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# The Swiss Observer

FOUNDED IN 1919 BY PAUL F. BOEHRINGER.

## The Official Organ of the Swiss Colony in Great Britain

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## SWISS SOCIAL SECURITY

The British historian, A. J. Toynbee, said that in a hundred years it will not be the vast scientific and technical progress for which our century will be famed, but for the great efforts in trying to create social security for *all* men for the first time in the history of mankind.

An article in the "Basler Nachrichten" on 6th January maintains that Switzerland is in the top class of modern social welfare states. Such a statement would not be correct if it were based only on social insurance as provided by the state. To substantiate this assertion, the whole structure of wages, food, clothing and housing has to be taken into consideration, in addition to what state, public and private economy contribute.

International statistics give only a partial and consequently an inaccurate picture of Switzerland's social security system. It follows, therefore, that the traditional methods of international comparison risk giving the false impression that Switzerland has lagged behind in the matter of social security. An objective analysis of the situation, however, proves that, on the contrary, Switzerland's social contributions are in no way inferior to those of other heavily industrialized European nations, such as the EEC countries, for instance.

In fact, while the balance seems to be weighted against her when the comparison is limited to the benefits given by the Confederation, the picture is quite different as soon as one includes the contribution of private economy, which taken as a whole far exceeds that made by the government.

Figures available for 1960 show that employers' contributions amounted to 45.4% (2,046.5 million francs) towards health insurance, collective accident insurance, military, unemployment and disablement insurances, old age and dependents insurance, family allowances, compensation for loss of earnings while on military service. The insured themselves carried 32%, whilst the state (Confederation, Cantons and Communes) only contributed 9% and the remaining 13.6% came from interest on capital.

These figures are particularly interesting as they take into account all the authorities and institutions, at no matter what level, distributing social benefits in Switzerland. It would seem worthwhile to make comparisons with EEC countries, first of all because they have an economic structure comparable to Switzerland's and, secondly, because their achievements in the social field are generally considered as quite advanced. The social benefits of the Swiss

"State" come, as we have seen, not only from the Confederation but also from the Cantons and Communes, while in other European countries with a single central government, these benefits are provided by the central government alone.

The Swiss Office for the Development of Trade (OSEC) reported that Switzerland shared second place with Germany in a comparison with EEC countries. Luxembourg spent Fr. 1,067.— on social security per head of population, West Germany and Switzerland, 831 each, Belgium 697, France 664, the Netherlands 588 and Italy 317 francs per inhabitant.

While a comparison based on the amount of the expenditure compared with the national revenue is less favourable for Switzerland than that based on its distribution per inhabitant, it should nevertheless be noted that in Switzerland the revenue per head of the population and the wage level are higher than those in EEC countries.

One could dwell at great length on the distribution of the expenditure in the social security sectors of each of these countries, but it should not be forgotten that social security is organised not only according to economic and social conditions but also according to traditions peculiar to each country. Thus, in Switzerland for example, the emphasis has been placed on a basic protection extending to the whole population (Old Age and Dependents' Insurance, Disablement Insurance). The Swiss Old Age and Dependents' Insurance alone accounts for over two-thirds of the total expenditure. In West Germany and the Netherlands, health and maternity insurance represent a heavy item of expenditure: 30% of the total social security expenditure, in fact. Belgium devotes exceptionally large sums to unemployment insurance (12% of the total expenditure), while in most other countries the amount spent on this item is very small. In France, family allowances overshadow all other sectors of the social security field: 35% of the total expenditure. They also play a big role in Italy (25% of the total expenditure), while in West Germany they are almost non-existent. In any case, it is difficult to make a reliable comparison between the benefits allotted by the various countries in favour of any given social security sector. Thus, for example, in Common Market countries health insurance covers risks which in Switzerland are listed under accident or disablement insurance.

Whatever the case, however, social security in Switzerland in no way lags behind that of EEC countries. Its efforts in this field are continuing, since Swiss social security benefits have increased by 40.1% in the last four years. Switzerland has a social security system comparing very favourably with that of her European neighbours, although she has definitely preferred solutions carried out by individual firms to overall state-imposed solutions and although, on the whole, she has chosen more liberal forms.

The Swiss people are extremely insurance conscious. The Federal Department of Justice and Police annually publish the report of the Federal Insurance Office. This document, in the last issue to hand, shows that the Swiss people spent an average of Fr. 1,000.— per head of population on insurance in 1961, equivalent to £83.

Some months ago, the "Schweizerisches Kaufmännisches Zentralblatt" carried a cartoon of a Swiss citizen resting peacefully on top of a fortress built of insurance — accident, old age, life, endowment, health, hail, water damage, motoring liability, unemployment — "My insurances, my castle!" it was called, and the editorial comment was that the incredibly large amount of premiums paid annually was symptomatic of the endeavour of the Swiss to provide security. He added that it also showed a great sense of responsibility towards his family.

