income pensioners in particular were helped enough by authorities just to make ends meet. Both the general pension indexing and the particular focus on the low income pensioners have helped to cement in the widespread conviction among the population that pensioners were taken care of by the state. In a 1982 survey, which was carried out on a relatively big sample of a 1000 people, researchers were trying to uncover what type of prejudices existed against the elderly. As part of this, they asked respondents to rate the hardships of the different ages. Surprisingly, people in the sample found both the period of household formation and the middle-age more demanding than retirement. And among the specific hardships elderly had to face, low income was named only third, with both loneliness and deteriorating health preceding it.¹²⁶ Such a finding could be regarded as a particular type of triumph of the socialist pension policy in Hungary: despite the financial difficulties the state was perceived of as managing to provide generally enough for everyone. The vast majority of people felt that it was not necessary to think ahead for the time in retirement as it was mainly the task of the state to financially look after the people not working anymore. Recalling her working years and her retirement history, an elderly lady living in Budapest summarized in the following way in 2009 what retirement meant in the second half of the socialist period in Hungary: “Why? They will take care of that – that is what I said to my grandmother

¹²⁶ S. Molnár and Pataki, “Az időskorúak problémái az állam és a család közötti munkamegosztás szempontjából.”

when she asked [why I did not prepare myself for retirement at all]. It never occurred to me that one day I won't be able to make ends meet as a pensioner."¹²⁷

3.4. Pension and work

Just as pension became an important sociopolitical tool to ensure decent living in retirement, pension policies also started to reflect labor supply considerations. As the economy struggled with a continuous lack of manpower and there were no more potential reserves available to boost the workforce, the elderly population was increasingly looked upon as potentially important pool of people capable of filling the vacant positions.¹²⁸ By the mid-1960s there was a particular shortage of skilled workers that contributed to the high number of unfilled jobs. And there were specific professions where the lack of experienced or skilled professionals endangered proper functioning. In the case of the health care system, for example, the lack of a sufficient number of nurses prompted their union to ask for the employment of pensioners in 1964.¹²⁹ In late 1971 an analysis written by SZOT projected that from 1973 the Hungarian workforce would begin to stagnate and the number of young people entering it would slowly begin to diminish. Whereas previously the continuous growth of industrial workforce was fueled by people leaving the countryside and women

¹²⁷ The interview was conducted in the summer of 2009 in Budapest. It was carried out in the framework of the DEMHOW (Demographic Change and Housing Wealth) project, financed by the European Union. This specific interview I made together with Eszter Somogyi. All the others were done in cooperation with József Hegedüs and Enikő Kis Molnár. For details about the research project and publications see <http://www.birmingham.ac.uk/research/activity/social-policy/chasm/projects/demhow.aspx> (last accessed: November 29, 2012).

¹²⁸ Excess demand for labour was a typical characteristic of socialist economies, where even during a period of economic decline there was always a huge amount of unfilled vacancies. In the early 1980s, for example, the state-owned dry cleaning company Patyolat threatened to cut its services as a result of the lack of workforce. Károly Fazekas and János Köllő, "Fluctuations of Labour Shortage and State Intervention after 1968," in *Labour Market and Second Economy in Hungary*, ed. Peter Galasi and György Sziráczi (Frankfurt and New York: Campus Verlag, 1985), 55.

¹²⁹ In keeping with the contemporary regulations, the union plan offered to employ one person for only 10 day a month. "Beszámoló az egészségügyben dolgozó nők néhány problémájáról" (Briefing on some problems of women working in health care), 1964. MOL M-KS, fond 288, csoport 22, ö. e. 11.

entering the world of wage labor, this time a more rational use of the working capacities of the elderly was deemed to be necessary.¹³⁰

Individual strategies combined with enterprise strategies had brought about that, despite the dire need for more labor, only a strongly diminishing number of pension-aged people remained fully employed and postponed retirement.¹³¹ The growing pension levels made many people uninterested in continuing to work full time and postponing retirement for long, since working next to receiving pension was financially far more rewarding than staying at their original workplaces. And although it was a solution to the problem of labor supply, the phenomenon presented the authorities with a dilemma. On the one hand, the growing pension expenditures would increasingly become too costly for the state budget, especially because pension levels began to be raised to meet a minimum standard for everyone. This cost sensitivity pushed authorities to regulate work in retirement rather strictly, trying to make sure that few people would receive pensions and wages at the same time. On the other hand, authorities needed pensioners to be employed in a more flexible and more labor intensive way than allowed by the restrictions.

Furthermore, low income pensioners were increasingly targeted not only as potential clients of the welfare system but as potential employees who were offered a chance to work in retirement. It was assumed that work was the only way they could supplement their pension.¹³² By the 1970s the idea that work was a significant tool

¹³⁰ “A nyugdíjkorhatárt elért dolgozók foglalkoztatása, valamint a nyugdíj-és a nyugdíjfolyósítási rendszer módosítása” (The employment of workers above the retirement age, as well as the modification of the pension system and the system of pension payment). Document prepared by the Department of Social Security of SZOT in December 1971. PIL XII, fond 14, állag 9, ö. e. 74, pp. 120-132.

¹³¹ On the topic see Baranyai, *Időskoriak, nyugdíjasok 1960-1990*, 16-17.

¹³² “Előterjesztés a Politikai Bizottság részére a nyugdíjkorhatárt elért dolgozók és nyugdíjasok racionális foglalkoztatására” (Draft for the MSZMP PB about the rational employment of laborers and pensioners above the retirement age), prepared by the Ministry of Labor and the State Economic Department of the MSZMP KB on September 14, 1971, and accepted by the MSZMP PB on September 21, 1971. MOL M-KS, fond 288, csoport 5, ö. e. 564, pp. 28-32.

ensuring the financial well being of low-income pensioners was quite widespread. Not only did it appear in proposals written for the Political Committee, but also in SZOT's approved publications.¹³³ And union leaders were also quick to point out the other merits of working, namely keeping pensioners among other people and preventing them from feeling isolated.¹³⁴ The present subchapter explores how regulating work in retirement evolved and what were the main economic and political motivations behind the decisions. First it looks at how working beyond the official retirement age was regulated over the decades. Then it analyzes how the strategies followed by specific types of actors contributed to the growing importance of work in retirement. Then it explores the dimensions of pensioner work in terms of its overall size and the professional, territorial, age, and gender divisions of the pensioner population. And, finally, it examines the growing number of disability pensions as a process closely related to the expansion of doing legally paid work in retirement.

3.4.1. The changing regulations of working beyond the retirement age

Working beyond the official retirement age was viewed and regulated as two separate activities during socialism. On the one hand, officials hoped that instead of retiring at the official retirement age, people would choose to work longer for receiving higher pensions later on. On the other hand, working next to receiving pension was allowed, an even encouraged at various times during socialism.

The policies regarding working in retirement were changing periodically, reflecting the contemporary budgetary and labor supply concerns. The pension law of 1951 still allowed unrestricted work in retirement, but later legislations, starting from

¹³³ Garzó and Zalai, "Adatok és tények öregekről és nőkről."

¹³⁴ Interview with István Bartos, the head of the Social Security Head Directorate of SZOT (SZOT Társadalombiztosítási Főigazgatóság) in Zsuzsa Pongrácz, *A harmadik kor* (The Third Age) (Budapest: Kossuth Kiadó, 1976), 15-16.

