Invalidity, Old-age and Survivors' Compulsory Insurance in Italy (*)

Historical outline: from the principle of «insurance» to that of «social security».

1. — The first attempt in Italy to implement on a national scale the protection of workers against the « risks » of invalidity and old age goes back to 1898, when the « Workers' National Invalidity and Old Age Fund » (« Cassa Nazionale per l'invalidità e vecchiaia degli operai ») was set up on a purely *voluntary* basis and with strictly « insurance » criteria. Members were not restricted as regards the amount contributed or the time at which they were paid. On reaching the age of 60, or 55 in the case of women, or if they became unfit, they drew a pension corresponding to the capital accumulated, and in addition a contribution from the State proportionate to the capital but subject to certain upper limits.

The failure of this experiment (1) and conditions after the first world war made it essential to adopt a more advanced solution (2). In 1919 the following measures were introduced: *compulsory* insurance of all employees (workers and white collar classes); sharing of the contributions on a basis of equal assessment between employers and employees; contributions to be according to agreed wage group; the raising of the age for retirement to 65 for all insured persons. The right to pension was granted only when contributions had been effected over a minimum period; and the amount of the pensions was adjusted to the size of the contribution, plus a flat rate sum borne by the State. The « National Social Insurance Fund » (Cassa Nazionale delle Assicurazioni sociali) was given the job of administering these pensions. This was subsequently changed to « National Social Security Institute » (*Istituto Nazionale per la Previdenza Sociale*), its present title.

The system adopted to determine the scale of contributions was that of capitalisation on the basis of an average steady premium.

These new measures recognised the workers' *right* to social security although the arrangements themselves still savoured strongly of insurance criteria, and the raising of the money to finance them ceased to be a problem of pure mutual aid and to concern only the working class, which was exposed to insurance risks. It now became a social question affecting the whole productive population, and, to a lesser extent, the whole nation which intervened via the State.

Between 1919 and 1939 there were no modifications worthy of note (3); but with the passage of time the benefits received became increasingly absurd, since contributions, still linked to 1919 wage levels, were too low and indeed quite unrealistic. In 1939 insurance was reformed (4) but the revision did not undermine the basic technical criteria followed in earlier legislation. Bearing current rates of remuneration in mind, the new scheme worked out new classes of basic contributions, distinguishing between workers and white col-

(*) The system of compulsory insurance here considered applies in the main to employees and workers of private firms. Thus both civil servants and employees of public corporations whose social security systems have been officially recognized as replacing compulsory insurance are excluded.

Tenant farmers and sharecroppers are not yet insured.

(1) From 1898 to 1920 the « Fund » had in all hardly 700,000 members on its books.

(2) In Decree Law No. 603 of 21 April 1919 (which came into force 1 July 1920). 1917 had seen the first application of the principle of compulsory insurance to the personnel of auxiliary defence establishments.

(3) Apart from a few slight alterations in 1928 and a recasting the whole of compulsory insurance in 1935.

(4) In Decree Law No. 636 of April 1939, which was transformed, with slight modifications, into Law No. 1272 of 2 July 1939.

lar employees and between the pensions accruing to them. The new contributions were calculated in such a way as to make possible not only higher benefits but also the introduction of pensions to survivors, and the tapering off at a later date of the State contribution. The right to a pension was made dependent on a minimum *period* of insurance coverage and on a minimum *amount* of contributions (5) which varied according to grading (worker or white collar employee) and to sex. The age for pensioning off was reduced to 60 for men and 55 for women and a distinction was made between the sexes as regards the regulations governing the accumulation of pension. These measures were put into effect gradually (6), since it was desired as a first step to build up sufficiently strong reserves and avoid upsetting the system of « capitalisation based on an average steady premium ».

The 1939 reform thus paved the way for an improvement in future benefits, but, as regards the obligation to contribute, it marked a step back from the 1919 approach since the gradual elimination of the State's contribution would mean the loss of support from the nation in making available financial resources.

The inflation arising out of the second world war rapidly cancelled the advantages which the 1939 law should have brought and as early as 1943 made it necessary to increase pensions by 25%. The necessary funds were raised — in accordance with the principles which had hitherto prevailed in insurance — by an appropriate increase in the average general premium. Nevertheless it is worth noting that this was the first time there had been any departure from the principle of pure insurance and the beginning of the acceptance of the principle whereby payments should be linked to real values, fluctuating with variations in the cost of living. And in effect the 25% increase was granted not only in the case of future pensions (due after the coming into force of the law) but also to pensions which were already being drawn when the law came into force.

Immediately after the war, as the fall in the value of the lira grew more abrupt, the principle of the « payment in real values » was destined to be applied with increasing frequency, not only in the case of the various revaluations of pensions, but also of guarantees of a minimum payment (7). The natural consequence of this principle was the dropping of capitalisation as a system for finding the finance (8) and consequently the intervention on a growing scale of the community. This brings us to the law of April 4, 1952 on the « Revision of compulsory insurance for invalidity, old age and survivors » (« *Riordinamento dell'assicurazione obbligatoria invalidità, vecchiaia e superstiti* »), which affirmed with greater force the principle of cooperation by the nation as a whole and gave *de facto* recognition to the change-over from *insurance to social security*.

