NOUVELLE SOCIETE HELVETIQUE.

An interesting talk on " Old Age and Survivors Insurance for Swiss in Great Britain."

On the occasion of the last " Open Meeting " of the Nouvelle Société Helvétique, which took place on Tuesday, November 18th, 1947, at the Vienna Café, Berkeley Arcade, W.1, Monsieur P. Clottu, Labour Counsellor at the Swiss Legation in London, spoke before a large gathering on " Old Age Insurance for the Swiss in Great Britain," a subject which is of great importance to Swiss living in this country.

Monsieur Clottu's excellent *exposé* was followed with rapt attention, and the discussion which followed the talk was both interesting and instructive.

After giving a short outline on the history of Insurance in general, Monsieur Clottu, continued by saying :—

The object of this talk is, to become acquainted with the *main features* of this Act and especially with those of its provisions which are of direct interest to Swiss nationals abroad. I shall also endeavour to refer here and there to the corresponding provisions of the new British legislation which is to come into force next July.

It is interesting to compare these two legislations, even in their external form. The Swiss Act has 154 paragraphs, of which no less than two-thirds relate to questions of administration and finance. The general regulations which will supplement the Act have in addition more than 200 paragraphs. The British Act, though more comprehensive, as it deals not only with old age and survivors insurance but also with unemployment, sickness and maternity, has only 80 paragraphs, of which only one quarter deal with administration and finance. These figures illustrate two entirely different types of legislative methods corresponding to different frames of mind. As you will have the opportunity of experiencing both, you will be able to judge which of the two works out best in practice.

We shall examine first the scope of the Act, that is, the persons insured, then the sources of the funds and the system of contributions, and finally the benefits.

I. INSURED PERSONS.

The Swiss as well as the British Act provides for a *general and compulsory insurance* of all men and women residing on the national territory, whether employed, self-employed or non-employed. There is an important difference here compared with the other branches of social insurance, which as a rule are compulsory only for certain categories of people. The idea underlying this general character of the scheme is that of the *solidarity* which should unite all members of the community, young and old, poor and rich, employers and employees, peasants and workers. In the same way as they were united in war-time to face external danger, they are asked to unite to face the hardships connected with old age and death. The intention is to create a national team spirit, and to this appeal the Swiss people responded fully, as the majority in favour of the Act has shown.

The spirit of solidarity which inspired the Act finds another expression in the fact that it has been made possible for *Swiss nationals residing abroad* to join in the scheme. This is, to my knowledge, with the single exception of military service and military tax, the first time where an important Act of this kind provides for Swiss nationals abroad.

In view of its general scope, the Act applies also to *foreigners residing in Switzerland*, with very few exceptions. They have to pay contributions, just the same as Swiss nationals residing in the United Kingdom will have to pay contributions to the British Scheme.

Swiss nationals residing abroad fall within two categories, according to whether or not they work for an employer who is registered in Switzerland and are paid by him.

For those who work for such an employer insurance is *compulsory*. They are considered as belonging to the staff of the Swiss employer on the same footing as their colleagues in Switzerland. This category includes, for instance, the members of the Legations and Consulates, and of the semi-official offices like the O.S.E.C., the Swiss Federal Railways, etc., also possibly newspaper correspondents, staffs of non-autonomous agencies of Swiss firms, etc. As these persons, at least in some countries like Great Britain, will have to join also the old age insurance of the country of their residence, they will, be permitted to ask for exemption from the Swiss insurance, if the double insurance proves to be too heavy a burden for them.

All other Swiss nationals residing abroad, i.e. the vast majority of them, working for an employer who is not in Switzerland, or self- or non-employed, will have the *option* to join the insurance. They are under no obligation, but can exercise a right. In order to avoid abuses, this right had, however, to be submitted to certain restrictive rules. It could not be made permissible, for instance, to join the insurance a short time before reaching the age limit and thus to draw benefits without having paid as many contributions as the persons compulsorily insured. Therefore the possibility for Swiss residing abroad to join voluntarily the insurance are determined as follows:

As a *general rule* this right is given only to those who have not completed their thirtieth year of age. They have to make an application before the end of the year in which they accomplish that age. This clause is precisely one of the safeguards to which I just referred. There are, however, *two important exceptions* to this rule.

