

SOCIAL SECURITY ABROAD

CONTRIBUTION AND BENEFIT INCREASES IN SWITZERLAND*

The first increase in contributions to Switzerland's old-age and survivor insurance program in 20 years became effective on January 1, 1969. Other revisions in the law provide an average increase in regular benefits of about 30 percent, raise the taxable earnings ceiling for contributions by 26 percent, and raise supplemental benefits for the first time by an average of 25 percent. (Supplements have been paid under the present system since 1966 to those whose incomes fall below a certain minimum.)

The contributions increase follows a long-range trend in which expenditures have grown more rapidly than income because of such factors as the broadening of coverage, periodic increases in benefits, and lowering of the retirement age. Until now, improvements made in benefits were effected without changing the contribution rate of insured persons. In recent years old-age and survivor benefits have been raised by about one-third almost triennially, but the contribution rate remained at 2 percent of earnings for both wage and salary workers and employers during the entire period 1948-68. The new rate is 2.5 percent each for employers and employees.

Financing

Participation in the Swiss system is compulsory for residents and is financed by a payroll tax, a public subsidy made up of contributions from the national and cantonal governments, and the interest earned by invested reserves. The share paid by the Cantons comes from general revenues and the Federal payments are financed principally from tobacco and alcohol revenues. The public subsidy is scheduled to be at least 20 percent of the annual average expenditure until 1984 and 25 percent thereafter, calculated on a 5-year basis. Since the contribution

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Income and expenditures under old-age and survivor insurance

[In millions of francs]

Year	Income			Expenditures	Fund increase	
	Total	Contributions				
		Insured persons and employers	Public authorities			Interest from fund
1948	583	418	160	5	127	456
1950	637	458	160	19	170	467
1952	744	528	160	56	250	494
1954	800	564	160	76	358	442
1956	914	645	160	109	493	421
1958	975	682	160	133	665	310
1960	1,119	798	160	161	733	386
1961	1,244	907	160	177	861	383
1962	1,362	1,004	160	188	998	354
1963	1,489	1,121	160	208	1,043	446
1964	1,793	1,235	350	208	1,375	181
1965	1,927	1,355	350	223	1,497	244
1966	2,031	1,446	350	235	1,742	289
1967	2,174	1,574	350	250	1,992	182

from public authorities has not been used fully every year, a central equalization fund has been built up to function as a reserve. The fund is made up of government contributions and interest accrued.

From 1948 through 1963 the government contribution was fixed at 160 million Swiss francs (1 Swiss franc equals 33.3 cents) a year. In 1964, total outlays exceeded income from employer-employee contributions for the first time, as the accompanying table shows. The government contribution was raised to 350 million francs. By 1967, receipts from the payroll tax had declined as a proportion of expenditures to about 80 percent, with a resultant increase in the public subsidy. The 1969 increase in contribution rates is intended to bring current payroll-tax receipts closer to current expenditures.

Background and Levels of Benefits

Old-age and survivor insurance was not intended to be the sole source of income for the retired. This policy has been reflected in the fact that the earnings replacement rate is one of the lowest among the industrialized countries. It represents only one of three bases—social insurance, private pension plans, and personal savings and insurance—that together are counted on to provide an adequate retirement income. One reason for this structure is that there has been opposition to government intervention in fields previously considered to be the province of the individual.

This view accounts for the comparatively late introduction of old-age and survivor insurance and the fact that the program is less comprehensive than in neighboring countries. The system has, however, been expanded tremendously since inception, from 247,000 beneficiaries in 1948 to over 900,000 in 1967.

Concern for the aged is indicated by the fact that old-age and survivor benefit rates have risen more rapidly than either wages or the cost of living. With 1963 as a base year, the retail price index stood at 117 in 1967 and 119 in January 1968. The hourly wage index was 129 and 148. On the basis of benefit rate changes in 1964, 1967, and 1969, the average pension index would be 147 by the end of 1967 and 195 with the new adjustment.

The problem of inadequate retirement income led in 1966 to the inauguration of a new system of supplementary payments (through Federal and cantonal subsidized grants) to assure a modest living minimum for old-age, survivor, and invalidity pensioners. In 1968 a total of 170,000 cases were involved, with the Federal Government paying 46 percent of the cost.

The 1969 changes increased benefits under this program an average of 25 percent and raised the income ceiling for payment of supplements about 18 percent (from 3,300 francs to 3,900 francs for single persons; from 5,280 francs to 6,240 francs for couples; and from 1,650 francs to 1,950 francs for orphans). The maximum income for payment of supplements in 1966 represented 23 percent of the average industrial wage for single persons. A proposal was made but not accepted during the 1968 hearings of the Council of State to abolish the supplements in favor of a guaranteed minimum pension. The primary difference presumably is the absence of a means test.

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Benefits: A Study of UAW Members and Their Survivors. Detroit: Michigan Health and Security Research Institute, Inc., 1968. 178 pp.

WOHLFORD, MARTHA. "Adult Foster Care—A Unique Answer." *Public Welfare*, vol. 26, July 1968, pp. 224-226. \$2.

A pilot project to help lonely, unwanted adults find homes.

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RETIREMENT AND OLD AGE

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HEALTH AND MEDICAL CARE

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