The war and post-war crisis in Social Insurance.

2. — Insurance for invalidity, old age and survivors was particularly badly hit by the inflation. This crisis played a disturbingly important part in the shrinkage of fixed incomes and the proletarianisation of the middle classes. The phenomenon is worth a detailed analysis from several angles and because the 1944-52 experiment allows us to stress the insufficiency of the Act of 1952 in the event of new inflations.

The historical data of Table I covering the period between 1920 and 1953 may help to

(5) This favoured the more highly paid workers who paid their contributions in the top gradings and were thus the first to reach the necessary amount.

(6) Thus the age for pensioning off was reduced by stages over five years. Reversion was allowed only in the case of pensions to survivors of insured persons paid out after 31 December 1944 and in those of survivors of pensioners retired after that date. A different policy was adopted in the case of survivors of pensioners retired between 1.1.39 and 31.12.44. They were given a lump sum payment (equal to one year's pension).

(7) In the series of legislative measures passed between 1945 and 1952.

(8) It would in any case have been impossible to maintain this system owing to the excessive burden involved in revaluing the reserves. Nevertheless, capitalisation, though abolished by the increases granted from 1945 on and by the adjustment of scales in Law No. 218 of 4 April 1952, remained in force for the pension part defined by that law as « basic pension » which, *mutatis mutandis*, is at bottom that accruing on the basis of the legislation passed up to 1943.

illustrate the situation at various times in the field of social insurance during the critical wartime and post war years.

Table I

COMPULSORY INSURANCE PENSIONS AND AVERAGE AMOUNTS RECEIVED PER PERSON AT THE END OF EACH YEAR (a)

Year	Total number of pensions	Number of pensions as % of population at the time	Average amount received per year per person			Average daily amount in 1953 lire (d)	
			Lire at current value	As % of worker's annual earnings		Lire (e)	Index numbers 1937 = 100
				Industry (b)	Agriculture (c)		
1920	23,264	0.06	118	3.36	6.57	23	22
1925	75,576	0.19	251	5.38	11.13	35	34
1930	250,767	0.51	662	14.83	33.06	104	100
1935	387,926	0.91	780	22.17	50.70	153	147
1936	420,873	0.98	786	22.50	46.94	144	138
1937	456,726	1.05	791	21.68	42.11	132	126
1938	493,117	1.13	795	20.89	40.31	123	119
1939	572,545	1.29	762	18.24	36.15	113	108
1940	643,009	1.44	788	15.84	33.83	100	96
1941	696,527	1.55	822	15.36	29.22	90	86
1942	761,865	1.69	865	14.15	26.71	82	78
1943	854,856	1.88	1,090	14.58	21.16	62	59
1944	945,721	2.08	1,137	9.29	11.45	15	14
1945	1,007,729	2.20	4,339	17.94	19.48	28	26
1946	1,112,324	2.41	13,700	21.27	32.63	75	72
1947	1,290,056	2.83	36,322	21.28	46.35	123	119
1948	1,474,251	3.21	42,015	18.11	35.41	134	128
1949	1.651,896	3.58	49,720	20.46	39.79	157	150
1950	1,808,746	3.89	50,645	20.03	40.20	162	155
1951	1,940,070	4.15	50,133	17.89	38.70	146	140
1952	2,077,356	4.42	80,319	27.23	59.88	224	215
1953	2,321,642	4.92	82,802	27.48	58.33	227	218

(a) Including optional insurance. Holders of both a compulsory and an optional pension are counted only once.

(b) Annual earnings calculated on the basis of average remuneration ascertained by INAIL (National Labour Accidents Insurance Institute) and a working year of 41 weeks (cf. note 24).

(c) Annual earnings calculated on the basis of the remuneration of land workers over the relevant years. The figure used is that for adult males (cf. Italian Statistical Annual for 1953, table 469) assuming a working year of 170 days.

(d) The coefficients used for recalculating the current lire into 1953 lire are based on the cost of living index.

(e) The following average prices of major foodstuffs in 1953 will help in visualising the average daily benefits: 1 kilogramme of bread, 122 lire; 1 kilogramme of spaghetti, 154 lire; 1 kilogramme of meat, 896 lire; 1 egg, 30 lire; 1 litre of milk, 78 lire; 1 litre of oil, 486 lire; 1 kilogramme of sugar, 263 lire; 1 kilogramme of fresh fruit, 287 lire (« Monthly Statistical Bulletin », February 1954).

As will be seen from Table I, the benefits received by insured persons when compulsory insurance was first introduced were quite insignificant (9). Yet, so long as those in receipt of a pension were only a handful, the problem of the low rate of benefits, however serious for the people directly concerned, did not necessarily give grounds for concern to the community as a whole. However, as the number of pensioners continuously increased (cf. column 1 of Table 1), the question took on a more marked social colour. At the time social insurance was adopted, the financial plans had intended that the gap between benefits and remuneration should gradually

(9) In 1925 the average pensions was barely 5% of the average earnings of an industrial worker and provided a daily available sum of L. 35 expressed in purchasing power of 1953, equivalent to a motorbus fare.

lessen as the contributionary period increased. However, this expectation soon turned out to be unfounded. In 1930 the real value of the benefit was hardly sufficient to cover the cost of even a worker's daily consumption of bread. Subsequently, though in the biennium 1935-36, the pensions had risen to higher ratios of the wages paid, they were still very low in real purchasing value (10). This was the consequence of having based the actuarial scheme on the unrealistic assumption of monetary stability. In fact, as we have already noted, the classes of basic contribution corresponded to the wage situation in 1919. As a result of the variations in nominal wage levels, insured persons, while almost all included in the top grading of contributions (over 60 lire a week), were paying extremely low contributions (since these were pegged to 1919 money wages) and therefore drew pensions which were ridiculously small in relation to real wages and the cost of living.

