Social Insurance Reform in Czechoslovakia: Background and Plans

By Max Bloch*

DEVELOPMENT OF PLANS for a unified, Nation-wide program of social insurance for Czechoslovakia and adoption of a 2-year plan for the rehabilitation of its national economy appear to pave the way for eventual long-range solution of the present difficulties besetting the social insurance program in that country. Fulfillment of the program is not in early prospect because of deep-rooted differences in the laws, customs, and economic activities of the two ethnic branches which make up this Nation and because of the present unsettled condition of the country's postwar economy, but at least a basis has been established for future action. For an adequate understanding of the present difficulties, a short review of the country's history is necessary.

A Brief History of Czechoslovakia

As may be deduced from the name of the Republic, the Czechoslovak Nation is made up of two ethnic branches—the Czechs and the Slovaks. Ethnologically, these peoples are virtually indistinguishable from each other, but because of long political separation and different sociological backgrounds the two groups now consider themselves as distinct peoples. For centuries, the Czechs maintained their political independence as the Kingdom of Bohemia, until, beginning in 1620, the country came under the rule of the Hapsburgs and was gradually absorbed into Austria, remaining a part of that country until the end of World War I. The Slovaks, on the other hand, were subject to Hungarian rule for nearly a thousand years before their liberation in 1918. Despite the fact that Austria and Hungary were ruled by the same monarchy, each of these States was autonomous and each had its own set of domestic laws. Moreover, while the Czechs in Austria developed along commercial and industrial lines, the Slovaks in agricultural Hungary were generally restricted to the status of unskilled laborers. Thus the formation of the Republic of Czechoslovakia in 1918 brought together two groups having different histories, different economies, and even different legal systems. Immediate and complete unification was impossible. Indeed, no uniform system of laws for the country as a whole has yet been achieved.

When the new Republic was formed, decentralization of authority became an important political objective of some groups. From 1925 on, however, the Government became more conservative and centralist. Under a law affecting regional jurisdiction, passed in 1927, the small district of Silesia was merged with Moravia; but the regional governments still remained feeble administrative units, practically without authority. This lack of self-determination was particularly resented by the Slovaks, who had always sought a larger measure of autonomy. After 1927 the Slovakian separatist movement gained ground steadily, and it eventually played a considerable role in the disintegration of the Republic in 1938–39.

The Munich Agreement provided for the cession of the border districts of Bohemia and Moravia (Sudetenland) to Germany. German laws and institutions were immediately introduced into these districts. The rest of the country was occupied by the Germans in March 1939, the western (Czech) areas being declared a German Protectorate and Slovakia an independent state. The Protectorate and Slovakia, however, were permitted to retain their own codes of law. Wages and prices in the Protectorate were equalized with those in Germany, but Slovakia, being then independent, was not subjected to these measures.

When the German armed forces collapsed in May 1945, the Czech Government-in-exile was on its way to Prague, where it arrived soon after the German surrender. The influence of the Government, however, was very weak in the beginning, since all power then rested with the local revolutionary committees, which were loosely organized under regional revolutionary committees. Even when centralized authority was gradually restored, it was only nominally held by the Government, actually being exercised by the URO, the central committee of trade-unions. At present, the influence of the official Government is rather strong again in the western (Czech) parts of the country, but each member of the Government has a special deputy for Slovakia, and as a result his own influence on Slovakian affairs is rather weak.

New legislation is badly needed to straighten out the chaotic legal situation now applying in all branches of government, including the field of social security. Along with the pre-1918 Austrian and Hungarian laws that are still in effect, and the pre-1939 laws of the Czechoslovak Republic, there are now also the laws instituted under the Protectorate, the valid Slovakian laws passed between 1939 and 1945, all sorts of makeshift legislation put into effect in the border districts, and the emergency decrees issued and laws passed since VE-day. Thus the task of simplification and unification of the legal code appears to be one of the most pressing problems facing the postwar Government.

Social Insurance Legislation in Czechoslovakia

Obviously, the present state of the social insurance program in Czechoslovakia reflects the unsettled history outlined above. The Austrian part of the old Dual Monarchy introduced social insurance legislation in the form of workmen's accident insurance in 1887. Sickness insurance for limited groups was introduced in 1888. Pension insurance for salaried employees was inaugurated in 1907. In Hungary a very complicated system of accident insurance for agricultural workers was introduced in 1900, and a separate accident insurance system for nonagricultural workers in general and a sickness insurance system for salaried employees and miners were established in 1907. Thus, when the Czechoslovak Government was in-

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augurated in 1918, it inherited social insurance programs which were inadequately developed and which were uncoordinated as between the western and the eastern parts of the country.