1954, introduced limits. After 1954 work was maximized at 6 days a month while receiving full pension, and between 6 and 14 days in while receiving half a pension. Working in retirement was again regulated with a relative leniency from 1958 onwards.¹³⁵ In that year the new regulation introduced a 500-forint per month limit, thus it opened the possibility of earning a substantial amount of money compared to the pension and wage values of the times. In 1958 the average pension value of 393 forints a month was considerably less than the new earning limit, and the 500 forints were almost one third of the average income of an actively working person.¹³⁶

Minor changes happened over the next decade with regard to regulating pensioner work. By the early 1960s there appeared a limited number of cases where the normal restriction of earnings maximized at 500 forints per month for a pensioner did not apply. Doctors were exempt, allowing them to work full time after retirement and still receive one third of their pensions.¹³⁷ And there was also the option to be individually exempted from the restrictions.¹³⁸ In a further step towards growing flexibility, the maximum of monthly 500 forints was changed to an annual 6000 forints. Despite the fact that it left the complete sum untouched – which by then was worth considerably less than in 1958 – it allowed more flexibility in timing the work, which was important in seasonal professions. And by the early 1970s those living from widow's pensions, pensioners doing physical work at cooperatives, and retired

¹³⁵ About the regulations in the 1950s see *A nyugdíjtörvény ismertetése* (Overview of the pension law) (Budapest: Népszava, n.d.); Dr. Géza Abonyi (ed.), *Kérdések a nyugdíjtörvény köréből: A IX. konferencia vitaanyaga* (Questions related to the pension law: Position papers of the 9th conference) (Budapest: Magyar Jogászok Szövetségének Oktatási Osztálya, 1955); *A nyugdíj szabályai: Társadalombiztosítási kézikönyv szakszervezeti aktivisták részére* (The rules of pension: A social security handbook for union activists) (Budapest: SZOT Társadalombiztosítási Főosztálya, 1959).

¹³⁶ *Magyarország népessége és gazdasága*, 197.

¹³⁷ Doctors working past their official retirement age, but giving up the partial pension they would have been still entitled too, could ask for the recalculation of their pensions after three years. “Előterjesztés a Politikai Bizottsághoz a nyugdíjszabályok módosítására,” (Draft for the MSZMP PB about the modification of pension regulations), prepared by the State Economic Department of the MSZMP KB on September 5, 1964, and discussed by the MSZMP PB on September 22, 1964. MOL M-KS, fond 288, csoport 5, ö. e. 344, p. 128.

¹³⁸ *Ibid.*, pp. 124-129.

artisans offering services and repairs could already hold full jobs, exceeding the annual 6000 forints limit.

Starting from 1972 working in retirement was quite fundamentally reregulated.¹³⁹ The new legislation was passed with the aim to create a long term solution to the problem that by now was defined both in terms of labor supply and social justice:

An arrangement more appropriate than the present one for employing those above the retirement age is justified by the mitigation of the prevailing and expectable tensions in the manpower situation, on the one hand, and by the needs arising from the social situation of certain pensioner strata, on the other.¹⁴⁰

Under the new regulatory framework, in vigor from January 1972, working in vocations suffering from chronic labor shortage was favored, and low-income pensioners had little restrictions in providing for themselves through work. The changes brought about had little effect on pensioners working in cooperatives, as they had already fallen under a much more flexible regulation. The new regulations for workers and employees terminated the former practice of maximizing work through the amount of money earned, and switched instead to maximizing it through the amount of time spent working. On a general level, it allowed everyone to work 840 hours a year, which equaled four months of full-time work. However, there were a number of professions where working was allowed to be as much as 1260 hours. The latter case meant that next to receiving pension one could still hold a part-time job. These vocations included teachers, kindergarten teachers, nurses, people working in health and social care, in pharmacies, and in various cultural institutions, as well as the employees of seasonally operating facilities like holiday homes or hotels. Further

¹³⁹ For the details of the regulation, see “A nyugdíjkorhatárt elért dolgozók foglalkoztatása, valamint a nyugdíj-és a nyugdíjfolyósítási rendszer módosítása,” pp. 126-127; and “Előterjesztés a Politikai Bizottság részére a nyugdíjkorhatárt elért dolgozók és nyugdíjasok racionális foglalkoztatására,” p. 39.

¹⁴⁰ “Előterjesztés a Politikai Bizottság részére a nyugdíjkorhatárt elért dolgozók és nyugdíjasok racionális foglalkoztatására,” p. 39.

concessions were given to essential but chronically underpaid professions, like cleaners and heaters working in health care, social care or child care institutions: no restrictions applied to them in working hours. Similarly, blind pensioners and people with a pension worth of 700 forints or less could work unrestricted.¹⁴¹

A novelty introduced by the new legislation was the system of pension bonuses received for every year worked past the retirement age. Physical workers, people working in the industry or ensuring the appropriate provision of the population received an annual 7% supplement, while people doing intellectual work received 3%.¹⁴² Decision makers hoped that many people would make use of the bonuses and thus postpone their retirement. They wanted to create a situation where people found it financially rewarding to stay four or five years more in their jobs.¹⁴³ This would have lowered the pension expenditures despite the bonuses and filled in job vacancies at the same time.¹⁴⁴

This general reform of pensioner work took place after a relatively long waiting period.¹⁴⁵ The work started already in 1964, following a resolution that was issued by the MSZMP PB on February 18 of the same year. Entitled “The Situation and Management of Work Force” (*Munkaerőhelyzet és Munkaerő Gazdálkodás*), the

¹⁴¹ As early as 1973 the minimal pension level that allowed unrestricted work was raised from 700 forint per month to 800 forints. György Illés, “Nyugdíjasok életszínvonala és foglalkoztatása” (The living standard and employment of pensioners), *Szakszervezeti Szemle* 3.1 (1974): 109-114.

¹⁴² “A nyugdíjkorhatárt elért dolgozók foglalkoztatása, valamint a nyugdíj-és a nyugdíjfolyósítási rendszer módosítása,” pp. 120-132.

¹⁴³ “Előterjesztés a Politikai Bizottság részére a nyugdíjkorhatárt elért dolgozók és nyugdíjasok racionális foglalkoztatására,” p. 39.

¹⁴⁴ Raising the official retirement age would have had the same affect, but this was politically inconceivable. Not only was Kádár vehemently against it when it was suggested as a possible solution during the discussion of the pension reform of 1975 in the MSZMP PB, but the trends themselves went in the opposite direction. It was precisely the reform of 1975 that decided to lower the official retirement age for cooperative members, hoping both to achieve political stability and people staying in the countryside. Minutes of the MSZMP PB meeting of April 9, 1974 regarding “Előterjesztés a társadalombiztosítási jogszabályok egységesítésére, egyszerűsítésére és továbbfejlesztésének irányára,” pp. 106-118.

¹⁴⁵ “Előterjesztés a Politikai Bizottság részére. Tárgy: A nyugdíj-jogosultágot elért dolgozók további munkában tartásának, illetve a nyugdíjasok munkába vonásának ösztönzése” (Draft for the MSZMP PB. Subject: Incentives for keeping laborers above the retirement age in work and attracting pensioners to work). PIL XII, fond 2, állag 16, ö. e. 1, pp. 117-126. File from 1964.

document called for taking a new direction at the organization of work in retirement.¹⁴⁶ The Ministry of Labor, SZOT, and the State Economic Department of the MSZMP KB were all involved in preparing the proposal which was discussed at the MSZMP PB meeting on September 22, 1964.

Although the details of the proposal differed from the 1972 regulations, it also took a comprehensive approach, arguing both for the introduction of pension supplements and the partial reintegration of the already retired population in the world of wage labor. It stressed that

it is important for both the society and the individual that those laborers who have acquired eligibility for pension but are still able to work be interested in further employment, as well as that the labor force of the already retired laborers – on the basis of the actual need of manpower – could be utilized to an extent greater than the present one.¹⁴⁷

And similarly to the 1972 regulations, it was emphasized that the reform should prefer people postponing retirement and staying at their workplaces.¹⁴⁸ The goal was to keep people at their workplaces for two to five years after the official retirement age.¹⁴⁹ This plan actually elicited some anger from inside the apparatus of SZOT, who were afraid that the introduction of such bonuses would create greater differences among pensioners and further complicate the pension system. It was not only György Illés, the head of the Statistics Department at SZOT, who voiced his concern about the social injustices involved, but another employee of the department, Ferenc Molnár, as well. In a rather emotional letter addressed to the leaders of SZOT, the latter said that

¹⁴⁶ “Előterjesztés a Politikai Bizottsághoz a nyugdíjszabályok módosítására,” pp. 124-129.

