

Market and Benchmark Insight Report for Hungary – 2021

Competitive benefit norms for mid-market employers in Hungary

Introduction

MAI CEE group was founded in Hungary in 1991, and for 30 years, has provided insurance solutions and employee benefits consulting across Eastern Europe, the Commonwealth of Independent States, and the Caucasus region. With steady growth, MAI CEE now provides insurance advice and services to the 29 countries in the region while having a physical presence in 25.

Today, MAI CEE is the leading insurance broker in the region and enjoys strong and long-lasting ties with its associate Partners. The company prides itself on delivering excellent service with the highest levels of integrity to its clients and partners.

It has specialist divisions to assist multinational businesses as brokers with specific expertise in employee benefits, construction and real estate, cyber, marine and logistics, and claims. MAI-CEE's employee benefits consulting services include:

- A separate Employee Benefits Department Personal Manager for each client
- Significant staff experience ranging from three to 20 plus years in employee benefits management
- Effective resolution of all disputed issues during the insurance period, contract follow-up support, and advocacy for clients' interests
- Complimentary review of clients' existing insurance coverage and recommendations to improve financial and medical efficiencies
- Ongoing contract review to maintain quality and ensure client satisfaction

MAI CEE is proud to be an Asinta Partner and hopes this document is of use to you.



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1. Hungarian Benefits Landscape

Employee benefits are important in Hungary because they help recruit and retain employees and shape an employers' brand. However, they vary substantially based on a company's attraction and retention goals, culture, and industry.

Three other factors influence the definition of the benefits' design:

- Industry type
- Salary level
- Location

1.1 Industry Type

Benefits vary widely according to industry type. For example, there are generous benefits in the financial, high-tech, and professional services sectors. However, in the retail and hospitality sectors, benefits are far lower.

1.2 Salary Levels

In 2020, the average gross salary in Hungary was around HUF 400,000 (USD 1,349). The monthly minimum wage is equal to HUF 167,400 (USD 564.74). Salaries increase to HUF 219,000 (USD 738.82) for positions that require at least a secondary education) as of June 2021.

1.3 Location

Employee location influences benefits provisions and salaries. Costs will be higher in Budapest and the county of Pest (around average gross salary of 470.000-500.000 HUF), and the lowest in North/South Hungary (around average gross salary of 310.000-330.000 HUF).

Both employers and employees must pay the following gross salary taxes:

- Employer – 17% (15,5% social contribution tax and 1.5% prof. training contr.)
- Employee – 33.5% (15% personal income tax and 18.5% is social security contribution tax)

2. Mandatory Benefits

2.1 Healthcare

The public medical system in Hungary is underfunded and inefficient, which consistently fails to provide quality care. Waiting times and service levels for social coverage continue to cause concern, and efforts are underway to provide more efficient private services. This includes the introduction of private or employer-paid reimbursements, services, and treatments into the state system. As a result, more and more of the population look for private medical care as an alternative. In addition, health insurance is the most valued and popular employee benefit in Hungary, and it seems that it will continue to be, along with life insurance solutions.

2.2 Pensions

Hungary's basic pension is called the First Pillar, and additional, mandatory benefits based upon differing contributions is the Second Pillar (only for existing members). The Third Pillar relates to voluntary contributions for extra benefits. Finally, the Fourth Pillar concerns contributions into specific accounts.

The normal retirement age for men and women gradually increases depending on age.

Birth Year	Retirement Age
1954	63.5
1955	64
1956	64.5
From 1957	65

Women may retire at any age with at least 40 years of qualifying insurance, including at least 32 years (30 if she raised a disabled child) of insurance in respect of a gainful activity (reduced for those who raise 5+ children by one year for each additional child raised, subject to a maximum reduction of seven years of qualifying insurance).

Pensionable salary contributions are based on the employee's salary. Effective July 1, 2020, employees/insureds contribute 10%.

The minimum pensionable salary for employer contributions is equal to the minimum wage and is based on the pensionable minimum wage.



The table below shows the range of mandatory benefits typically available to employees.

