

Charter¹, the courts are now agreed in holding that any renunciation or compromise which would frustrate the object of the law is null and void, and that an employee who has not been given his annual period of leave is entitled to pecuniary compensation, without previous application for the leave being required.²

These are some of the principal questions on whose merits the labour courts have had to decide. Brief though this review of the more typical cases may be, it will have given some idea of the progress made in the field of labour law and the part played by the labour courts in interpreting and making this law.

A Proposal for the Reform of Invalidity and Old-Age Insurance in Sweden

In 1928, as a result of various interpellations in the Swedish Riksdag, the Government appointed a committee to enquire into the question of reforming the invalidity and old-age insurance legislation in force in Sweden, and to draft proposals. The Committee has now submitted its principal report, which shows that the majority of its members propose a complete recasting of the existing scheme. A brief summary of this report³ is given below.

THE EXISTING SCHEME

The present insurance scheme, which was introduced in 1913⁴ makes insurance compulsory for all Swedish nationals, men and women, between the ages of 16 and 66 years. Each insured person must pay, from the date of entering insurance, a contribution proportional to his income (the annual rate varies from 3 to 33 kronor) and in return becomes entitled to a pension in the event of permanent incapacity for work and in any case at the age of 67 years. The pension is composed of a contributory pension calculated on the basis of the contributions paid and of a pension bonus payable in the event of permanent incapacity for work, the cost of the bonus being met out of public funds. The organisation of the insurance scheme proper (i.e. contributory pensions) is similar to that of private life insurance. It entails the accumulation of a fund out of which the cost of contributory pensions is met when they fall due. The fund amounts at

¹ Declaration XVI is as follows: "Every worker in an undertaking working throughout the year shall be entitled to an annual holiday with pay after one year's uninterrupted service."

² Cf. *I.S.L.L.*, 1932, Italy, Nos. 41 and 58.

³ SOCIALDEPARTEMENTET, 1928 ÅRS PENSIONS FÖRSÄKRINGSKOMMITTÉ: *Betänkande med förslag rörande revision av den allmänna pensionsförsäkringen*. Statens offentliga utredningar 1934: 18. Stockholm, 1934. VII + 362 pp.

present to over 600 million kr., and during the last few years it has increased by 40 to 50 million kr. a year.

Criticism of the Scheme

As an introduction to its proposals the Committee appointed in 1928 puts forward certain general considerations, which include among other things a criticism of the existing scheme.

It points out in the first place that invalidity and old-age insurance, like any other social institution, must be founded on the economic situation of the country in question. Since the scheme was introduced in 1913, the economic life of Sweden, like that of most other countries, has undergone changes which could not have been foreseen when the measure was adopted. The value of the Swedish krona, its purchasing power, and the volume of employment have displayed very great instability during and after the war.

The Committee next notes that the technical organisation of invalidity and old-age insurance is modelled very largely on that of private life insurance. For each year's group of insured persons, it provides for the accumulation of the funds needed to pay for their pensions. According to the Committee this is a completely legitimate system for private insurance, where only an accumulation of funds can provide an effective guarantee that the insurance carrier will be able to meet his obligations when the pension becomes due. When, however, it is a question of compulsory national pensions, this accumulation need not be regarded as indispensable, for in such a scheme income and expenditure can be calculated in advance with sufficient certainty. The present scheme also suffers from the disadvantage that the full pension is paid only to persons who entered into insurance at the age of 16 years. It follows that the generation which had passed that age when the Act came into force (1914) must receive inadequate contributory pensions.

The Committee draws attention to the fact that certain defects of the existing scheme have been aggravated by the instability of the purchasing power of the krona since it was introduced, and that there is no reason to believe that greater stability will be achieved in the near future. A certain degree of stability in this field is necessary, however, if the accumulated funds are to ensure that the insured person will receive a fair return for his payments when the pension becomes due. Similarly, the rate of interest, an important factor in the accumulation of funds which are intended to be paid out in a distant future, has fluctuated markedly, and there is every reason to believe that these fluctuations will continue.