The Federation of Swiss Life Insurance Companies ordered an enquiry to be made regarding the attitude of the Swiss towards life insurance. This revealed that in the German-speaking part of Switzerland the idea of saving for old age came well after providing for the family in case of premature death of the breadwinner. In the Suisse Romande the two were roughly balanced. The same enquiry found that only in about 30% of all households was the financial position clarified between husband and wife, and that in 70% wives were left in ignorance, often from choice. Every day nineteen men become widowed in Switzerland. The number of women is as high as forty, and this shows how important information is regarding the economic position, so that the bereft woman is able to cope in an emergency.

It is estimated that 40% of all wage earners who belong to the obligatory old age and dependents' insurance (AHV), also pay additional pension and life insurance premiums. In addition, many employees benefit from private welfare institutions which are based on voluntary and one-sided contributions by employers only and are not under federal supervision. At the end of 1961, 92 insurance companies came under federal inspection (19 life insurance companies, 68 accident and damage and 5 re-insurance companies). 63 had their headquarters in Switzerland, 29 abroad.

There is hardly a major accident anywhere in the world which does not affect Swiss insurance in one way or another. Whether it is a sinking ship, a tornado, a big fire, an air disaster or other catastrophe, it means that insurance capital in Switzerland is used to cover the damage. Switzerland is the largest insurance export country in the world in relation to its population.

Insurance companies collect some 60% of their premiums from abroad. This means that every week-day about ten million francs from abroad are entrusted to Swiss insurance companies. The largest percentage falls to re-insurance — in some cases as much as 95% — and it is interesting to note that the largest re-insurance company in the world is in Switzerland.

Social insurance in Switzerland — as will be demonstrated at the National Exhibition this summer in the sector "Goods and Values" — covers old age and dependents' insurance, the compulsory disablement insurance, compensation for loss of earnings, sickness and accident insurance, unemployment insurance, military insurance and building insurance.

The greatest achievement in social security in Switzerland is the AHV (old age and dependents' insurance). For decades actions were started again and again to bring about an old age insurance, but without success. The first endeavours go back to 1886. After the first world war Switzerland suffered from a general strike, and it was then that the Federal Council declared it a solemn duty to realise an insurance of that nature.

In 1925 the electorate accepted a draft of a relevant constitutional article with 410,988 : 217,483 votes. That article 34 *quater* of the Federal Constitution enables the Confederation to introduce AHV. The article prescribes that the revenue from tobacco and spirits taxes be used for this insurance.

The first draft for such an insurance was rejected by the people in 1931. Then came the slump of the thirties which also affected Switzerland. There was no hope for the creation of an insurance scheme of this kind until the second world war. On 7th July 1947, a great day for Swiss Democracy, the electorate — with a participation of 87% — accepted the draft, and on 1st January 1948 AHV became a reality. It has proved very beneficial. We must, of course, admit that the economic boom with its increased wages and incomes is one of the major reasons for its success, as contributions are paid according to income, i.e. 2% by the employee and 2% by the employer, 4% in the case of the self-employed man. To this has been added 0.2% each for the former and 0.4% for the latter for disablement insurance.

Since its inception, the AHV has been revised and altered several times. As revenue increased, benefits went up, too. In the first year income amounted to 417, in 1961 to 907 million francs. Payments in the first year totalled 122, in 1961 850 million francs. Each revision brought improvements. The last, the sixth, was passed by the National Council on 19th December by 170:0 and in the Council of States by 42:0 votes. The revision provides for increased benefits in various ways. Old age pensions which are graduated according to contributions with, however, an upper limit, go up by one-third. The minimum will increase from Fr. 1,080.— to 1,500.—, the maximum from Fr. 2,400.— to Fr. 3,200.—. Married couples will receive between Fr. 2,400.— and Fr. 5,120.— per annum. Pensions are paid out when the husband is sixty-five and the wife sixty. Widow and orphan benefits have also been considered.

In 1962 the accounts of the AHV showed a surplus of 350 million francs. The same year the demands directed to the funds amounted to 795 million francs, 120 million higher than in the previous year. The new increases are expected to be met without altering the contributions. Cigarettes will cost more to pay for some of the extra cost. No doubt smokers will puff away with increased pleasure in the knowledge that they contribute to the well-being of old people!

The Swiss abroad may join the AHV on a voluntary basis. Comparatively few have taken advantage of it, in the main those of lower income groups or near retiring age. The reason is, that a Swiss employee abroad has to



carry the full 4% (plus disablement contribution) which is generally considered too much.