2.3 Mandatory Benefits Menu

Benefit	Comments
PENSION: Normal Retirement Benefits	<p>The criteria for standard pension benefits are based on service time (time working during insurance periods). Service time has numerous components included in its calculation for an employee, and they include:</p> <ul style="list-style-type: none"> • Amount of time spent in gainful activity • Disbursement period of child raising, childcare leave, and unemployment benefits • Periods covered by agreements concluded to acquire service time • Amount of time spent in higher education and compulsory military service <p>Calculating the pension amount</p> <p>The pension amount is calculated as a percentage of the average income (salary) as basis for pension contributions, according to a scale determined by length of service (insurance). The average salary as basis for pension is to be calculated – as a general rule – from salaries and incomes received from January 1, 1988 to the date of retirement.</p> <p>The period of income to be calculated for pension purposes is extended annually by one year, so pensions are to be progressively calculated on the basis of salaries over a whole lifetime.</p> <p>The pension for 15 years' service (insurance) time amounts to 43% of average income calculated for pension purposes. For over 15 years the ratio increases by two percentage points a year up to 25 years' service (insurance) time when reaching 63%; thereafter it increases by 1 percentage point a year up to 36 years' service time, reaching 74 % after 36 years of service; if the length of service is more than 36 years, there is an increase of 1.5 percentage point, and with more than 40 years of service the rate increases by 2 % a year. Thus, with 50 years of service, the amount of pension equals to the full amount of the average income, even though further years of service do not increase the amount of benefit.</p> <p>As of January 1 2013, those who receive old age pension and work in the public sector at the same time the disbursement of their pension shall be suspended up to the end of legal relationship of employment.</p> <p>The old age pension is payable monthly. Pensions and benefits awarded from 2012 onwards are exempt from taxes.</p>
Healthcare	<p>Benefits in Kind</p> <p>Includes cost-free healthcare services such as preventive examinations, primary healthcare, specialised inpatient care, specialized outpatient care, certain dental care, rehabilitation, the ambulance service, patient transport and accident-related benefits, drug reimbursement, reimbursement for medical aids, medical spa services, reimbursement of travel expenses and benefits granted on grounds of equity.</p> <p>Cash Benefits</p> <p>These are provided by the NEAK (National Health Insurance Fund of Hungary) include sickness benefit, prenatal allowance, childcare fee and accident-related benefits (see below details).</p>



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Short-Term Sickness

The employer provides these through paid sickness leave for the first 15 days and thereafter through health insurance, administered by the Hungarian State Treasury. All employees are covered. Employers pay the first 15 days' sick leave, equal to 70% of an employee's base salary (including the average of any salary supplements over the six months preceding the absence).

Payable from day 16 up to one year if the employee has at least one year's insurance period.

It is equal to:

- 60% of the reference salary (provisions apply where the employee has less than 180 days of qualifying insurance in the year preceding sickness), or
- 50% the reference salary where the employee has less than two years of qualifying insurance or in case of hospitalization.

Reference salary is based on the employee's salary averaged over the year preceding sickness.

It is subject to a maximum equal to two times the minimum wage for positions that do not require at least a secondary education. Also, it is provided for up to 15 days per year and payable for up to one year. It is 100% employer financed and is included within the health insurance.