The *first* refers to those Swiss nationals abroad who worked in Switzerland before settling down in a foreign country. When leaving Switzerland they cease to be compulsorily insured and have to make up their mind whether or not they wish to remain insured on a voluntary basis. They may do so, i.e. remain insured, whatever their age, but they will have to notify their decision within a period of six months.

The *second exception* has a transitional character and is of interest for the present generation. It would not be fair, and it was not meant, to exclude from the insurance all those at present living and who are more than thirty years of age. Therefore the Act provides that Swiss nationals abroad whose age will be, when it comes into force, between thirty and sixty-five may join, if they so desire. The only condition imposed upon them is to make an application to that effect *before the 31st of December* 1948. In exceptional circumstances a further delay may be granted in individual cases by the Federal Office for Social Insurance.

There will be no possibility to join the insurance for those who are already sixty-five years of age or more or who will reach that age limit within six months after the coming into force of the Act. If they return to Switzerland to live there, they will, however, be in the same position as any other Swiss nationals and be entitled to a special kind of benefit, to which I shall refer later on.

II. SOURCE OF FUNDS.

We have now to examine how the necessary funds for the Old Age and Survivors Insurance will be collected. Here again we shall find some analogies with the British scheme, but also some important differences.

In both schemes funds will be supplied from two sources:

1. from the contributions of the insured persons themselves and, for employed persons, also of their employers;
2. from public moneys.

1. In the British scheme there is for all insured persons a fixed scale of *contributions* set out in schedules to the Act of Parliament. These contributions cover not only the Old Age and Survivors Insurance but are lump contributions for all the risks covered by the National Insurance Act, i.e. also for unemployment, sickness and maternity insurance.

Under Swiss legislation there are fixed contributions only for the so-called *"non-employed" persons,* i.e. persons who have no professional earning. These will pay according to their means from 1 — 50 francs a month.

The contributions of *employed persons* will be equal to 2% of their salary or wage, and an identical amount will have to be paid by the employer, bringing the total contribution for such persons to 4% of their professional income.

Finally, for so-called *"self-employed" persons,* i.e. persons who have an independent activity, like farmers, professionals, etc., the contribution will also amount to 4% of their professional income. Persons who are employed but to whose employer the Act is not applicable, for instance because he is not in Switzerland and therefore not subject to Swiss legislation, will be assimilated to self-employed persons. This will apply in particular to most Swiss employed abroad, and they will therefore have to pay a contribution of 4% of their professional income.

I mentioned before that the Swiss Act is a very detailed one. Indeed nothing seems to have been forgotten, not even the surely very remote possibility that a Swiss abroad even if he is insured by his own free will, may, for one reason or another fall in arrears in the payment of his contributions. Should this happen and should he not have a valid excuse, like "Force majeure," he will, when the time comes, be debarred of his right to benefits. But there is always indulgence for a repentant sinner, and if later on he returns to Switzerland and thus becomes compulsorily insured and if then he pays all his arears, he will be reinstated in his rights.

The contributions are due from the age of 20 to that of 65.

The total sum which will thus be paid by the insured persons and the employers is expected to be on the average for the first 20 years, approximately 290,000,000 francs per year.

2. In the British scheme the contribution out of

public moneys takes two different forms: firstly, a fixed amount for each insured person, and secondly a monthly or yearly lump sum, which for the first few years is fixed in the Act and will be determined afterwards by Parliament.

In Switzerland the contribution out of public moneys is fixed for each of the first twenty years at 160,000,000 francs. It will rise to 280,000,000 francs for the 10 following years, and for subsequent years to 350,000,000 francs. Two-thirds of these sums will fall on the Confederation and one third on the Cantons. The main source of the sums due by the Confederation will be the tax on tobacco and the tax on spirits. The tax on tobacco alone, is expected to provide 85,000,000 francs a year, thus involving a slight increase in the retail prices which, for instance, will be of 5 centimes for twenty ordinary cigarettes. In addition, the Confederation will make use of the interests of a special fund which was created to that effect already in 1926 and to which more than 500,000,000 francs have been paid recently out of the funds accumulated during the war for the assistance of the families of soldiers. Thus the savings which Switzerland has been able to make owing to the fact that she was preserved from war will benefit the Old Age and Survivors' Insurance.

Most experts are satisfied that these means should secure a sound financial basis, as far as estimates can be made for the future.

III. BENEFITS.

Let us turn now to the most important question of all, that of the benefits to which insured persons will be entitled.