As a result, the authorities were forced, in 1939, to revise the rates of contribution and to adjust them to current wages. But this reform, too, was based on the assumption that the purchasing power of the currency was constant. Had that been so the disparity between pensions and remuneration would have been gradually reduced. As it was, with the outbreak of the war and the spread of inflation, the estimate once again turned out to be wrong and the real value of the benefits rapidly diminished. By 1943, people in receipt of a pension numbered about 850,000 and, on an average, they were drawing less than 15% of the average industrial wage levels, while wage levels were again tending to rise above the upper limit of the top grading of contributors. In 1943 steps were taken to increase existing and future pensions by 25% and contributions by 50% in order to bring up to their proper level the reserve funds and to buttress, once again, the capitalisation system. But these benefits were rapidly cancelled by the soaring inflation and, in 1944, the real value of benefit received reached a record low (15 lire a day in terms of 1953 purchasing power, i.e. about 150 grammes of bread!). The number of pensioners was not far short of a million thus facing the community with an extremely grave problem.

1945 saw the first of a series of measures (which were to be repeated up till 1952) designed to improve the real value of the benefits, the cost of the increases over 1943 being met by the technical distribution system. As a result of these measures (cfr. footnote 11) by 31 December 1950, the average individual value of pensions had risen to 162 lire a day (in terms of 1953 purchasing power).

In 1951, owing to the gradual elimination (by death) of pensions carrying a « bread indemnity » of average steady measure and their replacement by others (of more recent date in which this allowance was related to the number of children), the value of the pensions suffered a certain decline(146 lire a day in terms of 1953 purchasing power) while the number of pensioners was now approaching 2 million, i.e. more than 4% of the present population.

By and large, the main features of the Italian experiment in social insurance from the beginning of the second world war to the 1952 reform are:

(a) the heavy sacrifices suffered by insured persons owing to the devaluation of the lira. Once again, in the struggle for the sharing of losses and profits caused by inflation, their interests were lost of sight. The pensioners' sufferings, however deplorable from the social and moral point of view, were a positive factor in stabilising the currency. In periods when there was an acute tendency for prices to rise, especially immediately after the war and to a lesser extent in the early stages of the Korean conflict, the destruction or the curtailment of the real purchasing power of pensioners and other fixed income categories was one of the factors which held inflation in check. The history of the stabilisation of the lira is, unfortunately, also the story fo the « injustices » suffered by the pensioners.

(b) A growing degree of administrative confusion, owing to the overlapping of additional payments, allowances and special bonuses. Every benefit paid out ultimately contained a number of strata, such as a so called *basic pension*, a *supplementary payment*, a *bread indemnity allowance*, *temporary emergency allocation* and *extraordinary emergency allocation* (11).

(10) And they lost still further in real value, as can be seen by looking over the last column of Table I.

The 1952 reform.

3. — The 1952 law aimed to revise the arrangements in this whole complex field and was set out to solve the following problems (12):

(a) to simplify the administrative procedure by replacing the allowances which had been grafted on to the basic pension by a single allowance which would enable pensions to be brought into line with the cost of living;

(b) to do away with the levelling out of pensions (13) and re-introduce differentiation according to each individual's contribution, while retaining certain statutory minima.

To attain these aims, it was decided to take as a point of departure the 1943 conditions, i.e. to calculate the « basic pension » in accordance with the legal rules in force at that time and to multiply the figure obtained by 45 (14). Of the resulting figure, 1/45 would form the « basic part » (*pensione base*) (which would correspond to the capitalisation system) and the remainder, the « readjustment aliquot part » (*quota d'adeguamento*) to be charged to the distribution management, which took care of all the increases granted since 1945.

Other results attained by the 1952 law were:

(c) to bring contributions into line with real wages. In this connection, as for the « readjustment aliquot part », the costs of the employers' and employees' contributions were calculated as percentages of earnings. It was also stated that the State should make a contribution towards the cost entailed by the benefits;

(d) to introduce a new series of regulations governing the right to pension. This new procedure involved the abolition of the terms of contribution giving right to a pension laid down in the 1939 law and marked a return to terms on the lines of the 1920 law (15). The right to pension was thus conceded to insured persons after a period of uninterrupted contributions of 15 and 5 years in respect of old age and invalidity respectively. The aim of this move was to restrict the number of beneficiaries to those who had given the insurance the necessary financial support.

This point, the retention of the capitalisation system in the limited field of the administration of the so-called « basic quota of the pension » and particularly the presumption of money stability are the chief remains of the old approach, prior to the act of 1952.