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<p>Long-Term Disability</p>	<p>It is provided through health insurance, administered by the Hungarian State Treasury. All employees are covered. To qualify for rehabilitation and disability benefits the employee must have at least:</p> <ul style="list-style-type: none"> • 1,095 days of qualifying insurance within the five years preceding disability, or • 2,555 days of qualifying insurance within the 10 years preceding disability, or • 3,650 days of qualifying insurance within the 15 years preceding disability <p>In addition, the employee must:</p> <ul style="list-style-type: none"> • Be assessed with a working capacity of 60% or less • Not be gainfully employed (with average income over three consecutive months greater than 150% of the minimum wage) • Nor receiving a regular income (excluding short-term sickness benefits for non-occupational and occupational accident or disease) <p>Rehabilitation and disability benefits are equal to a percentage of the employee's salary averaged over the year preceding disability (provisions apply where the employee has less than 180 days of service within the year preceding disability), as follows:</p> <table border="1" data-bbox="349 871 1482 1377"> <thead> <tr> <th>Rehabilitation and disability benefit</th> <th>Benefit amount (% of average salary)</th> <th>Minimum benefit (% of the minimum wage)</th> <th>Maximum benefit (% of the minimum wage*)</th> </tr> </thead> <tbody> <tr> <td>Rehabilitation benefit</td> <td>35</td> <td>30</td> <td>40</td> </tr> <tr> <td>Long-term rehabilitation benefit</td> <td>45</td> <td>40</td> <td>50</td> </tr> <tr> <td>Disability benefit (rehabilitation not recommended)</td> <td>40</td> <td>30</td> <td>45</td> </tr> <tr> <td>Disability benefit (long-term rehabilitation not recommended)</td> <td>60</td> <td>45</td> <td>150</td> </tr> <tr> <td>Disability benefit (rehabilitation not possible)</td> <td>65</td> <td>50</td> <td>150</td> </tr> <tr> <td>Disability benefit (rehabilitation not possible and significant impairment)</td> <td>70</td> <td>55</td> <td>150</td> </tr> </tbody> </table> <p>Rehabilitation benefits are payable for up to three years. Disability benefits continue up to the normal retirement age (where upon the old age pension becomes payable) so long as the disability continues. Both the employer and employee's contributions cover it.</p>	Rehabilitation and disability benefit	Benefit amount (% of average salary)	Minimum benefit (% of the minimum wage)	Maximum benefit (% of the minimum wage*)	Rehabilitation benefit	35	30	40	Long-term rehabilitation benefit	45	40	50	Disability benefit (rehabilitation not recommended)	40	30	45	Disability benefit (long-term rehabilitation not recommended)	60	45	150	Disability benefit (rehabilitation not possible)	65	50	150	Disability benefit (rehabilitation not possible and significant impairment)	70	55	150
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<p>Occupational Health Examination Including Eye Exams</p>	<p>Eye exams are usually part of the occupational health examination, which is compulsory, and the type of examinations depends on the company activity.</p> <p>Vision benefits are separately defined, and customarily include lenses and glass frames which are controlled by the internal company policy.</p>																												



Holiday Pay / Legislation Leaves

Statutory paid annual leave provides for 20 days (25 days for employees under age 18, employees permanently working underground, and other prescribed conditions and employee assessed as at least 50% disabled).

Statutory paid annual leave increases with the employee's age as follows:

Age of the employee (years)	Additional statutory paid annual leave (days)
Over age 25	1
Over age 28	2
Over age 31	3
Over age 33	4
Over age 35	5
Over age 37	6
Over age 39	7
Over age 41	8
Over age 43	9
Over age 45	10

In addition, statutory paid leave increases in the following circumstances:

- Two days where the employee has one child under age 16 (four days per disabled child)
- Four days where the employee has two children under age 16 (six days per disabled child)
- A total of 7 days where the employee has more than two children under age 16 (nine days per disabled child)
- Two days in case of the death of a relative



Unpaid and Paid Time Off

Unpaid leave is provided in the following circumstances:

- Family care leave – the duration of care (subject to a maximum of 2 years) in case of caring for a relative for more than 30 days.
- Military service leave – the duration of actual reserve military service.
- While on unpaid leave the employee may receive short-term sickness benefits (see the short-term sickness section for further details) for:
 - An unlimited number of days in case of caring for an ill child under 1
 - Up to 84 days in case of caring for an ill child from age 1 to 3
 - Up to 42 days (84 days for a single parent) in the case of caring for an ill child from age 3 to 6
 - Up to 14 days (28 days for a single parent) in the case of caring for an ill child from age 6-12

Maternity Leave

Maternity benefits (known locally as pregnancy and confinement benefit) are provided through health insurance, administered by the Hungarian State Treasury (from November 1 2017). To qualify for these benefits, the employee must have at least 365 days of qualifying insurance within the two years preceding the expected childbirth.

The pregnancy and confinement benefit is equal to 70% of the employee's salary averaged over the year preceding maternity leave (provisions apply where the employee has less than 180 days of qualifying insurance within the year preceding maternity leave). This benefit is payable for 24 weeks.

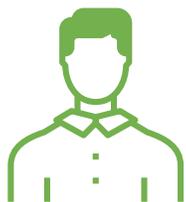
Paternity Leave

Paid paternity leave is equal to 100% of the employee's salary for five days (seven days for twins) within two months following childbirth.