In a general way it may be objected to the present scheme that it places a special burden on the generation alive when it was introduced. This generation is bound to contribute to the accumulation of the funds, and at the same time to provide for its aged persons, who obtain only an inadequate pension, if any at all, under the scheme. On the other hand, once the fund has reached a substantial amount, the burden on the generation then alive will be lighter in proportion to the interest earned yearly by the fund. Whether in actual fact the national

economy will be relieved to an amount corresponding to the yield of the fund must depend, in the opinion of the Committee, on the extent to which the interest of the fund actually represents an addition to the national income. If not, the relief gained from the interest of the fund will be merely fictitious.

These are the Committee's criticisms of the technical organisation of invalidity and old-age insurance and, in particular, of old-age insurance. It produces additional arguments against maintaining the present organisation of the latter which are based on general demographic changes in Sweden. It appears, in fact, that in the decades to come there will be a progressive decline in the proportion of the population between the ages of 15 and 65 years as compared with the number of the aged. The result may mean a considerable addition to the burden on persons of working age. The following table gives the distribution of the population by age groups for the period 1840 to 1980 :

TABLE I. PERCENTAGE DISTRIBUTION OF POPULATION BY AGE GROUPS

Year	(1) Persons under 15 years	(2) Persons of 15-65 years	(3) Persons over 65 years	(4) Total of columns (1) and (3)
1840	33.7	61.6	4.7	38.4
1850	32.9	62.2	4.9	37.8
1860	33.5	61.3	5.2	38.7
1870	34.0	60.5	5.5	39.5
1880	32.6	61.5	5.9	38.5
1890	33.3	59.0	7.7	41.0
1900	32.4	59.2	8.4	40.8
1910	31.7	59.9	8.4	40.1
1920	29.3	62.3	8.4	37.7
1930	24.8	66.0	9.2	34.0
1940 ¹	21.7	68.8	9.5	31.2
1950	21.4	68.0	10.6	32.0
1960	20.5	67.3	12.2	32.7
1970	19.6	66.0	14.4	34.0
1980	19.2	64.3	16.5	35.7

¹ From 1940 onwards, the figures are estimates obtained by extrapolation.

As regards invalidity insurance, the Committee notes that since 1920 the number of invalidity pensions (pension bonuses) awarded has more than doubled. It ascribes this growth to two reasons : on the one hand, unemployment, which has undoubtedly made it more

difficult for persons suffering from physical or mental infirmity to earn their own livelihood; and on the other, the inefficiency of the system of examination before an invalidity pension is granted. The examination is entrusted to local committees, set up as a rule one in each commune, the members being designated by the communal authorities. In view of the fact that these committees usually have no special competence to assess incapacity for work, they often tend to ascribe too much importance to the medical certificate which the applicant for a pension must nearly always produce. Now in the case of the infirmities that most often give rise to applications for an invalidity pension, namely, premature old age and related infirmities, and also rheumatism, it is particularly difficult to assess the incapacity for work, especially as in many cases the persons in question put off consulting a doctor until they wish to apply for an invalidity pension. Further, the committees, being appointed by the communal authorities and therefore inclined to place as small a burden as possible on the communal finances, often seem to prefer to grant an invalidity pension, which forms only a small item in the communal budget, rather than refer the applicant to poor relief, of which the commune pays a larger proportion.

THE COMMITTEE'S PROPOSALS

In view of the considerations and facts mentioned above, the majority of the Committee holds that the present invalidity and old-age insurance scheme must be thoroughly recast. The minority merely proposes a certain number of amendments with a view to eliminating the imperfections described above, but without completely modifying the present structure of the scheme.