¹⁴⁷ “Előterjesztés a Politikai Bizottság részére. Tárgy: A nyugdíj-jogosultágot elért dolgozók további munkában tartásának, illetve a nyugdíjasok munkába vonásának ösztönzése,” p. 117.

¹⁴⁸ The proposal hoped that by staying at the original workplace the likeliness of really productive work was higher. “Előterjesztés a Politikai Bizottsághoz a nyugdíjszabályok módosítására,” pp. 124-125.

¹⁴⁹ The first year meant 4% plus, the second 6% and the third 8% plus. The rates stopped increasing afterwards. The reimbursement rate achievable with supplements was maximized at 90%, which presented a sharp increase from the 71% available otherwise to employees and workers. “Előterjesztés a Politikai Bizottság részére. Tárgy: A nyugdíj-jogosultágot elért dolgozók további munkában tartásának, illetve a nyugdíjasok munkába vonásának ösztönzése,” pp. 117-126.

[t]here are almost unbearable differences in the pension provisions of people working in the same line. [...] In my opinion, there is need of keeping the elderly in work [though] not with the methods recommended by the Ministry of Labor but with notification, propaganda, [and] instructions to the enterprises not to send away people above the retirement age.¹⁵⁰

The proposal also suggested changes to how working next to retirement was regulated. It argued for a more flexible regulation of pensioner employment, by allowing working half-time in retirement and still receiving a fraction of one's pension, in order to make working more attractive.¹⁵¹

3.4.2. Working in retirement or postponement of retirement

The decision makers' wish to channel people towards the postponement of retirement was going against the actual trend which saw the employees postponing retirement drop in numbers. Between 1963 and 1972, for example, their number decreased by approximately 40%, from 264 000 to 159 000.¹⁵² And the new legislation of 1972 could not really change this trend.

Only a year after its introduction, in 1973, SZOT reviewed the effects of the legislation and concluded that it did not fulfill the expectations. They found that people taking advantage of the new regulation would have continued to work anyway, as they were usually those who were likely to get very low pensions. Women outnumbered men a little bit among them, providing 54% of those who chose the future pension supplements and remained in work in 1972. A closer look at two

¹⁵⁰ "Feljegyzés Somogyi, Brutyó és Gál elvtársak számára a Munkaügyi Minisztérium nyugdíj tervezetével kapcsolatban" (Draft for comrades Somogyi, Brutyó, and Gál concerning the pension plan of the Ministry of Labor), July 22, 1964. PIL XII, fond 2, állag 16, ö. e. 2, pp. 71 and 73.

¹⁵¹ Up until pensions worth 1000 forints the fraction meant 70% of the pension, between 1000 and 1500 forints 65% of the pension could be kept, and every pension above this sum was to be reduced to 60% if it was received next to a half-time job. "Előterjesztés a Politikai Bizottság részére. Tárgy: A nyugdíj-jogosultágot elért dolgozók további munkában tartásának, illetve a nyugdíjasok munkába vonásának ösztönzése," pp. 117-126.

¹⁵² "A nyugdíjkorhatárt elért dolgozók foglalkoztatása, valamint a nyugdíj-és a nyugdíjfolyósítási rendszer módosítása," pp. 120-132. The value of the supplement was scaled a little bit down from the original plans, when 8% and 4% were planned. "Előterjesztés a Politikai Bizottság részére a nyugdíjkorhatárt elért dolgozók és nyugdíjasok racionális foglalkoztatására," p. 39.

enterprises also pointed out that physical workers choosing this option would have qualified only for partial pensions otherwise.¹⁵³

Later evaluations concluded that the regulation was nevertheless moderately effective. They reckoned that the continuation of work with the help of the pension supplement program fulfilled real labor needs, but it was not effective enough in deterring people from choosing retirement and part-time work instead. A report prepared by the Ministry of Labor for the Department of Economic Policy of the MSZMP KB in 1979 concluded that people using this option usually retired approximately 3 years after their official retirement age, but they made up only 20% of all retirees. The report also estimated that while 400 000 pensioners worked next to receiving pension, only 50 000 active workers had postponed their retirement in hope of pension supplements.¹⁵⁴

A study written by SZOT in the same year suggested introducing further incentives in order to keep people away from retirement, which could be interpreted as a sign of dissatisfaction with the existing ones.¹⁵⁵ Similarly, on April 15, 1980, at a meeting of the Political Committee it was brought up again that new measures should be prepared to motivate the postponement of retirement in areas crucial to the economy.¹⁵⁶ In November 1980 the MSZMP PB decided that the pension supplement should be abolished in certain positions, like that of a minister, deputy minister and

¹⁵³ “Az ösztönző nyugdíjpótlék bevezetésével és a nyugdíjasok foglalkoztatásával kapcsolatos 1972 január 1-vel életbe lépett rendelkezések tapasztalatairól” (On the experiences following the decisions having come in force on January 1, 1972, concerning the introduction of the incentive pension supplement and the employment of pensioners), April 2, 1973. PIL XII, fond 14, állag 9, ö. e. 74, pp. 137-140.

¹⁵⁴ “Előterjesztés a KB Gazdaságpolitikai bizottságához a nyugdíjrendszer néhány időszerű kérdésének megoldására” (Draft for the MSZMP KB Committee on Economic Policy about the solution of some timely problems of the pension system), prepared by the Ministry of Labor in the fall of 1980. PIL XII, fond 2, állag 16, ö. e. 11, pp. 16-17.

¹⁵⁵ “Az öregségi nyugdíjra jogosító korhatár kérdései” (Problems of the age barrier in old age pension entitlement), PIL XII, fond 2, állag 16, ö. e. 10.

¹⁵⁶ “Jegyzőkönyv a Politikai Bizottság 1980. április 15-én megtartott üléséről” (Minutes of the MSZMP PB meeting on April 15, 1980), MOL M-KS, fond 288, csoport 5, ö. e. 798, p. 5.

under-secretary.¹⁵⁷ From 1981 the use of supplements was restricted to physical workers only.¹⁵⁸

The steady growth of the number of people choosing to work while in retirement was in many ways the result of the separate but interdependent strategies followed by politicians, individuals and the unions, which enhanced each other's effect. Politicians were concerned with the overall lack of workforce in certain professions and the financial wellbeing of the pensioner population.¹⁵⁹ Allowing pensioners to work offered a solution to both problems. For the individuals the growing pension levels presented a strong pull factor to retire.¹⁶⁰ The possibility to work while receiving pensions made retirement even more attractive for some. A large number of people continued to work next to receiving pension, and they usually did part-time jobs, either within the legal framework or illegally, using the loopholes presented by the growing second economy. Either the one or the other, it was usually more rewarding financially than simply postponing retirement. Interestingly, and in connection with the distribution of vacancies, the overwhelming majority of those working in retirement had jobs requiring physical work.¹⁶¹

¹⁵⁷ "Javaslat a Politikai Bizottságnak a nyugdíjrendszer néhány kérdésének megoldására" (Proposal to the MSZMP PB for the solution of certain problems of the pension system), prepared by the Department of Economic Policy of the MSZMP KB and the Ministry of Labor on November 3, 1980. MOL M-KS, fond 288, csoport 5, ö. e. 813, pp. 75-76.

¹⁵⁸ *A lakosság jövedelme, társadalombiztosítás, családpolitika*, 69-82.