Thus the new law has not provided an efficient safeguard against the dangers of inflation. We shall refer further on to the

(11) To make the picture clearer, the following breakdown of each pension in 1951 may be worth quoting:

— *basic pension*, equal on an average to 2.5% of the total value of the pension, and determined on the basis of 1943 regulations;

— *supplementary payment*, equal on an average to 18% of the total value of the pension;

— *bread indemnity allowance*, equal on an average to 16.3% of the total value;

— *temporary emergency allocation*, equal on an average to 43.5% fo the total value of the pension;

— *extraordinary emergency allocation*, equal to 19.7% of the total value of the pension.

(12) Cf. the Report on the Draft Law on « Revision of Compulsory Insurance for Invalidity, Old Age and Survivors » (« *Riordinamento dell'Assicurazione Obbligatoria Invalidità Vecchiaia e Superstiti* »).

(13) The various payments and allowances granted from 1945 to 1951 did not depend on the amount of the individual contribution but on the age and sex of the pensioner, the type of pension, or, in the case of the cost of living allowance, on the pensioner's family responsibilities.

(14) That being the figure arrived at for the increase in the cost of living between 1943 and the date at which the draft measure was tabled. The adjustement at the ratio of 1 to 45 was made after the unification of the laws on pensions to workers and employees. On the other hand, the Act of 1952 guaranties the maintenance of certain minima amounts below which pensions may not fall.

(15) The 1939 law required also the payment of a minimum *amount* in contributions, whereas the 1919-20 law called only for a minimum *number* of contributions.

future (16) amount of pensions under the several contributionary hypotheses and to their ratios to remunerations. It should, however, be stressed that the percentage ratios foreseen will assure the stable purchasing power of the pensions, so long as the normal remunerations remain within the limit of the highest class as established by the Act of 1952. But should normal remunerations exceed the minimum level of the highest class, the percentage will diminish all the more rapidly the more accentuated the increase in the nominal value of the aforesaid remunerations will be as compared to the limit above referred to. Therefore, in the hypothesis of a serious inflationary process, not only would the pensions already paid be strongly reduced, but also the future ones.

Considered from this point of view, the Act of 1952 can only be regarded as a step — even if an important one — towards a radical solution which is still far off.

But, apart from the aspects above noted, the Act of 1952 introduced very important innovations both by extending the benefits to pensioners and survivors, and by introducing a substantial State's contribution. The nature and the measures of these larger benefits will be defined further on. As to the State's contribution, it is a feature that deserves more especially to be underlined.

On 31 December 1952, the annual cost of compulsory pensions had risen to 168,000 million lire; by 31 December, 1953 the figure was 189,000 million. This burden is bound to grow heavier as the number of pensioners swells; how far this will go is hard to say since adequate estimates of the future number of pensioners are not available. In 1947 an estimate by the National Institute of Social Security (17) forecast a total of 2,521,000 by 1955; 3,179,000 by 1960; 3,721,000 by 1965 and 4,139,000 by 1970. On this assumption, if the average annual amount of compulsory pensions were to remain unchanged, the cost would be 214,000 million lire in 1955; 270,000 million in 1960; 316,000 million in 1965 and 351,000 in 1970. The real costs however will probably be lower than these forecasts, since the 1952 law tightened up the conditions for obtaining a pension. All the same, the cost will go up steadily over the next twenty years.

As things stand, we are not in a position to say anything about the likelihood of the national economy standing up to the strain without serious repercussions or about the means which may be devised to raise the money. But certain data may clarify the position. Table II shows the percentage of the Italian national income absorbed each year (in a few significant years from 1936 to 1953) by compulsory pensions.

TABLE II

EXPENSES FOR COMPULSORY INSURANCE PENSIONS AND NATIONAL INCOME IN ITALY

(milliards of current lire)

Years	Expenses for compulsory insurance pensions (a)	National Income (1) (b)	Ratio a : b x 100
1936	0,331	90	0.367
1937	0,361	100	0.361
1938	0,392	115	0.34
1940	0,507	122	0.41
1947	46,857	5,600	0.84
1948	61,941	6,706	0.92
1949	82,132	7,037	1.02
1950	91,604	7,643	1.20
1951	97,261	8,799	1.10
1952	168,527	9,221	1.83
1953	189,237	9,953	1.90

(1) Net national income.

The pressure of social security (i.e. only compulsory pensions for invalidity, old age and survivors) on Italy's resources has varied

(16) The Act of 1952 has led to some immediate improvements, which though modest are far from negligible. Thus the average annual pension has risen in the period from 1951 to 1952 from Lire 50,133 to Lire 80,319, *i. e.* from 17.9% of the average annual earnings of a worker in industry to 27.23%. Nevertheless, in 1952 the average daily pension amounted to only 224 lire (cf. Table I).

The average annual earnings of an industrial worker are taken as being the average daily remuneration as ascertained by I.N.A.I.L. (« National Labour Accidents Insurance Institute », *Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro*), which assumes an average working year of 41 weeks.

(17) Cf. National Social Security Institute (« *Istituto Nazionale per la Previdenza Sociale* »), « Bimonthly Statistical Bulletin », 1947, No. 3, Table XX.

with changes in both the legislation and in the size of the national income. It can be said, however, that pressure has been constantly on the increase. From 1936 to 1940 it was 0.36-0.41% of the national income. After the war it rose steadily from 0.84% in 1947 to 1.90% in 1953.

