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DR. ARNOLD SAXER AT SWISS HOUSE.
21st June, 1950.

This meeting, held under the auspices of the Swiss Legation and of the Assembly of Presidents of the Swiss Societies in London, was attended by a none too numerous, but very representative, gathering of Swiss opinion in London.

Mr. F. G. Sommer, the Chairman, introduced the speaker, Dr. Arnold Sacher, Director of the Bundesamt für Sozialversicherung, Berne, and acknowledged with thanks the interest shown by our Federal Authorities in the Swiss in this country by sending so highly placed and able a representative to us.

Dr. Sacher, in an address in German of remarkable fluency and lucidity, told us that the object of his visit was two-fold :

1. To explore the possibilities of creating the fundamental conditions for a reciprocity agreement between England and Switzerland in regard to the old age and dependents insurance schemes of the two countries.
2. To meet the Swiss community in this country to discuss with them the Swiss scheme and its implications, and to hear their views.

The period of two years during which the Swiss insurance has been running is too short to allow of any final and reliable conclusions as to the soundness of this gigantic scheme, which covers 25 Cantonal and 78 industrial insurance funds. The experience to date, however, justifies the conclusion that the financial basis is sound. Technically the income during this period exceeded expenditure by one milliard francs. The investment of such a large capital sum in a market which is already extremely liquid is, of course, a problem, but should not prove insuperable as time goes on.

The annual pension payments amount to frs150 millions, and are calculated to increase year by year by frs.20/25 millions. It is estimated that the maximum annual pension payments will, in due course, reach frs.900 millions, while the total annual premiums payable by the insured amount to frs.430 millions. To put the scheme on a practical basis of stability, it was essential at the outset to create a fund which would, in time, provide the necessary interest income, which, together with the 4% premiums, would be adequate to meet the maximum outgoings. The "Umlageverfahren" which is practised in some private pension funds, whereby current outgoings are covered by current premium payments, was no sound foundation for a social insurance scheme of the magnitude of the A.H.V.. It would inevitably require the raising of the premiums to an estimated 9 or 10%, instead of the present premium of 4%. This could only result in the failure of the A.H.V. as at present envisaged.

The speaker acknowledged the contribution and suggestions received by his Department from the Swiss Colony in London and expressed his thanks to Mr. Clottu, who was present, for his valuable work as guide and intermediary between us and Berne. 21,000 Swiss abroad have joined the A.H.V., of whom 90% live in Europe, 11,765 in France, 1,345 in the British Commonwealth. As a result of the successful efforts of the Swiss Authorities it was now possible for 95% of all voluntary contributors, *i.e.*, the Swiss abroad, to transfer their premiums to Switzerland. To mitigate

the hardship otherwise caused to the Swiss living in the British Empire, Berne had agreed that their premium liability for the first two years be discharged at the pre-devaluation rate of 17.25.

Dr. Sacher then dealt with the suggestion put forward by the London Colony that English income tax be deducted from the gross income, that the 4% premium calculated on the net amount. This would be felt to be an injustice by our compatriots in Switzerland who were compulsorily insured under the scheme, while the Swiss abroad were voluntary contributors. Taxes in Switzerland had reached 25-30% in the higher income groups. These had to pay very high premiums for comparatively modest pension returns. It would not be equitable that those who had a choice in the matter of membership should also be able to benefit from a more favourable method of assessment. It was calculated that we should annually lose frs.100 millions in premiums if tax were deducted at source both here and in Switzerland, and this would undermine the financial soundness of the Swiss Social Insurance scheme.

Then followed an outline of some of the general difficulties which have to be overcome before a reciprocity agreement can be concluded, such as unification of qualifying periods, refund of premiums paid by seasonal and similar workers returning to their own country, avoidance of undesirable double insurance, etc. English reciprocity agreements do not contain the provision of refund of premiums in which young Swiss returning home after a year or so in this country are vitally interested. There are ten times more Swiss in England than English in Switzerland. These remarks were illustrated with examples from the agreements already concluded between France and Switzerland and Italy and Switzerland.