Invalidity Insurance

For invalidity insurance the majority proposes to separate compulsory invalidity insurance from compulsory old-age insurance and to transfer it to the voluntary sickness insurance scheme, of which it would form an integral part. Any member of a recognised sickness fund of under 67 years of age would be compulsorily insured against invalidity. The invalidity benefit would consist of a special daily allowance varying between 1 and 3 kronor according to the contribution paid. Invalidity benefit would be regarded as a continuation of sickness benefit, which it would replace on the expiry of the period during which members of sickness funds may draw sickness benefit, this period being fixed at two years. The right to invalidity benefit would be conditional on the loss of working capacity or doctor's orders to refrain from work. The State would contribute to invalidity benefit at the rate of 0.50 kr. for each day of benefit, that is to say, at the same rate as in regard to sickness insurance benefit. The cost of the State subsidy to invalidity insurance is estimated at 3 kr. per year and per member. For a person of 30 years of age, the annual contribution for sickness benefit and invalidity benefit of 1 kr. per day is estimated at 10.80 kr.

In support of this proposal the majority maintains that it would remove the defects from which the system of examination preceding the grant of an invalidity pension at present suffers. In addition, the sickness funds would be able, through their doctors and inspectors, to exercise effective supervision over the invalidity benefits granted. It points out in this connection that, unlike the existing communal committees, the sickness funds would be financially interested in granting benefit only to persons who genuinely fulfil the prescribed conditions.

The supporters of this proposal are aware that if it is carried into effect, it would markedly reduce the number of persons insured against invalidity, for the membership of the recognised sickness funds is at present only 1,020,000, that is to say, barely a quarter of the population of over 15 years. To meet this difficulty they therefore suggest that the sickness funds should have special sections for persons who suffer from relapsing or chronic disease but retain at least half their normal working capacity. The additional cost to the sickness funds due to this increase of bad risks would be met out of special subsidies from public funds. Similarly, it is proposed to admit during a transition period of five years persons who are over the age of admission (normally fixed between 40 and 50 years) but under 67 years of age. Finally, the majority of the Committee proposes to introduce special relief for persons in need, who, in spite of the relaxation of the rules of admission to the sickness funds, would be excluded on account of their bad state of health and therefore also excluded from invalidity insurance. The only persons not admitted to the combined sickness and invalidity insurance scheme would be the mentally deficient and mentally diseased, and also those suffering from psycho-neurosis or premature old age. As regards the mentally deficient or diseased, it is considered preferable that assistance for them should be left to the institutions specially set up for the protection of these categories. As regards those suffering from premature old age, the majority of the Committee points out that it is precisely in cases of this kind that there is a tendency to abuse the claim to an invalidity pension, and that therefore it is desirable to exclude these cases. Finally, the reason why it is proposed to treat psycho-neurosis on the same footing as premature old age lies in the difficulty of diagnosis, besides which it may more logically be classified with mental disease.

The majority notes that if these proposals are accepted, it will be necessary to reorganise the preventive work at present undertaken by the Directorate of Pensions. This work, which aims at preventing invalidity, will cease to lie within the competence of that institution as soon as invalidity insurance is transferred to other insurance institutions. The majority does not consider that preventive action should be given up, but, on the contrary, is in favour of developing it. It holds, however, that this work should preferably be entrusted to the general public health authorities.

The minority of the Committee considers that invalidity and old-age insurance should continue to be a combined scheme covering the whole population. The separation proposed by the majority

would in fact mean that a very substantial proportion of the population would be excluded from invalidity insurance, as not belonging to the voluntary sickness insurance scheme. The minority further considers that the invalidity insurance benefits which the majority would grant to sickness fund members are insufficient. In particular, it regards it as inequitable to deprive persons suffering from premature old age of all right to an invalidity pension. Further, it suggests that it would be inappropriate to entrust new duties to the sickness funds at the very time when they are engaged in adjusting themselves to the reform of sickness insurance which was adopted in 1931.