But in addition to the incidence of social security as a whole on the national income, it is also essential to bear in mind the size of the State's contribution (to compulsory social insurance) which weights heavily on public finance. Table III shows, together with the data regarding benefits paid out, the extent of this contribution for 1952: 54,717 million lire.

TABLE III

NATIONAL SOCIAL SECURITY INSTITUTE (*): RECEIPTS AND EXPENDITURES IN THE FINANCIAL YEAR 1952

(millions of lire)

	Basic Management (capitalisation system)	Management of Equalisation Fund (for distribution)	Total
Receipts:			
Contributions	6,271	128,545	134,816
Charged to the State	192	54,717	54,909
Interest payments	3,451	—	3,451
Sundry	558	5,211	5,764
Total Receipts	10,471	188,473	198,944
Expenditures:			
Pensions and indemnities	2,800	168.199	170,999
Prevention and treatment of invalidity	35	816	851
Overhead expenses	409	8,949	9,358
Payments to the Reserves	6,352	5,486	11,838
Sundry	875	2.104	2,979
Total Expenditures	10,471	185,554	196,025
Surplus of the year	—	2,919	2,919

(*) *Istituto Nazionale per la Previdenza Sociale (I.N.P.S.).*

The real problem of Italian social insurance arises from the fact that the « social insurance budget », unlike that of certain other countries, already shows a grave deficit and that this deficit has to be met by the State. In 1953, 61,110 million lire out of 189,000 millions devoted to compulsory pensions (i.e. 32.5% of the total) had to be provided by the State. In future, the burden falling on the State is destined to involve a higher rate of expenditure, in proportion to the annual increase in compulsory pensions. In 1955 it will probably be about 69,000 million; in 1960, 87,000 million; 103,000 million in 1965 and 114,000 million in 1970 (18).

The possibility of avoiding this burden weighing too heavily on our budget depends on how quickly we can speed up the rate at which new sources of income are made available, and on the extent of the beneficial repercussions of a wider measure of social protection on the country's productivity and on its capacity to contribute. If, however, this strain proves to be unavoidable, social insurance would undoubtedly have to be regarded as one of the factors responsible for the rigidity of Italian public finance and would at a certain point develop into an inflationary force.

The technical features of the 1952 Act.

4. — *Extension of the obligation to insure.* - Under the 1952 law, insurance is compulsory for workers from the age of 14 upwards who are gainfully employed on national territory. The exceptions to this rule are: (a) tenant farmers and sharecroppers; (b) some other categories who come within other social security schemes: civil servants (both of the Government and local authorities), and employees of concerns and corporations whose social security systems have been officially recognised as replacing compulsory insurance (the main category involved is that of public corporation employees). Compulsory insurance, then, applies in the main to workers and employees of private firms.

Insured workers are not kept track of individually through the various stages of their insurance career and in consequence the size of the insured population is a matter of guess

(18) According to fuller and more detailed forecasts the cost to the State will probably amount to 57,000 million in 1955; 83,000 million in 1960; 115,000 million in 1965 and 150,000 million in 1970. Cf. GUIDO MIKELLI, *The new law on the reform of compulsory insurance pensions for invalidity, old age and survivors*, in « Rassegna di Statistiche del Lavoro », March-April, number II, 1952, page 152.

work. A recent estimate covering the three years 1949 to 1951 gave the following results:

TABLE IV

PERSONS COMPULSORILY INSURED FOR INVALIDITY, OLD AGE AND SURVIVORS

Branch of economic activity	Insured (in thousands)			As a % of working population (a)		
	Men	Women	Total	Men	Women	Total
Non agricultural (b) . . .	4,921	1,202	6,123	58	42	54
Agricultural . . .	1,330	635	1,965	22	32	24
Total . . .	6,251	1,837	8,088	43	38	42

(a) As at 4 November 1951. Provisional census data. Cf. Italian Statistical Annual 1952, Table 21.
(b) Including office staff of agricultural estates.

The percentage of insured persons, in terms of the working population, was therefore 42% (8.088 million out of 19.5 million). The percentage is as high as 54% if only the non agricultural workers (6.123 million) are included, whereas it sinks to below 24% for the agricultural sector (1.965 million) owing to the exclusion of tenant farmers and share-croppers from insurance.

5. — *Insurance contributions and the State's subsidy.* - Contributions, as fixed by the 1952 law, are composed of two separate parts:

(a) the « basic part », which is scaled to specific categories of earnings and is borne by the employer alone;

(b) the « equalisation fund part » or « readjustment aliquot part » (i.e. a complementary contribution) which is proportionate to the effective earnings of the individual workers (starting from a daily minimum wage of 400 lire) which is borne 2/3 by the employer and 1/3 by the workers; this part nowadays represents the major part of the contribution.

For example, in the case of a skilled engineering worker with a weekly wage of 7,284 lire a contribution of 13 lire a week is paid (by the employer) for the basic part (0.18% of his wages) and 656 lire for the complementary contributions (9% of his wages, of which 1/3 is paid by the worker).