¹⁵⁹ "Előterjesztés a Politikai Bizottság részére a nyugdíjkorhatárt elért dolgozók és nyugdíjasok racionális foglalkoztatására," pp. 28-32

¹⁶⁰ Whereas pension benefits in the first half of the 1950s allowed for very few only to live in retirement without any form of work or financial help, the growing pension levels changed this dramatically. By the beginning of the 1970s people became increasingly keen to retire one or two years after the official retirement age. Retirement, as contemporary researches suggest, was especially viewed as a favorable option for physical workers who were seeking a much desired rest. Intellectuals were less likely to want to retire at the earliest possible date. László Cseh-Szombathy and Rudolf Andorka, *A budapesti nyugdíjasok helyzete és problémái* (The situation and problems of pensioners in Budapest), A KSH Népeségtudományi Kutatócsoportjának és a MTA Demográfiai Bizottságának kiadványai, 6 (Budapest: KSH, 1965).

¹⁶¹ "Előterjesztés a Politikai Bizottság részére a nyugdíjkorhatárt elért dolgozók és nyugdíjasok racionális foglalkoztatására," p. 28.

With regard to the enterprises, an efficiently working system operated by the unions within them was responsible for the widespread practice of retiring people right on time. The system was led by the pension preparation committees of the local social security councils. Established after 1963, these committees had a complex set of tasks with regard to would-be pensioners.¹⁶² These tasks were aimed, first of all, at making the transition to pension smoother, initiating the process of retirement about a year earlier than it was to happen. Employees were notified about their impending retirement, and the ensuing process involved a multitude of things. These included not only the preparation of the necessary documents, but special attention was paid to the salary/wage of the individual, often resulting in raises in order to make sure that the future pension levels be as high as possible. The process also included visiting those who have been on sick leave for an extended period of time, organizing lectures about life as a pensioner, and even holding farewell parties.¹⁶³ All these activities strengthened the norm of retirement, even if the committees were also charged with managing the process of postponing it for those who wanted to do so, because they contributed to making late retirement an exception, something that was to be applied for, almost like a favor.

3.4.3. Dimensions of pensioner work

Over the years, pensioner work became increasingly widespread. In 1970 there were 262 000 pensioners who were employed. Within the short time span of six years their

¹⁶² *Nyugdíjügyi munka az alapszervezetekben: Társadalombiztosítási kézikönyv szakszervezeti aktivistáknak* (Work related to pensions in the basic organizations: Social security handbook for union activists) (Budapest: SZOT TB Főigazgatóság and Táncsics Könyvkiadó, 1964).

¹⁶³ “Tájékoztató a munkahelyi nyugdíjelőkészítő bizottságok tevékenységét ellenőrző vizsgálat eredményéről – tervezet” (Briefing about the results of the survey controlling the activity of the pension preparation committees – draft), prepared by the Presidency of the SZBT. PIL XII, fond 14, állag 9, ö. e. 76, pp. 136-140. See also the inquiry about how the preparatory works were going on at the National Artisanal Company (*Országos Szakipari Vállalat*) in May 1983. PIL XII, fond 14, állag 9, ö. e. 76, pp. 14-16.

number grew dramatically, reaching 409 000.¹⁶⁴ They made up 22% of the whole pensioner population. Assumably, the number of those actually working was even higher, as unregistered work was a widely accepted norm. Illegal work was so widespread during the 1970s that the issue could be openly brought up in a weekly magazine, when it published a report detailing the difficulties of pensioner life and the importance of pensioner work.¹⁶⁵ By the early 1980s, approximately one third of the former workers and employees, and one quarter of former cooperative members were employed after retirement, thus constituting an important segment of the workforce.¹⁶⁶ In 1982, researchers found that many of those who have passed the age of 40 were wishing to retire as early as possible. And among the three main reasons why people longed for retirement, the possibility of earning better as a pensioner was also mentioned.¹⁶⁷ The surging inflation of the 1980s even strengthened the pensioners' willingness to continue working.¹⁶⁸

Remaining active in terms wage labor was especially vital for small income pensioners who did not reside with a still actively working family member. In the case of cooperative members, it was typically those receiving old-age allowance, who needed to work the most.¹⁶⁹ Employed pensioners could supplement their income quite substantially. In 1970, among those working legally, workers/employees earned 4980 forints a year, whereas physical workers at the cooperatives (who had no time or

¹⁶⁴ Rózsa, *Szociálpolitika Magyarországon*, 107.

¹⁶⁵ Sári Bars: "Jog a pihenésre" (The right to rest), *Élet és Irodalom*, February 3, 1973, 16.

¹⁶⁶ Nyitrai, "A nyugdíjasok életkörülményei."

¹⁶⁷ The other two reasons were being tired and wanting to enjoy the leisure of pensioner life. S. Molnár and Pataki, "Az időskorúak problémái az állam és a család közötti munkamegosztás szempontjából."

¹⁶⁸ Béla Falussy and István Harcsa, *Időmérleg: A magyar társadalom életmódjának változásai az 1977 tavaszi és az 1986 tavaszi időmérleg felvételek alapján*. (Time-budget: Changes in the lifestyle of Hungarian society on the basis of the time-budget surveys in the spring of 1977 and the spring of 1986) (Budapest: KSH, 1987), 21-26.

¹⁶⁹ Illés, "Nyugdíjasok életszínvonala és foglalkoztatása."

money limitations with regard to working in retirement) earned 6790 forints a year.¹⁷⁰ This meant that, on average, workers and employees supplemented their pension by an approximate 40% every month.¹⁷¹ The ratio of approximately doubling the income through work remained consistent for a longer period. In 1982, for example, part-time working pensioners earned 1300 forint a month in general, which was approximately half of the average pension value at the time.¹⁷²

The actively working pensioner population was divided in many respects: there were significant territorial, age and gender differences among them. With regard to retired workers and employees still active in terms of wage labor, there was a strong overrepresentation of urban areas. At the beginning of the 1970s, 71% of them were living in cities and towns. And there was a strong East-West divide as well – reflecting the strong developmental divide of the country – with Budapest and the industrial counties like Győr-Sopron and Komárom-Esztergom having the highest post-retirement employment rates, and the Eastern counties like Szabolcs-Szatmár-Bereg and Hajdú-Bihar having the lowest ones.¹⁷³ However, with the time passing and a growing rate of pensioner participation, the territorial differences were decreasing.¹⁷⁴

Age strongly determined pensioners' involvement in paid work. Not surprisingly, the younger the pensioners were, the more likely they had a job. Although the most active period was right after retirement, usually the first five years, a significant number of pensioners were still active even above 65; few of them,

¹⁷⁰ György Illés, "A nyugdíjasok foglalkoztatása 1970-ben" (The employment of pensioners in 1970), *Statisztikai Szemle*, 1. 11 (1972): 1142-1154.

¹⁷¹ It is calculated with an average pension value of 1053 forints a month in 1970. *Magyarország népessége és gazdasága*, 197.

¹⁷² *Magyarország népessége és gazdasága*, 197; and *A lakosság jövedelme, társadalombiztosítás, családpolitika* (The income of the populace, social security, family policy), *Életszínvonal* füzetek 4 (Budapest: Statisztikai Kiadó Vállalat, 1983) 69-82.

¹⁷³ Illés, "A nyugdíjasok foglalkoztatása 1970-ben."