Under both the British and the Swiss schemes every insured person has in principle full right to benefit, but on details the two schemes vary considerably. It would lead too far to make a detailed comparison and this is probably not necessary as you have been or will be acquainted with the provisions of the British legislation by the press and numerous publications. I shall just mention the very important fact that *legally* nothing will prevent Swiss nationals in Great Britain from drawing benefits simultaneously under both legislations.

Under the Swiss Act an *old age pension* will be payable to every person aged 65 whether this person has actually retired from active life or not. If the insured person dies before reaching that age, benefits will be due to his surviving dependents in the forms of *widow's and orphan's pensions*.

The actual *amount of the Swiss pensions* will vary according to the status of the insured person and also to the amount of contributions paid. As part of the contributions are in relation to the professional income, this means that indirectly the pension will also be to a certain extent in proportion to the latter.

Roughly speaking the following types of benefits are provided for :—

1. Full Benefits.

Full pensions are due if contributions have been paid during 20 years or more. As I have already stated, they are proportionate, to a certain extent, to the amount of contributions paid, but in no way related to the private income or fortune. It is also irrelevant whether the pensioned person is still earning or not.

Just a few figures to give you an idea of the *possible pensions*: For a yearly income of 2,400 francs the pension would be 876 francs for a single person, and 1,401 francs for man and wife. It increases gradually to a maximum of 1,500 francs for a single person and 2,400 francs for man and wife in the case of a salary of 7,500 francs or more. It has been calculated that the average yearly pension will be approximately 1,300 francs for a single person and 2,100 francs for man and wife.

The *pension for a couple* is due when the man has reached the age of sixty-five and the wife the age of sixty. As long as the wife is less than sixty her husband receives the pension due to a single person.

I would like to say here a few words concerning the special position of the married woman under the Act. She enjoys a particularly generous and well-deserved treatment which, as has been said, is due, like several other features of the Swiss legislation, to the influence of the Beveridge Plan. The married woman will be entitled to benefits whether she has paid contributions or not. As long as she earns her living she has to pay contributions like any other wage earner. No contributions, however, are expected from the married woman who devotes all her time to her household and her children. The legislator has considered the married couple as a unit, taking the view that the activities of husband and wife are complementary and that without his wife looking after his household the husband would not be able to fulfil properly all his professional duties. This is why, without any extra contribution, the married couple receives a pension which is approximately 60% higher than that of a single person. If the wife has paid contributions at any time of her life, then these are added to those of her husband for the purpose of calculating the pension.

At first sight the *amount of the pensions* may seem rather low, and this naturally enough has been one of the criticisms directed against the Act. Higher pensions would, however, have entailed higher contributions. Instead of being equal to 4% of the salary the contribution would have had to be of perhaps 7% or 8%, as is the case, for instance, in the Civil Service. It may be that some categories of people, like industrial workers or commercial employees, would have been prepared to pay such higher contributions. For some others, on the other hand, like independent farmers or tradesmen, a contribution of 4% of their income is already high. In any case the pensions are not supposed to be high enough to support entirely the persons who receive them. Indeed, according to statistics, in 60% of the cases the aged will have some supplementary income. They may be still working or have some income out of private means or be in receipt of another pension from the firm which they have served. In cases of hardship there will still be assistance schemes for providing an additional allowance.

2. Survivors' Benefits.

Widows with one or more children are entitled to a certain proportion of the pension of a single person of the age of her husband at his death. The pension varies according to the age of the widow from 50% of that pension if she is below thirty years of age, to 100% if she is more than 70.

The pension for an *orphan* will be 30% of the same amount if he has lost one parent, or 45% if he has lost the two parents.

In this connection again we find one of the safeguards against possible abuses by voluntarily insured persons, to which I referred previously. If such a person joins the insurance at a higher age than that at which people living in Switzerland and born the same year were compulsorily insured, the dependents of such a person are entitled to a widow's or orphan's pension only if at the time of the death *three contributions at least* have been paid.

3. Part Benefits.

Generally speaking, these will be paid to persons who will have contributed for *at least one year but less than* 20 *years.* These persons will have again a full right to a pension whatever their private means may be. The basic pension will be 750 francs a year for a single person living in a town, but it will be increased by a supplement proportionate to the number of contributions paid. This supplement will be in the average of 25 francs per year for which contributions have been paid. For man and wife the basic pension would be 1,200 francs with an increase of 40 francs per year for which contributions have been paid.