The minority agrees with the majority in considering that the system of examination before the grant of an invalidity pension suffers from fundamental defects and that measures must be adopted to make the examination more efficient. It suggests that the communal contribution to the pension bonus should be increased; that the Directorate of Pensions should have the right to make the grant of a pension conditional on the admission of the applicant to hospital for medical examination; that stricter supervision of persons holding invalidity pensions should be introduced; and that special courses of instruction on invalidity and old-age insurance should form an integral part of the training of doctors.

Old-Age Insurance

In view mainly of the uncertainty as to the future value of money and rate of interest, the Committee considers that the technical organisation on which the present old-age insurance scheme is based should be abandoned. It proposes instead a system entailing on the one hand a smaller accumulation of funds, and on the other a different method of calculating pensions. This reform would enable the present generation to derive greater advantage from the sacrifices it has made with a view to providing for its old age. The capacity of this generation has been seriously weakened by a succession of crises and the changes in economic conditions that have followed on the world war. In any case the Committee does not think that an increase in old-age pensions can be proposed that does not also benefit the aged persons now living. The changes it would make in the present scheme are as follows:

(1) Instead of calculating the contributory pension solely on the basis of the contributions paid, it is proposed that the pension should be made up of, on the one hand, a uniform basic amount of 100 kr. a year, and, on the other, a bonus equal to 10 per cent. of the contributions paid. This change would in itself mean a certain levelling of the contributory pensions in favour of persons whose contributions are calculated on a small income. It is the view of the Committee that the old-age insurance scheme which was introduced for the benefit of the whole population, should to some extent give more favourable treatment to insured persons who are able to contribute on the basis of only a small income.

Further, this modification would remove some of the inequality

between the contributory pensions of men and women under the present scheme, which is due to the fact that the contributory pensions for women are smaller in relation to contributions than those of men.

The following table gives some examples of the contributory pensions that would be payable if the proposals of the Committee were adopted.

TABLE II. EXAMPLES OF CONTRIBUTORY PENSIONS ACCORDING TO THE COMMITTEE'S PROPOSAL

Date of birth	Date of claim to contributory pension	Contributory pension due on reaching age of 67 years when taxable income from 18 to 20 years was nil and from 20 to 66 years was :			
		Nil	2,000 kr.	4,000 kr.	6,000 kr.
		Kr.	Kr.	Kr.	Kr.
1870	1937	107.20	130.60	139.60	147.60
1880	1947	113.20	150.60	179.60	197.60
1890	1957	119.20	170.60	219.60	247.60
1900	1967	124.60	184.00	253.00	291.00
1910	1977	127.60	191.00	276.00	320.00
1920 and subsequently	1987 and subsequently	129.40	195.20	289.20	336.20

By way of comparison, table III gives corresponding examples of the amount of the contributory pensions payable under the provisions of the present Act.

TABLE III. EXAMPLES OF CONTRIBUTORY PENSIONS UNDER EXISTING LEGISLATION

Date of birth	Date of claim to contributory pension	Contributory pension due on reaching age of 67 years when taxable income up to 20 years was nil and from 20 to 66 years was :							
		Nil		2,000 kr.		4,000 kr.		6,000 kr.	
		Men	Women	Men	Women	Men	Women	Men	Women
		Kr.	Kr.	Kr.	Kr.	Kr.	Kr.	Kr.	Kr.
1870	1937	15.52	12.42	67.28	53.82	79.28	63.42	91.28	73.02
1880	1947	24.75	19.80	107.25	85.80	130.75	104.60	154.25	123.40
1890	1957	38.70	30.96	167.70	134.16	207.70	166.16	247.70	198.16
1900	1967	51.30	41.04	194.30	155.44	259.80	207.84	325.30	260.24
1910 and subsequently	1977 and subsequently	51.30	41.04	194.30	155.44	205.80	212.64	337.30	269.84

(2) For financial reasons the Committee has considered it necessary to propose maintaining the pensionable age at the present level, namely, 67 years. If it were lowered to 65 years, the result would be an increase in public expenditure, which during the first year after the reform would amount to about 20 million kr., and would subsequently rise fairly rapidly to 40 million kr. If the pensionable age were lowered to 60 years, the corresponding increases would be 60 and 160 million kr.