The financial subsidy by the State falls under various headings:

(a) a flat rate payment of 100 lire a month per pensioner;

(b) 25% of the « equilisation fund part » of the pensions;

(c) the State bears the heavier share of the cost of bringing up to the statutory levels those pensions which, even after equalisation, would still be under the minima laid down by the law.

6. — *Insurance benefits.* - The benefits consist of (a) (direct) pensions for invalidity and old age to insured people; (b) survivors' pensions (indirect) or (when the conditions for reversion have not been fulfilled) a lump sum payment to the survivors of the insured persons of pensioners; (c) health benefits for the prevention and cure of invalidity.

Direct pensions consist of two parts:

(a) the « *basic pension* », calculated in relation to the basic contributions paid (19) plus a tenth of the pension itself for each dependent child (under 18) plus a flat rate payment of 100 lire from the State;

(b) « *equalisation (or readjustment) part* » equal to 44 times the basic pension.

The total amount (excluding additions for the children) cannot fall below the statutory limits nor exceed 80% of the average earnings subject to contribution over the last five years period of payments.

(19) The percentages governing the rate at which contributions shall rank for pension are as follows:

	Men	*Women*
On the first 1,500 lire contributed .	45%	33%
On subsequent sums of 1,500 lire contributed	33%	26%
On the residual contribution . . .	20%	20%

Before applying these percentages, the contributions effected before the 31 March 1943 are revalued as follows:

— Every lira contributed in periods earlier than 30 April 1939 is considered as worth 2.70 lire;

— Every lira contributed in periods between 1 January 1939 and 31 March 1943 is considered as being worth 1.50 lire.

To the total equalised pension (basic part plus readjustment) is to be added, every year, to cover the Christmas bonus, a 1/12 of the annual pension (20).

The *survivors' pension* is reckoned as a proportion (21) of the direct pension actually being drawn or for which rights had been acquired (disregarding the sums in respect of dependent children). Where no rights have been acquired (but where the insured person can demonstrate that he has paid a full year's contributions) a lump sum payment is granted equal to 45 times the amount of the basic contributions paid in (22).

7. — *Conditions necessary to acquire pension rights.* - Entitlement to an old age pension is conditional on:

(a) reaching the age of 60 (for men) and 55 (for women);

(b) having been insured for at least 15 years;

(c) the payment of a number of basic contributions equal to at least fifteen years of full contributions (23).

Entitlement to draw an invalidity pension is conditional on:

(a) the reduction in the earning capacity in occupations suitable to the aptitudes of the person insured to less than 1/3 for workers, and too less than 1/2 for white collar employees;

(b) having been insured for at least 5 years;

(c) the payment of a number of basic contributions equal to at least five years full contributions;

(d) the payment of a number of contributions equal to a year's full contribution in the five years immediately preceding the application for pension.

The survivors are entitled to claim reversion of the pension:

(a) in the event of an insured person dying who had already fulfilled the conditions for obtaining an invalidity or old age pension;

(b) in the event of a pensioner dying whose pension started to be paid out after 1 December 1944.

The survivors are entitled to a lump sum payment:

(a) in the event of an insured person dying who, while not having fulfilled the conditions for drawing a pension, had paid a full year's contributions;

(b) in the event of a pensioner dying who started to draw his pension between 1 January 1940 and 31 December 1944.

An examination of the various conditions shows that those of length of membership and of contributionary period have a typically « insurance » stamp and that they are still retained in the modern system. In a way, they explain why this form of social security is still called insurance.

8. — *Pension levels.* - To form an idea of the quantitative implications of the system in practice, it is as well to show the level of pensions at present being paid and the future prospects.

(20) In practice this is how the pension is worked: if a man with two dependent children has a total basic contribution [as revalued, cf. note (14)] of 10,000 lire, the percentages set out in the preceding note apply to that sum. This gives a figure of 2,570 lire to which are added 514 lire for the dependent children (2/10) and 100 lire for the payment made by the State. The basic pension will be 3,184 lire (2,570 lire plus 514 plus 100) which in practice will be raised to 3,192 in view of the statutory provisions rounding up the monthly instalments. If the basic pension is multiplied by 45 and 1/12 added for the extra month's wages paid at Christmas and the monthly instalment is rounded up to the nearest 50 as laid down by the law, the total equalised pension will be 155,350 lire payable in 13 monthly instalments of 11,950 lire.

(21) The percentages laid down by the law are as follows:

Husband or wife alone or with orphans		*Orphans alone*		*Parents*	
Husband or wife	50%				
Husband or wife and one orphan	90%	1 orphan	50%		
		2 orphans	60%	1 parent	15%
Husband or wife and two orphans . . .	90%	3 orphans	90%	2 parent	30%
		4 or more orphans	100%		
Husband or wife and three or more orphans	100%				

(22) The survivors of holders of a pension paid out in the five year period 1940-45 (before the right of reversion came into effect) are paid a lump sum equal to one year's rate of pension (cf. note 6).

(23) This condition will be enforced in full as from 1 January 1962 while, for the period 1952 to 1961, transitional arrangements will be applied under which a contribution will be required which will increase year by year.

We don't take into account concrete cases of statutory minimum pensions (24), which are nowadays particularly frequent, but will tend to diminuish during the transitional period owing to the gradual entry into force of the provision which requires 15 years of full contributions before an old age pension can be claimed and, from 1962 on, for non-agricultural workers, will arise almost exclusively in the case of invalidity pensions.