The need for a uniform and expanded social insurance system was recognized immediately. A program of subsidized voluntary unemployment insurance was instituted in 1921, under which persons entitled to benefits as members of workers' organizations were also entitled to supplementary benefits paid by the State. A miners' invalidity, old-age, and widows' and orphans' pension insurance plan was provided by law in 1922. A law providing for compulsory sickness insurance for manual workers was passed in 1924 and became effective July 1, 1926. This law also provided for workers' invalidity, old-age, and widows' and orphans' insurance. In addition, a central agency (Central Social Insurance Institute), which acted both as a pension insurance institute and as a supervisory authority for sickness insurance funds, was established for the country as a whole. A sickness insurance program for civil servants was provided for in 1925. In addition, the invalidity, old-age, and widows' and orphans' pension insurance for salaried employees was reorganized in 1929.

The special subsidized social insurance programs in effect for the staff of the State railways, all funds of which were supervised by the State Railways Department, also were broadened. Workmen's accident insurance, originally provided for these workers under the old laws of 1887 in Austria and 1907 in Hungary, was extended by decree in 1919 and by law in 1921. Compulsory sickness insurance and invalidity, old-age, and widows' and orphans' insurance also were provided for these workers in 1924 and subsequently.

All these programs apparently were working well when the Republic was divided in 1939.

When Germany occupied the border districts, a new social insurance institute (Landesversicherungsanstalt Sudetenland) was established at Teplitz-Schoenau for a part of the Sudetenland. The other parts of that territory were added to the regions covered by existing German or newly established Austrian institutes (Austria having previously been occupied by Germany). When the rest of Czechoslovakia was occupied, the existing insurance system was continued virtually unchanged under the Protectorate. The Slovaks established a new institute which administered both the system for wage workers and that for salaried employees for all of Slovakia. The sickness insurance funds in the Sudetenland were maintained, but they were operated according to German law. Insurance benefits and contributions were considerably increased in the Protectorate as a result of the equalization of wages and prices with those in Germany. No such development took place in Slovakia. The old Austrian law on sickness insurance for salaried employees was replaced by a completely new law during the Protectorate, but the new law was still different from the one pertaining to wage workers.

This was the legal situation when the Czechoslovak Government took over after the defeat of Germany. The German officials in the Sudetenland, most of them Nazis, simply fled their posts, and the social insurance institutes were deserted when the Czechs returned. In the former Protectorate, as well as in Slovakia, the institutes were fully staffed and were solvent, but the laws and regulations were no longer uniform.

Provisional Measures for Continued Operation of Social Insurance

People from the interior of Czechoslovakia now streamed back into the border districts, and there developed an immediate need for getting the social insurance institutes in those districts working again. In the field of health insurance there were too many institutes to be completely staffed; moreover, there was no necessity for maintaining the different types. It was impossible even to maintain separate institutes for wage workers and salaried employees. Uniform organizations, based on the original local sickness insurance funds, were set up and began to function both as agencies for these funds and as local agencies for sickness insurance of both wage workers and salaried employees. Consequently, it was impossible to leave their supervision to the Central Social Insurance Institute for workers, and another supervisory agency had to be created. To this end, a Presidential decree established the Association of Social Insurance Institutes, consisting of representatives of all insurance programs and located in Prague. This Association is now functioning as a supervisory authority for the social insurance agencies (sickness insurance funds) in the border regions. In the interior of the country (the former Protectorate) the existing status was maintained: the Central Institute for workers still supervises workers' sickness insurance funds, and the General Pension Institute for salaried employees supervises the corresponding sickness insurance agencies for that group. In Slovakia there is now only one central insurance institute, with one type of sickness insurance fund under its supervision.

The fact that trained insurance personnel had to be sent to the border districts was one of the reasons why health insurance funds in the former Protectorate were unified. All rural and guild health insurance funds and all the small establishment funds were dissolved, so that only local funds and a few big establishment funds are left. This simplifies matters considerably. In Slovakia there have always been only local funds.

Organizational measures were not the only ones considered after the German defeat. Plans were made for barring Germans and collaborators from social insurance benefits and for giving preferential treatment to victims of fascism; legislation to this effect was passed on March 5, 1947. It was also proposed that credit for time spent in forced labor in Germany or in German-occupied territory be given to Czech nationals on the basis of administrative ordinances.

In line with the other emergency measures being taken, the Czechoslovak Provisional National Assembly in December 1945 passed five acts increasing cash benefits under the social insurance programs and otherwise liberalizing program provisions.

