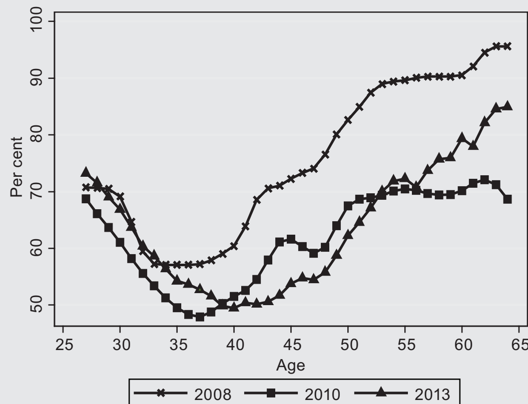
4.2.1 Doctors' pay and gratuities

JÁNOS KÖLLŐ

Official pay in the health sector is low by any standards and it even declined substantially during the crisis. As it is shown by *Figure B4.2.1* graduate professionals in the sector – predominantly doctors – were earning significantly less already in 2008, than graduates with similar education and age employed in the private sector. Similarly to other graduates in the public sector, the gap was widest at the age of 35–40 years for doctors as well – on average 43%. As a result of the abolition of the 13th month pay and other measures, the gap increased to 51 per cent in this cohort by May 2010. At the same time the (official) relative pay of the most highly paid doctors – those aged over 55 – dropped even more drastically: from 90 per cent to 70 per cent.

Figure B4.2.1: Monthly gross pay of graduates in the health care sector expressed as a percentage of monthly gross pay of graduates in the private sector, May 2008, 2010 and 2013



Source: *Wage Tariff Survey,* 2008, 2010 and 2013. Moving means by three years.

Between May 2010 and 2013 the pay of doctors aged under 40 years increased by around seven or eight percentage points, however the pay of older doctors declined even further with the exception of those near retirement. The selection bias resulting from the increased exit of low-paid older employees might have also paid a role in this. Even now, doctors aged 40 earn no more than half of what their counterparts in the private sector are paid.

A distinctive feature of the struggle of doctors and nurses for higher pay in Hungary has been its initial link to the fight against *gratuities.* Although patients across Eastern Europe and in some Southern European countries routinely pay gratuities for health care (see e.g. the paper by *Chawla, Berman and Kawiorska,* 1998 on Poland, *Delcheva, Balabanova and McKee's* 1997 on Bulgaria, *Sabirianova and Zelenska's* 2011 study on Russia, *Burak and Vian's* 2007 research on Albania and *Liaropoulos et al.* 2008 report on Greece), but as far as we know, only in the Hungarian "pay movement" the idea of replacing gratuities with higher pay was put forward in the past years. The Hungarian Resident Association started the "green cross" movement at the end of 2010. Doctors supporting the movement would have given up gratuities for a 100 per cent pay rise (they would have expressed their support to the movement by wearing a green cross badge). However, the proposal was against the interest of older doctors benefitting from gratuities and therefore, with pressure from professional bodies (Hungarian Medical Council, Hungarian Medical Association, Association of Hospitals), it was rapidly taken off the agenda of pay negotiations.

There are various obstacles to tackling gratuities. Firstly, the opposition of senior doctors should be expected because it is unlikely that official pay would be brought into line with actual pay that includes gratuities, which widely vary with age, rank and field of practice.

Secondly, replacing gratuities with pay would also have major budgetary implications: *Bognár, Gál and Kornai* (1999) estimated annual gratuity payments at 33 billion forints in the early 1990s, Szinapszis Ltd at 45 billion forints in 2008, and Patika Health Fund at 73 billion in 2009.*

* The last figure was considered exaggerated by experts of Szinapszis Ltd, see *Kiss* (2009).

Last but not least, the reluctance of tax payers should also be considered: although they would happily get rid of the burden of gratuity payments and they overwhelmingly support a major pay rise for doctors,[**] at the same time over 80 per cent of voters rejected co-payment (a small fee for medical consultations and a daily fee for hospital stays) on top of social insurance contributions to create additional funding for health care – among others, to combat gratuity payment – at a referendum in 2008. Since Fidesz – who initiated the referendum – came to government, the introduction of any general co-payment scheme is very unlikely. In the current context, demand and supply of gratuities can be reduced by additional government spending and the introduction of new taxes (such as the "hamburger tax"), or by supplementary insurance and additional fee-paying services. Obviously, the last two can only provide a solution for the better-off upper- and middle classes for whom the "obligation" of gratuity payment is a lesser burden anyway (*Szende and Culyer,* 2006). Pay agreements that set out a gradual increase of wages signed in 2012–2013 created a necessary but insufficient condition to tackle the issue of gratuity: competitive and fair pay, and a health care sector free from gratuity payment are no longer as interconnected as in the original programme of the Hungarian Resident Association.

[**] According to a survey by Szinapszis Ltd 88 per cent of the population would support the pay increase of health care workers. One third of the population would consider a 50 per cent rise fair, and 11 per cent would double pay (*Nógrádi Tóth,* 2010).

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