Since Dr. Sacher was ready and anxious to hear our views, Mr. Sommer threw the meeting open for discussion without further ado. This was at once initiated by W. Meier, president of the Swiss Mercantile Society. While thanking the speaker for his clear exposition, he took the opportunity of giving the

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reasons underlying the proposals put forward at the time by the London Colony. When he was a boy, said Mr. Meier, one took notice of a Swiss returning home from abroad, when his pockets were bulging with money. When he came home just to spend the last few years of his life quietly in the country of his birth, his return hardly caused a ripple. He regretted the term "Auslandschweizer". It should always be "Schweizer im Ausland". The first suggested something one stage removed from the genuine article. It did not seem right to us that our special circumstances were not more fully taken into consideration. While taxation was, as had been stated, pretty high in the higher income tax groups in Switzerland, we had serious doubts about the Swiss middle classes paying as much as 25% in direct taxes. We in England not only paid as much in direct taxes, but very heavily in indirect taxation, such as purchase tax on essential clothing, household articles, etc., apart from heavy tax on tobacco and alcoholic drinks which our folks at home admit are staggering. Not only were these facts seemingly overlooked or not appreciated officially at home, but we had to pay 4% premium, although most most of us were employees and not working on our own account. If we were, we could claim certain deductions by right from which we cannot benefit as employees. Mr. Meier enquired whether it would be feasible to give the Swiss abroad the option of joining a certain income tax group, whose premiums they could afford to pay while deliberately limiting the

pensions to which they would be entitled. In these uncertain times it was possible for a Swiss to have to return home in rather straightened circumstances, and his membership of the A.H.V. would benefit the community on whose charge he might have to fall.

Dr. Egli, who followed, held that there were some 400,000 Swiss abroad, of whom 5% had joined the A.H.V. Those in this country who had become members, had done so because, owing to their age, they had to pay only for some years. He regretted that no provisions had been laid down which would have enabled many more than 5% of the Swiss abroad to elect to join the A.H.V. as a wise business deal.

After a number of pertinent questions had been asked, Dr. Sacher gave his answers as follows :

The A.H.V. was a social insurance scheme and as such differed essentially from any scheme of private insurance, where the insurer decided on the risks he wished to cover, and the premium was fixed accordingly by the insurer. The fundamental principle of social insurance was the solidarity between the strong and the weak, the young and the old, the healthy and the sick, the man and his wife and children. The wives and children were covered by the husbands' and fathers' premiums which were identical with those of the bachelors. The pension for the married couple was 60% higher than that of the single man or woman, and was indeed a present. To allow the Swiss abroad to join on a voluntary basis was, in fact, a contradiction of the fundamental conception of social insurance. It was, in a sense, almost a thorn in the flesh. It was done with open eyes to the consequences which meant precisely what Dr. Egli had mentioned, that it was a profitable transaction for some, but not for the A.H.V. To allow any section of members to assess themselves for the purposes of the A.H.V. was contrary to social insurance. It was not right when considered from the angle of the great majority of those at home who compulsorily insured. Also it would be open to abuse which it would be difficult to combat. There were 350,000 Swiss abroad, of whom 200,000 were eligible for membership of the A.H.V., so that about 10% of those concerned had availed themselves of their right to join.

If a Swiss from abroad, who had not joined by 31st March, 1949 (last date for joining), returned to Switzerland at 64 years of age and paid a single premium, he would be entitled to a pension according to the scale laid down for a single premium. If he returned at 65 or later when would no longer be asked to pay a premium, he would still benefit from what is called the transitional pension, so that no Swiss returning home would find himself out in the cold.

At this stage Mr. Meier and Dr. Egli again appealed strongly that when the time for revision of the A.H.V. was ripe even if this were in years to come, ways and means be found to allow us, who are often, even in high places, called ambassadors abroad, regulations more equitably adjusted to our special circumstances, and to give us thus the full benefit of this noble social insurance scheme.

After thanking Dr. Sacher most heartily for his highly instructive lecture and the full answers to the points raised in the discussion, Mr. Sommer declared the meeting closed shortly before 10 o'clock.

E.H.S.



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