Plans for Social Insurance Reform

The provisional measures described above are of a temporary nature. A far-reaching reform of social insurance has been on the program of the new Czech Government ever since the liberation of the Republic. In actual fact, however, it was the URO (central committee of trade-unions) which took first action along these lines by assembling the foremost social insurance experts of the country to prepare the first draft of a new social insurance law. This first draft provides for organization of social insurance on a new basis and also embodies certain other new basic principles. The very name of the measure—National Insurance Law—is indicative of the comprehensive nature of the legislation under consideration. Under the proposed measure, a single insurance institute for all branches of social insurance for the whole country would be established in Prague. This institute would have regional offices which would supervise the local branches for the individual districts and also adjudicate the benefits of accident and pension insurance. The national office as well as the regional and local offices would have elective governing bodies. Compulsory insurance would be extended to all workers, employees, and self-employed persons, including employers, without any limitation on size of firm. As a matter of fact, nationalization of all larger enterprises in Czechoslovakia has left no employers of large numbers of workers. No ratio of representation as between workers and employers was fixed in the proposed law. In view of the fact that wages and prices were to be fixed by the Government, the practice of splitting up contributions would be dropped, and all contributions would be paid by the employers as a part of the cost of production.

It is clear that the complete reorganization of social insurance is too large a task to be undertaken under present unstable economic conditions. Attempts are being made, therefore, to carry out partial measures, among them two upon which the interest of experts now is being focused. It was mentioned above that policies relating to wages and prices, which directly affect social insurance benefits, were different in the Czech and Slovakian parts of the country during the occupation and subsequently. A law equalizing these benefits is now being prepared. The second project is the unification of the laws pertaining to each particular insurance program, so as to make it possible to incorporate these unified programs into a comprehensive integrated insurance system to be developed at some later date. Drafts have been drawn of the law for unification of health insurance (eliminating mainly the differences between wage workers and salaried employees), and provisions setting up a unified program of miners' insurance have been enacted.

The Outlook for Social Insurance Reform

The need for a broad reform of the Czechoslovakian social insurance system which will bring about unification and extension of coverage is recognized, but it is believed that the reform can be successfully carried out only after a revival of business activity and under stabilized economic conditions. On October 28, 1946, the Government adopted a 2-year plan for rehabilitation of the country's economy. Under this plan, production will be increased to a level which will make it possible to supply the population with substantially all necessary consumer goods, either through domestic production or through international trade. With supplies of consumer goods restored to normal, there is reasonable expectation that the Nation's industry and trade can be brought back from their present low level of productivity to the prewar rate of activity. Achievement of this recovery, it is believed, will then permit the Government to proceed with the proposed revision of the country's social security system.

Social Security in Colombia, Costa Rica, the Dominican Republic, Guatemala, and Haiti

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SOCIAL INSURANCE moved forward in the Western Hemisphere through the passage of three entirely new national laws during the 6 months from October 1946 to March 1947. Guatemala enacted a measure on October 30, 1946, which provides for the gradual introduction of a comprehensive social security program to operate throughout the Republic. Colombia, by an act of December 26, 1946, made a similar provision. On March 17, 1947, the Dominican Republic adopted and put into immediate effect—as to registration and employer contributions—a law establishing old-age, invalidity, sickness, and maternity insurance. The sickness and maternity benefits will be available, and employee contributions will become payable, 6 to 9 months from the date of enactment.

In addition, Costa Rica, after 5 years of experience with its health and maternity insurance programs, adopted a regulation in December which added an entirely new system of old-age, invalidity, and survivor insurance.

Haiti's Congress is now considering a bill for compulsory health, maternity, and work accident insurance. The bill would cover virtually all employed persons, including Government workers, rural workers, and domestic employees, as well as persons in industry and commerce. The measure provides, however, for a gradual introduction of the system. Either branch of the program could be put into effect independently of the other; the groups to be covered initially would be determined according to facilities for registration, ease of collecting contributions, and prospects for providing benefits. An autonomous Social Insurance Institute (Institut d'Assurances Sociales d'Haiti—IDASH) will be formed if the bill is adopted, and the law of 1943

*Bureau of Research and Statistics, Division of Coordination Studies. The material in this report is based principally on the sources cited in the text and table and on reports from J. Ramon Solana, United States Embassy, San José, Costa Rica; Rollo P. Stovall, United States Embassy, Ciudad Trujillo, Dominican Republic; and Howard H. Bristol, Jr., United States Embassy, Port-au-Prince, Haiti.