Table V shows, assuming constant salaries, the series of pensions accruing for different contributionary periods in 1953, in 1963 and in 1983 to an *employee* who has always (before and after the coming into force of the 1952 law) paid his contributions in the highest grading (25).

TABLE V

ANNUAL PENSIONS CLASSIFIED BY CONTRIBUTIONARY PERIOD (a)

(employees)

Contributionary periods	Number of years	Annual pension (thousands of lire)	% of annual earnings
Jan. '24 – Dec. '53	30	405.6	26.0
» '34 – » '53	20	367.2	23.5
» '44 – » '53	10	248.9	16.0
» '34 – » '63	30	621.4	39.8
» '44 – » '63	20	502.4	32.2
» '54 – » '63	10	286.0	18.3
» '54 – » '83	30	783.0	50.8
» '54 – » '73	20	540.1	34.6

(a) The salary, though all of it is subject to contribution, ranks for pension only up to the amount of 120,000 lire a month.

As will be seen, the situation is tending to improve since the coming into force of the 1952 law, until, in 30 years time, the pension of a man with an unbroken record of contributions subsequent to the coming into force of the law will be about 51% of his salary (26) *on the assumption that in the intervening years there is no variation in the level of salaries.*

Coming now to *industrial workers*, who form the greater part of insured persons, let us take a typical example: average working year 41 weeks and wage equal to the average national earnings (as estimated by « The National Labour Accidents Insurance Institute » in evaluating accidents for the period up to 1953) and let us assume that its real value is equal to the 1953 value for the whole of the successive period. Depending on the various contributionary periods we shall have the following situation (cfr. Table VI):

TABLE VI

ANNUAL PENSIONS CLASSIFIED BY CONTRIBUTIONARY PERIOD

(industrial workers)

Contributionary periods	Number of years (a)	Annual pension (thousands of lire)	% of annual earnings
Jan. '24 – Dec. '53	30	180.800	63.0
» '34 – » '53	20	156,650	52.0
» '44 – » '53	10	109,200	36.2
» '34 – » '63	30	208,650	69.2
» '44 – » '63	20	161,200	53.5
» '54 – » '63	10	85,150	28.3
» '54 – » '83	30	188,600	62.8
» '54 – » '73	20	137,150	45.7

(a) At the time of being pensioned off.

As regards *agriculture* we may take the case of a regularly employed farm hand with a wage of 818 lire a day for 300 days a year. Let us suppose that this rate of earning remains constant over the subsequent period (cf. Table VII).

Agricultural workers' pensions, assuming equal contributionary periods, are well below those of non-agricultural workers in absolute

(24) In order to get into perspective, these minima, which for pensioners with non dependent children, amount to 45,000 or 65,000 lire a year, it should be borne in mind that the average earnings of an industrial worker (referred to by I.N.A.I.L. in evaluating accidents) was 1,225 lire a day in 1953. Assuming a working year of 41 weeks, as emerges from the statistics of the Family Allowance Fund (« *Cassa Assegni Familiari* ») administered by the National Social Security Institute, we arrive at an annual total of 301,350 lire. Now, if we take this sum as the average annual earnings of an industrial worker, it will be seen that the minima represent 15% or 22% (according to the case) of the earnings.

(25) This top grading included, from 1920 to 1939, salaries over 240 lire a month; from 1939 to 1952 those above 1,400 lire a month; from 1952 on those over 120,000 lire.

(26) The improvement is due to the fact that the 1952 law has moved the number of the gradings upwards, thus raising to a higher level the basic contribution of the top grading (which has risen from 180.30 lire a month to 200).

values, owing to the fact that their contributions are much lower which, in turn, is due to the average earning of this labour category.

TABLE VII

ANNUAL PENSIONS CLASSIFIED BY CONTRIBUTIONARY PERIOD

(agricultural workers)

Contributionary periods	Number of years (a)	Annual pension (thousands of lire)	% of annual earnings
Jan. '24 – Dec. '53	30	82,550	33.6
» '34 – » '53	20	66,950	27.3
» '44 – » '53	10	45,500 (b) 65,000 (c)	18.5 26.5
» '34 – » '63	30	96,850	39.5
» '44 – » '63	20	81,250	33.1
» '54 – » '63	10	65,000 (d)	26.5
» '54 – » '83	30	124,150	50.6
» '54 – » '73	20	93,600	38.1

(a) At the time the worker is pensioned off.

(b) Minimum to which people under 65 in receipt of an old age pension are entitled.

(c) Minimum to which invalidity pensioners of any age and old age pensioners of over 65 are entitled.

(d) Minimum to which people drawing invalidity pensions are entitled. In the case postulated there would be no entitlement to old age pension.

Statistical data on the pensions paid in 1952.

9. — The number and the amounts (total and *per capita* averages) of direct (old age and invalidity) pensions and of indirect (survivors') pensions which were being paid on 31st December, 1952, are shown in Table VIII.