Family Allowances

The health insurance administered by the Hungarian State Treasury provides family allowances. They include:

- HUF 12,200 (USD 41) per month for one child (HUF 13,700 USD 46, for a single parent)
- HUF 13,300 (USD 44) per month per child for two children (HUF 14,800, USD 50, for a single parent)
- HUF 16,000 (USD 54) per month per child for three or more children (HUF 17,000, USD 57, for a single parent)
- HUF 23,300 (USD 78) per month for a disabled child (HUF 25,900, USD 87, for a single parent).
- Child care benefit equals 70% of the employee's average salary (the maximum average salary is two times the minimum wage) and is payable from the end of maternity benefits until the child is age 2.
- Child care allowance is payable until age 3 (age 10 if disabled) or until the end of the first school year for twins.





3. Insured Benefits – Design and Typical Costs

The table below highlights the most popular insured employee benefits in Hungary and their typical levels of cover.

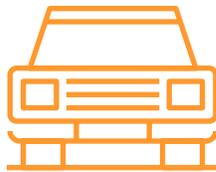
Benefit	Comment/Cost	Lower Quartiles Approach	Medium Quartile Approach	Upper Quartile Approach
Retirement	<p>Pension Insurance</p> <p>Policyholder: Corporate or the individual (20% tax refund in case of individual policy).</p> <p>Voluntary Pension Fund</p> <p>Policyholder: Corporate or the individual (20% tax refund in case of individual policy).</p> <p>Due to the taxation (in case of company policies) Pension insurance is placed by the individuals.</p> <p>Companies continued the voluntary pension fund only if they had it in previous years.</p> <p>Corporate product is taxable.</p>			
Healthcare/ Medical Insurance	<p>Companies are interested in this coverage and it is a popular employee benefit because it primarily covers outpatient services and different diagnostics.</p> <ul style="list-style-type: none"> • Prevention screening 1x annually • Out-patient services / limited or without any limitation • Overall laboratory & diagnostic tests (MR, CT, PET CT, X-ray, UH etc.) – high value diagnostics • 1-day-surgery <p>Social security is available in Hungary, but medical insurance is recommended due to the long waiting lists, long queuing, etc.</p> <p>Medical insurance is taxable.</p> <p>Cancer treatment is legally controlled and cannot be covered with local policies.</p>	Only managers are covered.	All employees are covered. Family members (spouse and children) can be also covered but at employee's expense.	All staff and dependents are covered at employer's expense.
Group Life, Accident, and Health Insurance	<p>Companies are interested in this coverage, and is a popular employee benefit element. This is a lump sum cover for accident and illness.</p> <ul style="list-style-type: none"> • Term life • Accidental death, accidental disability • Short-term disability • Critical illness • Daily hospitalization resulting from accident and illness <p>Group life, accident, and health insurance is taxable.</p>	Only senior staff are covered. Sum insured equal to 1 annual salary.	All staff are covered. Sum insured equal to 1 annual salaries.	All staff are covered. Sum insured equal to 2 annual salaries.
Wellbeing	<p>Companies provide massage, all you can move sport cards, wellness programs, and all employee wellbeing activities, but there is not tax advantage (taxed as a salary). Therefore these benefits are not so popular anymore since the benefit structure changed significantly.</p>			



4. Wider Benefit Provision

In addition to mandatory benefits, employers provide a range of perks to help recruit and retain employees. The table below highlights the most common perks in Hungary.

Benefit	Comments
Tax-Free Benefits	With no limit in value: kindergarten, nursery, virus test, epidemiological screening, vaccination Up to minimum salary per year: cultural service, sports ticket/pass (0% tax).
Company Cars	In a work environment, where employees travel on business, you may see either company cars, a car allowance, and fuel provided by the employer. Company car tax needs to be paid quarterly (depending on the car's features).
Fringe Benefits	"SZÉP" card up to a given amount (normally up to 450K HUF/year, but in 2020 and 2021 up to 800K HUF). [$\text{'}=(15\% \text{ Personal Income Tax (PIT)} + 0\% \text{ social contribution tax})=15\% \text{ tax}$]
Certain Defined Benefits	"SZÉP" card over the given amount, Gift of little value (products and services with a value not exceeding 10 percent of the minimum wage); Targeted service paid into a voluntary pension fund or health fund. [$\text{'}=(15\% \text{ PIT} + 15,5\% \text{ Soc.contr.}) * 1,18 = 35,99\% \text{ tax}$]
Taxed as Salary/Income	Cash deposit, voluntary fund membership acceptance to pension and health funds.
Work from Home	When this option is possible employee costs (like utilities) must be covered.