(3) To meet the additional cost of increasing the contributory pensions as proposed by the Committee, it is suggested that the insured persons' contributions should be raised, being fixed at 1 per cent. of the assessable income of the insured person but at not less than 6 kr. and not more than 50 kr. a year. Liability to pay contributions would not begin until the age of 18 years. This increase would mean that by 1940 the amount payable in contributions would be about 50 million kr.

(4) The Committee believes that notwithstanding the proposed increases in contributory pensions, the Pension Fund will grow more rapidly and considerably than it thinks desirable unless special measures are taken. For this reason it proposes that a plan should be drawn up to limit the Pension Fund. It suggests that the Fund should in no year be increased by more than 20 million kr. and that its final amount should be 1,000 million kr., which would be reached in about 1960. This limitation of the annual growth of the Fund would result during the first decades after the reform in an annual surplus which might be used to contribute to the cost of the pension bonuses. Later, however, owing to the probable demographic changes mentioned above, the contributions and the yield of the Fund would be insufficient to meet the total cost of contributory pensions, and the Committee holds that the State will then have to provide for the annual deficit.

(5) As regards pension bonuses, the Committee proposes certain changes in the present system, the chief of which are as follows :

(a) At present it is a condition for obtaining a bonus that the pensioner should be permanently incapable of work even if he has reached the age of 67 years. The Committee proposes to remove this restriction and to provide for the payment of a pension bonus to any holder of a contributory pension whose income falls below a certain limit.

(b) Under the existing Act the amount of the pension bonus is fixed at a flat rate irrespective of the locality in which the holder lives. The Committee proposes that it should be graded according to the cost of living in different regions and localities, which would be divided into three groups, the rate of pension bonus for each being fixed at 200, 250 and 300 kr. respectively.

(c) The Committee proposes to maintain the principle of the existing Act under which the pension bonus is reduced in proportion to the

pensioner's income from other sources than old-age insurance. It has been urged that this rule is unfair to insured persons who have saved for their old age. The Committee considers, however, that the reduction is indispensable from the point of view of the finances of the old-age pension scheme. Moreover, it does not believe that the rule has tended to have a harmful effect on thrift among the population. According to an enquiry carried out for the purpose, the introduction of old-age insurance has not been followed by any disadvantageous effects on thrift. On the other hand, the Committee holds that the principle of reduction must be applied with discretion. It proposes, therefore, that while maintaining the principle, no reduction should be made in respect of incomes of under 100 kr., instead of 50 kr. as at present, and that only 50 per cent. of the remaining income, instead of 60 per cent., should give rise to reduction.

For similar reasons the Committee proposes to except certain forms of income from the reduction : (i) income from a donation or legacy ; (ii) pensions paid by employers ; (iii) income resulting from voluntary insurance. Such income would be exempt from reduction up to a maximum of 800, 350 and 400 kr. respectively according to the cost-of-living classification of the locality in which the pensioner lives. The only exception allowed under the existing Act is for income derived from voluntary insurance.

The minority of the Committee is in general agreement with the majority as to the reform of old-age insurance. In view, however, of the fact that it is in favour of maintaining the existing connection between invalidity insurance and old-age insurance, it recommends certain restrictions on the improvements proposed by the majority in regard to contributory pensions in order to enable the Pension Fund to continue paying invalidity pensions. Thus the minority would fix the basic contributory pension at 70 kr. a year only, and proposes that the liability to contribute should still begin at the age of 16 years.