TABLE VIII

GROUP DISTRIBUTION OF THE PENSIONS EFFECTIVE ON 31.12.1952

Group	Number of pensions	Annual amount	
		Total (millions of lire)	Per capita average (lire)
Old Age	1,318,961	111,963	84.887
Invalidity	510,452	41,011	90,343
Survivors	169,207	11,147	65,877
Total	1,998,620	164.121	82,117

On 31st December, 1952, the compulsory pensions (provided by law) in course of payment numbered in all 1,998,620 of which 66% were paid to old age pensioners, 26% for invalidity, and only 8% to the survivors of insured persons or pensioners. The participation of survivors to the pensions was still very small as the right to reversibility was granted only in the case of pensioners already receiving pensions, and in cases of death while at work that have occurred as from 1st January 1945.

The average *per capita* amount is seen to be higher for the invalidity pensions (L. 90,343) than for the old age ones (L. 84,877) although the average length of the contributionary period is higher in the case of the old than of the invalidated. This is due to the fact that the minimum pension guaranteed for invalidity was 65,000 lire per annum for each case, whereas the minimum pension guaranteed to old persons under 65 years of age (who accounted for 38% of all those entitled to receive them) was only 45,500 lire.

Table IX shows the territorial distribution of the expenditure on pensions and the average *per capita* amount in the several areas of the country on 31.12.1952.

TABLE IX

TOTAL ANNUAL AMOUNT AND AVERAGE PER CAPITA VALUE OF THE PENSIONS ON 31.12.1952, IN THE SEVERAL AREAS

	Total annual amount		Average per capita amount	
	Millions of lire	%	In lire	Index: Italy = 100
North Italy	101,251	61,86	85,948	105
Central Italy	24,477	14,92	83,451	102
South Italy	24,163	14,72	72,783	89
Islands	13,791	8,40	72,680	89
Italians abroad	169	0,10	70,856	86
	164,121	100,00	82,117	100

North Italy (44.25% of the Italian population) received nearly 60% of the pensions, and accounted for 62% of the sums assigned; the *per capita* average amount therefore exceeded by 5% the national average. The South and Islands (37.18% of the Italian population) received 26% of the pensions and therefore accounted for only 23% of the expenditure, so that the average *per capita* pension was 11% below the national average. This difference is accounted for by the fact that in the South the pensions to farm workers, which are lower than the others, are preponderant and lower the average.

The distribution of the pensions, classified by their amounts, on 29.11.1952 is shown in Table X.

TABLE X

PERCENTAGE DISTRIBUTION OF PENSIONS CLASSIFIED BY AMOUNT ON 29.11.1952

Amount per annum Lire		% of pensions			
		Old age	Invalidity	Survivors	Total
from L. 45,000	to 65,000	21.44	—	63.68	19.23
65,000	100,000	56.67	88.65	26.87	65.28
100,000	150,000	3.11	2.49	3.28	2.96
150,000	200,000	11.69	6.19	5.08	9.75
200,000	250,000	5.15	2.05	0.90	4.01
250,000	300,000	1.35	0.44	0.15	1.02
300,000	350,000	0.41	0.12	0.04	0.31
350,000	400,000	0.15	0.04	—	0.11
Oltre L.	400,000	0.03	0.02	—	0.03
Total . . .		100.00	100.00	100.00	100.00

Table X shows that for all types of pensions the greatest number were those belonging to the group covering the minimum benefit guaranteed by law. In the case of survivors' pensions, 63.84% belong to the first amount group (minimum L. 45,500 per annum); in the case of pensions for invalidity, 88.65% belong to the second amount group (minimum L. 65,000 per annum), while in the case of old-age pensions, 21.44% come under the first amount group, covering the minimum amount for pensioners under 65 years of age (L. 45,000 per annum) and 55.67% come under the second group, which includes the minimum pension for persons over 65 years of age (L. 65,000). In the case of old age pensions the number in the first two amount groups (78.11%) is smaller than is the case for the invalidity pensions (88.65%), as the contributionary period for the old age pensions (on the basis of which they are liquidated) is generally longer. But the weight of the pensions of less than 65,000 lire is however such that it lowers the average *per capita* amount of the old age pensions to a figure below that for the invalidity pensions. (See Table VIII).

For the invalidity and old age pensions the following Table XI shows their distribution on 29.11.1952 classified by branch of economic activity to which the insured persons belonged in the last five years previous to retirement.

Most of the pensioners belong to industrial occupations, which alone account for nearly 48% of the total, while those classified under « agriculture, hunting and fishing » account for 25%.

TABLE XI

DISTRIBUTION OF DIRECT (OLD AGE AND INVALIDITY PENSIONS) ON 29.11.1952 CLASSIFIED BY BRANCH OF ACTIVITY

Branch of activity	Old Age		Invalidity		Both	
	N°	%	N°	%	N°	%
Agriculture, hunting and fishing	314,670	24.91	124,757	25.29	439,427	25.02
Industry	627,070	49.63	209,187	42.41	836,257	47.60
Transports and Communications	18,958	1.50	4,587	0.93	23,545	1.34
Commerce	20,249	1.60	7,257	1.47	27,506	1.57
Banking and insurance	4,603	0.37	1,049	0.21	5,652	0.32
Sundry	277,833	21.99	146,415	29.69	424,248	24.15
Total	1,263,383	100.00	493,252	100.00	1,756,635	100.00

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