This type of benefit may for instance apply to a person who, after having worked in Switzerland for a number of years, goes abroad and does not remain insured voluntarily. Here again we find a clause to prevent abuses. It provides that persons in that case are entitled to benefit only if they have paid contributions during at least ten years. This means that for a person who at the time of death or by reaching the age of sixty-five is not insured and has not paid *at least ten contributions,* no benefits will be due. Neither will the contributions be refunded.

4. Transitional Benefits.

These are intended for people who will already be sixty-five years of age or more when the Act comes into force, or who will reach that age in the following six months; for widows of more than forty years of age or for younger ones with children; for orphans under eighteen years of age, or under twenty if they are still apprentices or students, the ages being always counted at the coming into force of the Act or within the following six months.

These people form the *first generation of beneficiaries of the insurance.* No contributions will have been paid on their account and no income will be known on which their pension can be based. Therefore it has been found necessary and justified to introduce in this case, but in this case alone, the Means Test. The amount of the pension will be fixed by taking into account any income of fortune which the beneficiary may possess. Just to give an example: A single person with a private income not exceeding 2,000 francs a year will receive a yearly pension of 750 francs. Should the income exceed 2,000 francs a year the pension would be reduced accordingly. In these cases, the payment of a pension is really an ex-gratia payment and has more the character of assistance than real insurance. Here the new scheme will be a substitute, at least partially, for the assistance schemes existing at present. The number of persons who are likely to receive such transitional benefits is estimated to be approximately 300,000, and the cost will be towards 160,000,000 francs a year.

In view of the non-contributory character of this type of benefit, it will be *paid only to persons living in Switzerland.* Swiss nationals abroad will therefore not be entitled to it, but could claim it if they returned to Switzerland. Neither will foreigners living in Switzerland be as a rule entitled to it, unless, by way of a reciprocal arrangement, Swiss nationals residing in their home country are given a similar treatment.

IV. FURTHER QUESTIONS OF INTEREST TO THE SWISS ABROAD.

As far as the Swiss abroad are concerned the Act and the General Regulations include, as you have heard, a number of special provisions which I hope you will find adequate, but they also leave a number of very *important questions open*: the money in which contributions and benefits will be payable, the possibility of transfers, etc. I am afraid I shall have to disappoint you on these questions on which you are most interested and very naturally expect information. They have unfortunately not been settled as yet. To a certain extent the solution will depend on negotiations with other Governments. On the other hand, the Federal Council has recently decided that such problems, which concern exclusively the Swiss nationals residing in foreign countries, should be dealt with in special Regulations which are still to be drafted. This procedure, you will probably agree, seems a very wise one. The problems connected with the insurance of Swiss abroad are of a particularly delicate character and closely related to the varying conditions of the international situation. It will be more easy and appropriate to deal with them separately, and should it be necessary later on, special Regulations will also be more easily modified. This procedure, on the other hand, will enable the authorities to take into account any suggestions which may still be made on points not yet settled by the Act itself or by the General Regulations.

You may be further interested to know that the Swiss Legations and Consulates will very soon receive *preliminary instructions* as to the practical steps to be taken by them in connection with the coming into force of the Old Age and Survivors' Insurance.

Before concluding I would like to refer to a last provision which will be of great importance in *negotiations with other countries.* As is usual in the legislations on social insurance of most countries, the right to benefit of foreign nationals residing in Switzerland is related to a certain extent to the rights given to Swiss nationals under the corresponding legislation of of the foreign country concerned. Thus, unless the legislation of the foreign country gives more favourable treatment to Swiss nationals or unless there is between the two countries an agreement to the contrary, the right to benefit of a foreigner is subject to the following restrictions:

1. He must have paid contributions during at least ten years.
2. He or his survivors shall be entitled to only one-third of the normal full or part pension.
3. He or his survivors shall be entitled to such a pension only as long as they reside in Switzerland.

Similarly the British National Insurance Act provides that for the purpose of giving effect to any agreement with the Government of any foreign country providing for reciprocity, it shall be lawful for His Majesty by Order in Council to make provision for modifying or adapting this Act in its application to cases affected by the agreement.

Consequently both legislations which are of direct interest to you include provisions giving them the elasticity required for making adjustments where necessary. We may, I think, be confident that with the usual goodwill and understanding on both sides any problems which may arise will be given a satisfactory solution.