5. Setting Up Policies

Employers often ask us to comment on properly setting up Hungarian insurance policies and the possible restrictions that may apply.

5.1 Medical Insurance

- Definition of the plan's design – selection of covers (in-hospital, outpatient, childbirth and other secondary supplemental covers), its respective annual limits per person and eligibility
- Standard insurance modules available from several insurance companies, tailor-made plans are possible
- Paperwork
 - Employer must complete and sign the contract
 - Employees must sign the consent form
 - Employees must complete a form with their personal data
 - For larger populations, it is enough to fulfill a specific Excel sheet provided by the insurance company with the employees' data (and the one of their dependents, if applicable).

5.2 Life & Disability and Health Insurance

- Definition of the plan's design – selection of covers (death, disability, accidental death, accidental disability, critical illness, medical expenses, fractures/ burns, short term disability etc.), sum insured per person (a multiple of salary or fix lump sum for all) and eligibility
- Insuring either a fix lump sum for the group or base salary, and not bonuses or other remuneration, is the most common
- Paperwork
 - Employer must complete and sign a specific form
 - Medical questionnaire can be required, identification of the beneficiary (-ies) is recommended
 - Employee must complete and sign a specific form with their personal data and identification of their beneficiaries in case of death
 - Fulfillment of forms by employee may be waived on a case-by-case basis

5.3 Pension Plan (most of the cases – policies are bound by the individuals due to the tax refund)

- Definition of the plan's design – amount of the contribution (a percentage of salary), eligibility, vesting and tax regime
- Paperwork
 - Employer must complete and sign a specific form
 - Employee must complete and sign a specific form with their personal data and identification of their beneficiaries in case of death
 - Fulfillment of forms by employee may be waived on a case-by-case basis

5.4 Personal Accident

- Definition of the plan's design – selection of covers (accidental death, accidental disability, treatment expenses, funeral expenses, and other secondary supplemental covers), sum insured per person a multiple of salary and eligibility
- Paperwork
 - Employer must complete and sign a specific form
 - Employee must complete and sign a specific form with their personal data and identification of their beneficiaries in case of death
 - Fulfillment of forms by employee may be waived on a case-by-case basis





5. Onboarding and Policy Administration

Onboarding

In the US, great attention is given to the onboarding process and the choices employees have to make. In Hungary, there is far less emphasis on this process because – for most benefits – there is little choice and employees are automatically enrolled into policies.

For employee communication, MAI CEE supports the following to meet client needs:

- Company presentations
- Benefit communication packets
- Insurance company portals, so employees have secure access to benefit data, particularly for medical insurance

Policy Administration

As insurance brokers, MAI CEE provides full support in the course of policy conclusion and other related administration, but all in line with the broker's strictly regulated role.

MAI CEE Hungary was founded in Budapest in 1990 for the express purpose of serving multinational clients expanding into Central and Eastern Europe to provide:

- Full risk survey and risk analysis
- Risk management
- Review/audit and adaptation of existing insurance
- Determining the necessary insurance requirements
- Insurance/reinsurance placements to best conditions
- Preparation of draft policies
- Collection of quotes from insurance companies
- Insurance policy administration
- Updating and renewing policies
- Monitoring legislative changes
- Insurance reports/summaries

MAI CEE cannot provide benchmark reports, HR administrative support, legal and tax advice, or actuarial services.

Applying strict GDPR and IDD regulations MAI CEE participates actively in the claims handling process as well:

- Complete coordination, supervision of claims
- Registration of claims
- Arrange and participate in claims surveys
- Negotiation with claims adjuster/insurer

7. Adviser Remuneration

MAI CEE typically has commission built into the insurance premium and paid by the insurer according to signed agreements with each insurer, if it is not agreed otherwise.

Whenever required, MAI CEE is happy to discuss fee or commission options.

8. MAI CEE Contact



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