¹⁷⁴ Falussy and Harcsa, *Időmérleg*, 21-26.

however, remained active after reaching 70.¹⁷⁵ The poorest segment of the pensioner population consisted of those elder pensioners, who not only had lower pensions, but were largely inactive.¹⁷⁶ Working assumed such a pivotal importance that by 1986 retired men under 70 worked more than four hours a day on average. Women of the same age also worked, but they were significantly less active in terms of wage labor, averaging 1 hour and 41 minutes a day.¹⁷⁷

The above data demonstrate the existence of a strong gender gap in the working habits of the retired population, with men more likely to have jobs. A time-budget survey examining the period between 1977 and 1986 found that during the escalating economic crisis of the 1980s, retired men between the ages of 60 and 69 worked more and more, while women did not increase their work share. And whereas there were still differences between the amount of work done by pensioner men in the different geographical areas and in different vocations, the work intensity of pension-aged women showed a much more homogeneous picture. The data about retired women prompted researchers to make further inquiries. In 1982 a study about pensioner life offered the realistic explanation that women were more likely to be helping out with raising their grandchildren, while men were doing paid work.¹⁷⁸ Thus women's lower activity in paid work was compensated by other activities related to traditional gender roles within the family. Some researchers at the time even thought that precisely for their stronger involvement with family issues, the transition from

¹⁷⁵ László Cseh-Szombathy, "Az öregedés szociológiai és szociálpolitikai vonatkozásai" (Social and socio-political aspects of ageing), in *Az időskorú népesség demográfiai helyzete és problémái*, ed. Barta, 85-87; Illés, "A nyugdíjasok foglalkoztatása 1970-ben." It is important to note, however, that the average life expectancy was even lower than 70 years for men at the time. In 1970 men were expected to live 67 years, while women 73. András Klinger, "Az öregedés demográfiai vonatkozásai" (Demographic aspects of ageing), in *Az időskorú népesség demográfiai helyzete és problémái*, ed. Barta, 41.

¹⁷⁶ Cseh-Szombathy, "Az öregedés szociológiai és szociálpolitikai vonatkozásai"; and Nyitrai, "A nyugdíjasok életkörülményei."

¹⁷⁷ Falussy and Harcsa, *Időmérleg*, 21-26

¹⁷⁸ Nyitrai, "A nyugdíjasok életkörülményei."

work to retirement was easier for women.¹⁷⁹ Time-budget surveys of pensioners also confirmed the hypothesis that instead of entering jobs as pensioners, women were more likely to be entrusted with different household activities. And when the growing mechanization of household work started to free more time for them, they started to watch more TV.¹⁸⁰ The general behavior of female pensioners was in accordance with the behavior of the not retired female population. The same time budget surveys found that women were less likely to participate in the second economy unless they were widowed or divorced. There was only one segment of the second economy, working on the household plots – the extension of household chores, in a sense – where women participated with the same ratio as men did.¹⁸¹

3.4.4. Disability pensions and work in retirement

At the end of the 1970s, the Ministry of Labor established an experimental bureau specializing in finding work for pensioners. The contemporary press hailed the establishment of the bureau, stressing that work was not only a financial necessity, but it was also good against the loneliness and the lack of purpose affecting many pensioners.¹⁸² The bureau proved to be an instant success, finding work during its first half year of operation for 1500 pensioners, two-thirds of whom were old age pensioners, whereas one-third were disability pensioners.¹⁸³

The high turnout of disability pensioners at the bureau was in correlation with their increasing number – a growing problem of the pension system of the times. The growth of the number of disability pensioners was a process that started to speed up in the late 1960s, and got a new impetus in the late 1980s and early 1990s. Whereas in

¹⁷⁹ Garzó and Zalai, “Adatok és tények öregekről és nőkről.”

¹⁸⁰ Falussy and Harcsa, *Időmérleg*, 21-26.

¹⁸¹ *Ibid.*

¹⁸² *Népszava*, February 21, 1981, 5.

¹⁸³ Horváth, *Két emelet boldogság*, 164-165.

the mid-1960s approximately 10 000 people retired annually on disability pension, their number went up to an annual 35 000 in the early 1970s, and to 65 000 in the early 1990s.¹⁸⁴ They made up an increasing segment of the pensioner population. In 1971 their share was already 22,7%, and a little bit more than a decade later, in 1983, it was 27,7%. By then their number was getting close to half a million. These people were not necessarily all under the official retirement age, as statistics have always kept the disability pensioner population as a whole separately, even after reaching the official retirement age. But, at least in the period between 1971 and 1983, the share of active-aged disability pensioners was always between 40% and 50% of the entire disability pensioner population, thus constituting approximately 10-15% of the entire pensioner population.¹⁸⁵ The surging share of disability pensioners contributed to the fact that, starting from 1984, the number of those in retirement always surpassed the number of the pension-aged population. By 1990 the pensioner population made up 110% of the pension-aged population. And as the economic changes unfolded, when pension was used as a tool to absorb the increasing unemployment, this share reached a staggering 130% in 1994.¹⁸⁶

In the period between the late 1960s and the end of socialism there was a set of different laws to regulate how one could become a disability pensioner. For workers and employees, both the pension law of 1958 and the social security law of 1975 created three categories of disability in terms of its seriousness. Being disabled did not necessarily mean the complete loss of working capacity; the lowest category did not require more than the loss of two thirds of working capacity, and permitted work in a

¹⁸⁴ Monostori, *Aktív korúak nyugdíjban*, 26-27.

¹⁸⁵ *A társadalombiztosítás fejlődése számokban, 1950-1985* (The development of social security in the mirror of numbers) (Budapest: Népszava Lap-és Könyvkiadó, 1987), 243-244.

¹⁸⁶ *Magyarország népessége és gazdasága*, 197.

restricted manner.¹⁸⁷ For cooperative members, however, there were only two categories of disability until 1967 – as we have already seen in the previous chapter.¹⁸⁸ From 1975 onwards, the same regulations applied to them as to workers and employees.

That the use of disability pensions was getting out of control was mentioned already during the late 1970s by various decision making bodies and researchers. The problem was systemic: on the one hand, it became too loosely regulated making too easy to retire on a disability pension.¹⁸⁹ On the other hand, there seem to have been little effort to help rehabilitation, despite the various proposals and decisions hoping to encourage it. In 1979 the department of social policy in the Ministry of Labor prepared a proposal about the possible ways of developing the pension system, and it made clear that disability pensions should be reregulated with more emphasis on rehabilitation.¹⁹⁰ Similarly, a year later, the MSZMP PB also expressed its wish to transform the system of disability pensions, and make rehabilitation and reintegration efforts stronger in the case of those who have not lost their ability to work entirely.¹⁹¹

The majority of early retirees were disability pensioners. And among those receiving disability pensions there was a clear gender divide, with men outnumbering women significantly, although the direction of change shows a slow growth of female disability pensioners. Whereas in 1970 almost three quarters of disability pensioners were men, by 1983 their ratio went down to 61%.¹⁹² The reason for the higher share of men receiving disability pensions lies in the gender division of labor: men were more likely to be employed in jobs where disability had a higher chance to occur. But they

¹⁸⁷ Law 40/1958 on the social security of workers, § 5 and Law 2/1975 on social security, § 48-50.

¹⁸⁸ Igazné Prónai, *A kötelező társadalombiztosítás kialakulása*, 147-148.

¹⁸⁹ Nyitrai, “A nyugdíjasok életkörülményei.”

¹⁹⁰ “A nyugdíjrendszer továbbfejlesztésének tézisei” (Theses for the further development of the pension system), prepared by the Department of Social Policy in the Ministry for Labor on May 24, 1979. PIL XII, fond 2, állag 16, ö. e. 10.

¹⁹¹ “Javaslat a Politikai Bizottságnak a társadalmi juttatási rendszerünk fejlesztésére,” p. 35.