Cost of the Proposed Reform

As appears from the preceding account, the Committee proposes on the one hand to increase the insurance contribution and on the other to limit the annual growth of the Pension Fund to some 20 million kr. during the first decades following the introduction of the reform. The part of insurance expenditure not covered by these measures would be met by the communes and the State, the former paying one-quarter and the State the rest.

The following table shows the cost to the State and communes of contributory pensions and pension bonuses respectively, and indicates the extent to which the Pension Fund might contribute until 1950 towards the cost of pension bonuses.

TABLE IV. EXPENDITURE OF THE STATE AND COMMUNES ON PENSIONS
(million kronor)

Year	Old-age pension scheme only (majority scheme)			Invalidity and old-age pension scheme (minority scheme)		
	Contributory pensions	Bonuses	Total	Contributory pensions	Bonuses	Total
1936	— 38	114	76	— 37	114	77
1940	— 29	105	76	— 26	120	94
1950	— 11	98	87	— 8	129	121
1960	4	102	106	10	140	150
1970	28	115	143	34	157	191
1980	52	131	183	54	170	224
1990	59	133	192	57	169	226

Table V shows the share of the State and of the communes in the public expenditure on pensions according to the majority and the minority proposals respectively.

TABLE V. DIVISION OF PUBLIC EXPENDITURE ON PENSIONS BETWEEN
THE STATE AND THE COMMUNES
(million kronor)

Year	Old-age pension scheme only (majority scheme)			Invalidity and old-age pension scheme (minority scheme)		
	State	Communes	Total	State	Communes	Total
1936	60	16	76	61	16	77
1940	59	17	76	74	20	94
1950	66	21	87	93	28	121
1960	81	25	106	116	34	150
1970	114	29	143	152	39	191
1980	150	33	183	182	42	224
1990	159	33	192	184	42	226

If, as the majority proposes, compulsory national insurance is limited to old-age insurance, and invalidity insurance is transferred to the voluntary sickness insurance scheme, provision must also be

made for credits for the State subsidy to invalidity insurance. Assuming that the whole adult population joins the sickness insurance scheme, an assumption which is unlikely to be realised in fact since the scheme is voluntary, the additional State contribution in respect of invalidity benefit would amount to about 12 million kr. a year.

The Co-operative Movement in China ¹

While the co-operative movement was not recognised in Chinese national legislation until the passing of the Co-operative Act by the Legislative Yuan in February 1934, it had already existed in China for fifteen years. During this period two stages may be distinguished.

During the first stage, from 1919 to 1927, the movement was mainly confined to the province of Hopei in North China, under the auspices of the China International Famine Relief Commission (C.I.F.R.C.), which since its foundation in 1921 has always played a prominent part in guiding co-operative activity in famine-stricken and inundated areas.

During the second period, beginning with the establishment of the National Government in Nanking in 1928, a leading part was taken by the various provincial Governments in the South under the Nationalist flag, with the C.I.F.R.C. rendering active assistance through the technique and experience acquired in the course of its first few years of field work.

CO-OPERATION UP TO 1927

Under the promotion and guidance of the C.I.F.R.C., the co-operative movement in Hopei had a slow but steady growth during the first stage from 1923 to 1927. During this period of five years the number of credit societies increased from 8 to 561, the membership from 256 to 18,190, and the paid-up share capital from \$286 to \$20,698. The growth was put on a fairly sound basis by the Commission's policy of granting loans to societies "recognised" by the Commission. The number of these societies, which was only 9 in 1924, grew to 129 in 1927, with a total membership of 4,354 and a total paid-up share capital of \$7,985; they were highly superior, in respect of both membership and resources, to the unrecognised societies.

CO-OPERATION UNDER THE NATIONAL GOVERNMENT

Since the establishment of the Nanking Government in 1928, considerable attention has been given by the Government authorities

¹ Summary of: *The Co-operative Movement in China*, by H. D. FONG, Ph.D., Research Director, Nankai Institute of Economics, Nankai University. Tientsin, Nankai University, 1934. 30 pp.