The Organisation of the Swiss abroad in conjunction with some friends in Parliament have taken up the matter with the federal AHV insurance authorities. The suggestion was that the Swiss abroad should be allowed to base their contributions on the nett income, rather than on the gross.

A proposal of the Nouvelle Société Helvétique in London was that contributions for the Swiss abroad should be limited at their own choice; the insurance could be worked on a commercial basis, with the addition of a reasonable percentage as social contribution.

There have been no changes in this respect in the sixth revision. The higher benefits, however, apply also to members of the AHV abroad.

The AHV was created as a basic insurance, the provisions of which were to be supplemented individually by saving and additional insurance. Today the call for an adequate annuity is heard more and more, specially from fear of devaluation due to inflation which imperils private saving efforts. Too much expansion of the AHV would, however, itself further inflationary tendencies.

(Based on information from OSEC, Agence Télégraphique Suisse, "Schweizerisches Kaufmännisches Zentralblatt" and "Basler Nachrichten".)

## FEDERAL SUBSIDIES 1962

Early in January, the subsidies granted by the Confederation in 1962 were published. The following table shows how the money was allocated. The figures are in millions. The second column shows increase or decrease compared with the previous year.

	1962		In percentages	
			1961	1962
Agriculture, cereals, alcohol				
administration ... ..	353.16	+4.5	46.0	45.6
Communications (road, rail, air and water) ... ..	126.26	-33.1	21.0	16.3
Health services ... ..	87.29	+5.5	10.8	11.3
Education and training ... ..	39.30	+3.9	4.7	5.1
Culture, science, art ... ..	37.60	+10.3	3.6	4.8
Cost of living increase, housing	37.31	+6.8	4.0	4.8
International aid schemes and institutions ... ..	22.29	+7.1	2.0	2.9
Welfare ... ..	22.02	-0.5	3.0	2.8
Industry, trade, commerce ... ..	16.74	+9.1	1.0	2.2
Water improvement ... ..	12.24	+1.6	1.4	1.6
Forestry ... ..	11.31	+0.3	1.5	1.5
Spare time education, sport ... ..	3.38	+0.4	0.4	0.4
Law and politics ... ..	2.50	+0.7	0.2	0.3
Labour market ... ..	2.34	-0.4	0.3	0.3
Animal protection, fishing ... ..	0.47	0.0	0.1	0.1
	774.21	+16.2	100	100

Industry, trade and commerce include a contribution of eight million francs to the EXPO. A little more than a third of all the subsidies (269 million francs) went to the Cantons.

[A.T.S.]

## THROUGH THE GOOD OFFICES OF NEUTRAL SWITZERLAND

Several states have asked the Swiss Confederation to safeguard their interests in countries with which they have broken off diplomatic relations: Rumania in Spain since 1946; the Philippines in Bulgaria since February 1950; Iran in Israel since February 1950; the United States in Cuba since January 1961; Belgium in the United Arab Republic since February 1961; Togo in Nigeria since October 1961; Argentina in Cuba since February 1962; Guatemala in Cuba since March 1962; Portugal in Senegal since August 1963 and Great Britain in Guatemala since August 1963. Switzerland agreed to represent the interests of Togo in Nigeria as part of its assistance to developing countries and in anticipation of the time when the young African state will be able to see to its interests unaided.

[S.N.T.O.]

## THIS AND THAT

**A Golf Course at the Foot of the Jungfrau** is to be opened in May 1964. Situated in the lovely Lütschinen valley south of Lauterbrunnen, only thirty minutes by car from Interlaken, the nine-hole links in an ideal setting are sure to add to the many attractions of this traditional vacation area.

**"Central Heating" for Rails.** Switch heating as installed recently in Goeschenen station on the north side of the Gotthard tunnel is certainly no luxury. On the contrary, the 1,200 propane fuelled burners will make possible considerable savings as regards clearing away the snow and furthermore will assure adequate and safe service despite snow and ice.

**The Thirty-fourth International Automobile Exhibition in Geneva** will take place from 12th to 22nd March. According to a report by the organizers, a record number of participants have registered who will display their products on an extensive site of 40,000 square metres.

**Landscapes by Ferdinand Hodler (1853-1918)** will be on show in a special exhibition at the Zurich Museum of Fine Arts to open end of February. This will be the first exhibit of its kind and particularly interesting to foreign visitors who will thus have the opportunity of becoming better acquainted with the works by this outstanding Swiss painter whose mountain views are unequalled in European art.

**"The American International School of Zurich",** founded last year upon the initiative of American parents and teachers, is open to pupils of all nationalities, provided they are proficient enough in English to follow classes. The graduates of this high school may qualify for American colleges or the upper grades of Swiss "Gymnasien". It is purely a day school and pupils from out of town have to find board and lodging elsewhere.

[S.N.T.O.]