¹⁹² *A társadalombiztosítás fejlődése számokban*, 243.

were also more likely to choose early retirement and hope to continue working next to receiving pension. Júlia Szalai has pointed out that many of these retirees left their place of work, but not the world of wage labor itself. In her opinion their early retirement can also be considered as a sign of how unsatisfactory working conditions had been in the first economy. Many of the disability pensioners sought work in the second economy, engaging in various professions that often necessitated strong physical activities, like construction or agricultural work.¹⁹³

The official attempt to change how disability pensions were handled was part of a larger attempt to reform the administration of retirement. With the number of retirees growing, decision makers were struggling with the problem of how to strengthen the solidaristic qualities of the system without sacrificing its sustainability and its capacity to appropriately assist the labor supply. Both party and union officials worked on reforming certain aspects of the pension system, trying to achieve a rational balance between revenues and expenditures. Their attempts can be considered the earliest signs of welfare state retrenchment that speeded up considerably after the mid-1980s and, as I have already mentioned, affected other branches of the welfare state much more profoundly than the pension system. Documents prepared for the MSZMP PB in 1980 show that while decision makers were very much concerned about the lack of value maintenance of the pensions, they were also trying to cut pension expenditures. As part of this, they tried to cut back on privileges, like the higher pension levels and earlier retirement schemes available for the members of the armed forces.¹⁹⁴ They also hoped to curtail the number of early retirements: these

¹⁹³ Júlia Szalai, "Korai kivonulás a munkahelyekről" (Early exit from the workplace) *Esély* 1.1 (1989): 24-38.

¹⁹⁴ Javaslát a Politikai Bizottságnak a nyugdíjrendszer néhány kérdésének megoldására" (Proposal to the MSZMP PB for the settlement of some problems in the pension system), prepared by the Ministry of Labor on November 3, 1980, and discussed on the MSZMP PB meeting of November 11, 1980. MOL M-KS, fond 288, csoport 5, .ö. e. 813, pp. 72-81.

were offered by certain vocations considered to be physically very demanding, or granted on an individual basis usually for those occupying a relatively important position. Furthermore, they considered the gradual raising of the minimum number of working years for pension from ten to twenty years.¹⁹⁵ It was also during the same debate that the idea of raising the retirement age of women came up but it failed to reach higher levels of decision making like the Political Committee or the government. A study written for SZOT's Group of Living Standard Policies (*Életszínvonalpolitikai Csoport*) argued that the lower official retirement age for women was merely a gift in a period when women gradually became part of the workforce.¹⁹⁶

Despite all these attempts, no major changes were done to the pension system during the 1980s. As a consequence, the population of pensioners, the number of disability pensions, and the extent of pensioner work were all on the rise until the political and economic changes of 1990, which brought about an abrupt decline of pensioner work. Although activity rates dropped for all age groups, decrease was the most dramatic among pensioners.¹⁹⁷ In 1990, 21% of those pensioners who had already passed the official retirement age were active in terms of wage labor. Only five years later, in 1995, their share fell to a mere 7%.¹⁹⁸

These figures are telling, even if the exact amount of the decrease may have been somewhat smaller as the economic restructuring also strengthened the black and grey economies, offering unregistered work for many, pensioners included. In addition, the diminishing proportion of those working in retirement was due not only

¹⁹⁵ On the proposed pension reforms, see, for example, "Javaslat a Politikai Bizottságnak a társadalmi juttatási rendszerünk fejlesztésére," pp. 28-35 and "A nyugdíjrendszer továbbfejlesztésének tézisei."

¹⁹⁶ "Az öregségi nyugdíjra jogosító korhatár kérdései."

¹⁹⁷ János Fóti and Márta Záhonyi, "Az idős népesség gazdasági aktivitása, sajátos foglalkoztatási jellemzői, valamint részvétele a mezőgazdasági termelésben" (The elderly population's economic activity, special employment characteristics and participation in agricultural production), in *Az időskorúak helyzete a 90-es években Magyarországon*, ed. Szücs Zoltán (Budapest: KSH, 2000), 32-46.

¹⁹⁸ Monostori, *Aktív korúak nyugdíjban*, 40.

to the number of pensioners losing their jobs – they were the first targets of reductions – but also to the rapid growth of the pensioner population itself. People sent to retirement usually had very limited opportunities to find work afterwards, and the growth of non-working pensioners necessarily meant a drop in ratio of the working ones.

With the political and economic changes early retirement assumed one main function: it became an escape route from unemployment, used by individuals and enterprises and encouraged by authorities. Pieter Vanhuysse calculates that at the peak of this practice, in 1994, the actual retirement age was 54 for men and 52,7 for women on average and that, during the first part of the 1990s, social policies – with pension most importantly among them – had a strategic role in maintaining the relative peacefulness of post-communist transition.¹⁹⁹ The result was what Vanhuysse calls the “Great Abnormal Pensioner Boom”. Although there were other channels opened up for redundant workers/employees middle-aged and elder, disability retirement was used for the largest part.²⁰⁰ During the 1990s, 70-80% of those retiring with disability pension were third category disability pensioners, that is they did not lose entirely their capacity to work, and theoretically could have been rehabilitated.²⁰¹ Disability pensions were especially important among men in the age group of 50-54, but there were many who were even younger.²⁰²

Thus the transition to capitalism and democracy transformed the character and significance of both pensioner work and early retirement. Pension politics was used in ways reminiscent of the strategies employed by many Western European nations,

¹⁹⁹ Vanhuysse, *Divide and Pacify*, esp. 89.

²⁰⁰ *Ibid.*, 73-94. There were two other pathways open to people unable to find work. In 1990 an early retirement scheme was introduced for those whose work was terminated and they were less than 5 years away from the official retirement age. In 1991 a further path was opened by creating a pre-retirement scheme for those who only had a maximum of three years left until retirement and had been on unemployment benefit for at least 180 days. Monostori, *Aktív korúak nyugdíjban*, 29.

²⁰¹ Monostori, *Aktív korúak nyugdíjban*, 28.

²⁰² Fóti and Záhonyi, “Az idős népesség gazdasági aktivitása.”

where, as it was observed by Júlia Szalai, it served primarily as a means to leave the labor market not just the work place.²⁰³ But whereas pensions or payments during the transition to pension provided by many Western European governments proved to be enough to support oneself, this could not be said about the Hungarian benefits. Even though the average pension value still kept on growing compared to the average income of an active earner, it was generally not enough to lead a decent life. Consequently, pensioners continued to be inclined to remain in the labor market if there was a possibility and regarded pension as a state paid allowance that had to be supplemented.

²⁰³ Szalai, “Korai kivonulás a munkahelyekről”; and Kohli et al. (eds.), *Time for Retirement*.

Conclusion

The expansion of pension provisions after the Second World War in Hungary was one of the main causes of the mass-scale emergence of retirement as a separate phase of life – that Peter Laslett called the “third age” – and increased considerably the responsibilities and expenses of the state. These two trends were apparent all over Europe, but the scale and timing differed from country to country. The Hungarian experience was determined by a variety of factors. The heritage of the interwar period and the organizational models imported – in a rather compulsory fashion – from the Soviet Union, have both played a dominant role. But the post-war development of the pension system was also embedded in a network of particular political aims and ambitions contemporary actors cherished and negotiated, and it was molded by the prevailing demographic, social and economic conditions. It is the interrelatedness and the changing relative impact of these factors that I attempted to explore in the foregoing chapters through a detailed historical reconstruction of the socialist pension system in Hungary.

On the most general level, I have argued that in discussing specific measures and in deciding about them, representatives of the socialist state (and of its many branches) tried to live up to different, often incompatible, expectations and pursued diverging, often conflicting interests. Pension was used as a tool of social engineering, as a means to transform Hungarian society according to socialist principles, but also as a source of political legitimacy. Furthermore, economic and labor supply concerns, just as well as considerations about social justice and the general welfare of the pensioner population were also taken into account. Addressing these manifold

objectives and trying to integrate them shaped profoundly the evolution of the pension system.

Nevertheless, the relative weight and importance of specific considerations varied over time. When the foundations of the socialist pension system were laid down in the early 1950s, economic considerations were preponderant: not only was the increase of pension values tied to the increase of production, but the entire pension system was conceived to encourage people to remain employed. Similarly, ideological considerations played a crucial role to the point that pension entitlements were seriously curbed for those considered politically antagonistic. The framework of the newly established pension system was copied completely from the Soviet example, making sure that the advantages civil servants had enjoyed in the pre-war period were completely annulled in order to create a system based on equality.

A shift of priorities came soon after Stalin's death in 1953. It was the starting point of a gradual reconsideration of the place of pensioners in economic production and the role of the state in providing for them. Paid work during retirement was limited, and pensions were increasingly conceived as the primary source of income in old-age. The state was willing to commit an increasing amount of resources to ensure the relative financial security of the pensioners.

Following the legislation of 1958 the pension system started to be based on two essentially contradictory ideas. On the one hand, the merit-based character of the pension system was profoundly strengthened, creating bigger differences according to previous earnings and the time spent working. On the other hand, through the introduction of the system of "partial pensions," which were low in value but available to those with not enough years to qualify for regular old-age pension, the legislation reinforced the idea that a core function of the pension system was to provide some

kind of financial help for everyone above a certain age. Both ideas were effective in the development of Hungary's pension system in the following years, with controversial results. In spite of the relatively big differences between pension values right after retirement, the fact that occasional pension raises targeted predominantly the older and lower pensions, made the merit-based differences quickly dwindle. At the same time, the originally low pensions, despite the raises, were still very low, hardly enabling their recipients to live decently.

The late 1950s also marked the beginning of a period when pension was increasingly used as an important means of achieving political loyalty, because in the aftermath of the revolution of 1956 the question of legitimacy became far more significant than before. Pension was gradually expanded – although with less favorable conditions – to formerly not incorporated groups, most importantly to the collectivized agrarian sector. Entering the cooperatives and giving up one's own land was compensated – among other things – by inclusion in the pension system. Social security provision was used to pay for tacit loyalty.

In the late 1960s, a new area of pension politics was inaugurated which was characterized by rapidly increasing pension levels. It was the time when questions of welfare and wellbeing started to push the financial considerations in the background, and national politics increasingly turned towards achieving social peace and maintaining political legitimacy with the help of increasing the living standard of the population. Pension values grew quite rapidly during the time. Even as welfare retrenchments became necessary in the second half of the 1980s, the pension system suffered comparatively smaller cuts than the other branches of welfare, setting out on a path which would lead Hungary to become a relatively elderly-oriented welfare

state. As a result of the increases, by the end of the socialist era pensions provided a decent income for many, especially if compared to the past.

The wish to contain pension expenditures was present in the entire socialist period, and calculations about possible contribution raises to achieve this were always available. However, even at those times when the expansion of welfare provisions was not an explicit political goal, the containment of pension expenditures was never realized. The issues of financial sustainability were, in the course of the various decision making processes, mostly relegated to the background. Decision makers were willing to sacrifice “small” things – like the value maintenance of higher pensions – but never engaged in politically dangerous transformations. For instance, theoretically the cooperative pension funds should have been self-sustaining, but this was never the case. Unwilling to risk the dissatisfaction of collectivized peasantry, decision makers rather opted for giving financial help to the fund.

Pension expenditures were one of the issues at stake in debates and regulations concerning the uniquely socialist phenomenon of having legally paid work in retirement as well. Whereas in the early 1950s it was simply inadequate labor supply that was the central issue, with the time passing the importance of sociopolitical considerations grew. Unable to provide a desired income for a large part of pensioners, even after the substantial pension raises, decision makers thought that enabling people to work after retirement could be a solution. The results were rather mixed. The institutionalization of work after retirement for a large proportion of the pensioner population helped to overcome labor shortages, and it also helped to increase pensioner income during retirement. However, it was a very costly way of assuring labor supply and relative pensioner welfare. Especially because working in retirement was not limited to pensioners in need: many high income pensioners also

had paid work Furthermore, the option of combining pension with wage labor could even encourage people to seek early retirement, which further increased pension expenditures. And these, coupled with rising pension levels, were hard to contain anyway.

As the pensioner population grew, pensioners were increasingly reckoned with by all social actors as a separate social group with its own characteristic interests. Nevertheless, a closer analysis in the dissertation has demonstrated great differences in how the individual segments of the pensioner population fared. There were big vocational differences, just as well as gender and age specific differences in income. As the pension legislations evolved, the newer ones always created more favorable conditions, giving thus an advantage to those who retired later. The latter group usually had had higher earnings in their active years as well, which also contributed to their higher pension values. Furthermore, in spite of the regular raises and the introduction of compulsory indexing from 1971, value maintenance was only achieved for the lowest income segment of the pensioner population. Agrarian pensions were also markedly lower almost in the entire period, even if the income gap was closing between them and the worker/employee pensions over time. Finally, women received markedly lower pensions, which was largely due to their usually lower earnings and the fact that many of them qualified only for partial pensions.

The growing set of pension privileges granted to the politically loyal and dedicated meant a further segmentation of pensioner society. The granting of these privileges automatically, by general principles, applied only to the members of the armed forces. Other recipients had to apply for them and their applications were evaluated in a case by case fashion. The two discernible and typical criteria of successful applications were the political past and achievements of the applicant, as

well as – in the case of those who applied through the trade unions – his or her financial situation. Thus the practice of granting pension privileges was not only a means of rewarding (or, in the case of the armed forces, ensuring) political loyalty but it was also a channel of supporting some of the low-income pensioners who were really in need.

The evolution of the Hungarian pension system cannot be understood without reference to the European context. Both the growing state responsibilities and the increasing expenses with regard to the elderly formed a visible component of welfare state development all over Europe. Nevertheless, the differences characterizing Hungary (and, to some extent, other socialist countries as well) are not to be overlooked either. These included the exact timing of the expansions, the institutional structure of the provision and the pension value. The latter two dissimilarities were more pronounced between socialist and non-socialist countries. The differences in pension value were due to the generally lower economic productivity of socialist countries and to the fact that in these countries the calculation of pensions took into consideration the heavily subsidized prices and utility costs. Institutional differences were partly due to the absence of other pillars, besides the state financed one, from pension provisions, and partly to the important role the unions played in the provision of social security until 1984. The unions' role changed significantly over time, as they increasingly defined themselves less in terms of executing of the will of the state, and more in terms of defending the interests of the populace.

Some of the differences between Hungary and the non-socialist European countries started to wane from the 1980s: the institutional differences radically diminished when the trade unions lost their role in social security, and the level of pension expenditures compared to the GDP also grew and begun to approach the

Western European levels from the 1970s onwards.¹ These convergences, however, do not imply that the everyday life or the (self-)perception of Hungarian pensioners approached those of their Western counterparts. Experiencing the “third age” as a period of freedom, dignity, and good life has remained rather the exception than the rule in Hungary.

The economic changes of the early 1990s gave a further push for the growth of the pension system by using it as a buffer against unemployment and unrest². Whereas most welfare provisions were severely cut back due to the economic distress, the pension system fared comparatively well even resulting in the fact that pensioners on average became a little bit less vulnerable compared to other low-income groups.³ Furthermore, the appearance of unemployment drastically reduced the opportunities of pensioners to work in retirement, making the boundaries between the active period of life and retirement less permeable than before.

¹ For a detailed comparison between the welfare development of Hungary and other European countries in the 20th century, see Béla Tomka, *Szociálpolitika a 20. századi Magyarországon európai perspektívában* (Social policy in 20th-century Hungary in European perspective) (Budapest: Századvég, 2003).

² About the Western European experience, see Martin Kohli et al. (eds), *Time for Retirement: Comparative Studies of Early Exit from the Labor Force* (Cambridge: Cambridge University Press, 1991). About the Hungarian experience, see Pieter Vanhuysse, *Divide and Pacify: Strategic Social Policies and Political Protests in Post-Communist Democracies* (Budapest: CEU Press, 2006).

³ Zsolt Spéder, “A nyugdíjasok anyagi jóléte – időben és összehasonlításban” (The material well-being of pensioners – in temporal and comparative perspective), in *A korfa tetején*, ed. Etelka Daróczi and Zsolt Spéder, A KSH Népeségtudományi Kutatóintézetének Kutatási Jelentései 64 (Budapest: KSH NTI, 2000), 11-23.

APPENDIX

List of and Information on Organizations Appearing in the Text*

AGITATION AND PROPAGANDA DEPARTMENT (*Agitációs és Propaganda Osztály*). It was a party organ subordinated to the MDP KV and, later, to the MSZMP KB.

CHIEF ECONOMIC COUNCIL (*Gazdasági Főtanács*). Established in November 1945, it was dissolved four years later in November, 1949. Its primary function was to oversee the reconstruction and the economic development of the country. Its head was the prime minister and it enjoyed a wide scope of authority with a decree passing capacity on governmental level.

COMMITTEES FOR SOCIAL SECURITY (*Társadalombiztosítási Bizottságok*). Conceived as a body to oversee and control the welfare administration, the committees were set up next to the local SZTK branch as part of the overall reform of social security in 1950. Their members were local union functionaries. Their tasks included supervising the social security provision, arbitrating in disputed cases and providing a forum for appeals in case social security decisions were contested.

COUNCIL OF MINISTERS (*Minisztertanács*). The government of Hungary between 1949 and 1989.

* The acronyms or full names of organizations figure in that form and language in which they typically appear in the main text.

DIRECTORATE-GENERAL OF SOCIAL SECURITY of SZOT (*SZOT Társadalombiztosítási Főigazgatóság*). It was the successor of the SZTK from 1965 onwards in the capacity of the top executive body of social security administration.

POPULAR FRONT (*Hazaftias Népfront*). Established in 1954, the Popular Front functioned as a mass movement, unifying the different organizations of the socialist regime. Its existence was supposed to symbolize the national unity of socialist Hungary. One of its most important functions was the organization of parliamentary elections, where until 1985 there was always one candidate – its own – to be elected.

KSZKBI – *Kisipari Szövetkezetek Kölcsönös Biztosító Intézete* (*Mutual Insurance Company of Artisanal Cooperatives*). Set up in 1953 and dissolved in 1964 it provided social security benefits to the members of artisanal cooperatives.

MABI – *Magánalkalmazottak Biztosító Intézete* (Insurance Company for Non-State Employees). MABI and OTI, both established in 1928, were the two major companies providing social security in pre-war Hungary. OTI provided sickness and disability insurance and pension for industrial workers, and it also provided pension for miners as well as sickness and disability insurance for non-state employees outside Budapest. MABI, on the other hand, provided pension for non-state employees in general and disability insurance for non-state employees in Budapest.

MDP – *Magyar Dolgozók Pártja* (Hungarian Workers' Party). It was created on June 12, 1948, with the unification of the MKP (*Magyar Kommunista Párt* – Hungarian Communist Party) and the SZDP (*Szociáldemokrata Párt* – Social Democratic Party).

The new party followed the organizational structure of the MKP, and despite the presence of former Social Democratic cadres in its leadership, the personal composition of the central decision making bodies was dominated by former MKP members.

MDP PB – *Politikai Bizottság* (Political Committee) of the MDP. Elected by and from its members, the Political Committee was theoretically subordinated to the MDP KV. In practice, however, the Political Committee – and, especially, its clique of stable members comprising Mátyás Rákosi, Ernő Gerő, Mihály Farkas, and József Révai – was the main decision making body of the party.

MDP KV – *Központi Vezetőség* (Central Leadership) of the MDP. It was the organ of the party – with members elected by the periodical congresses of the MDP – entrusted with its government and representation in the broadest (and largely nominal) sense. See also MDP PB.

MSZMP – *Magyar Szocialista Munkáspárt* (Hungarian Socialist Workers' Party). Founded right after the dissolution of the MDP during the revolution (on October 30, 1956), it was the ruling (and only) party in Hungary until October 6-10, 1989, when the 14th congress announced its dissolution.

MSZMP KB – *Központi Bizottság* (Central Committee) of the MSZMP. An organ of the party analogous to the MDP KV; its members were elected by the congress and it was the decision making body of the MSZMP between congresses. Nevertheless, it largely operated through the activity of the many departments and other organs to

which it delegated functions or even power, the MSZMP PB being the most important of them.

MSZMP PB – *Politikai Bizottság* (Political Committee) of the MSZMP. Although theoretically belonging to the MSZMP KB, in practice it was the Political Committee that functioned as the highest decision making forum of the party between congresses – similarly to the MDP PB. Its executive organ was the *Titkárság* (Secretariat).

NATIONAL PLANNING BUREAU (*Országos Tervhivatal*). Founded in 1947, it was a state organ entrusted with creating the (initially three-year, later five-year) economic plans of the country, breaking them down to the level of enterprises, and overseeing their execution.

ONYI – *Országos Nyugdíjintézet* (National Pension Institute). Established by the government decree no. 190/1950, it came about as a successor to the State Pension Office (*Állami Nyugdíjhivatal*) and the Central Pension Fund of State Owned Companies (*Állami Vállalatok Központi Nyugdíjpénztára*).

OTI – *Országos Társadalombiztosítási Intézet* (National Social Security Institute). See under MABI.

PEOPLE'S ECONOMIC COUNCIL (*Népgazdasági Tanács*). Between June 1949 and November 1952 the highest body of economic policy in Hungary. It was the successor of the Chief Economic Council and, after its termination, its functions were transferred to the Council of Ministers.

PRESIDENTIAL COUNCIL (*Elnöki Tanács*). Created by the Constitution of 1949, the Presidential Council exercised a very strong legislative and executive power through issuing decrees with the status of laws (*törvényerejű rendelet*). It was partly a substitute of (or complement to) the parliament (by which its members were elected), and partly the highest representative body of the People's Republic with its President (*Elnöki Tanács Elnöke*) acting as the head of the state.

STATE ECONOMIC DEPARTMENT (*Államgazdasági Osztály*) – an organ of the MDP KV. Like at other departments of the MDP KV, functionaries at the State Economic Department kept in touch, among others, with the different ministries and a few large enterprises.

SZBT – *Szakszervezetek Budapesti Tanácsa* (Budapest Secretariat of the Unions). The Budapest branch of SZOT.

SZEKI – *Szakszervezetek Elméleti Kutató Intézete* (Theoretical Research Institute of Trade Unions).

SZMT – *Szakszervezetek Megyei Tanácsa* (County Secretariat of the Unions). Local branches of SZOT in the nineteen counties of Hungary.

Social Security Councils (*Társadalombiztosítási Tanácsok*). A cornerstone of the social security system overseen by SZOT, these councils were established following 1950 in all enterprises with more than a 100 employees. They consisted of elected

volunteers, and formed part of the enterprise union branch. They were the primary bodies overseeing the enterprise-based welfare provisions, and starting from the 1960s they also became active with regard to pension provisions.

SZOT – *Szakszervezetek Országos Tanácsa* (National Council of Unions). Originally called *Szaktanács* or *Szakszervezeti Tanács* after its reestablishment following WWII, the name changed to SZOT during their 17th congress in October 1948.

SZTK – *Szakszervezeti Társadalombiztosítási Központ* (Social Security Center of Trade Unions). Established in 1950, it was the governing body of social security administration with 19 local county branches and 15 extra branch-offices.

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