

Minimum wage policy via collective bargaining: the Swiss trade unions' minimum wage campaign*

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Introduction

In Switzerland, there is relatively little state regulation of pay levels. Until recently, with only a few minor exceptions, there were no statutory minimum wages. Instead, collective agreements were negotiated between employer associations and trade unions, most of which contained more or less detailed lists of pay rates. In the engineering industry, however, the collective agreement does not lay down any minimum wages and in the watch and clock-making industry and the Basel chemicals sector, minimum wages were laid down for the first time this year. In 2003, a total of 1.1 million employees were covered by sectoral agreements and 0.3 million by company agreements. This means that something over 50% of employees in private industry were affected by agreements. Whereas in some sectors such as the watch and clock-making industry, the main and subsidiary construction sectors and the hotel and restaurant sector, the vast majority of employees are covered by collective agreements, only a minority are

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in this position in the corporate consultancy or insurance sectors. Generally speaking, the degree of coverage of employees by collective agreements is higher in the low-pay sectors than in the skilled private services. Nevertheless, it is clear that, compared with other countries, Switzerland has low levels of protection for the low-pay sector.

Despite this incomplete coverage, low pay developed roughly parallel to average pay from the mid-1970s to the early 1990s and pay differentials also appear to have remained stable during this period. There are two main reasons for this. Firstly, full employment: between 1975 and 1991, the official rate of unemployment in Switzerland never exceeded 1.5%. Secondly, state immigration controls: up to 2002 a work permit for Switzerland was only issued if the employer concerned could demonstrate that he could not recruit a suitable worker from within the country and was also prepared to pay the new employee at the customary local rate. As a result of these bottlenecks on the labour market it was possible to maintain a certain wage stability even for low-qualified categories of employee.

However, during the relatively long recession that occurred in the 1990s,¹ it became clear that these two factors – full employment and immigration controls – had either already lost or were about to lose their stabilising effect. Firstly, unemployment in 1997 had grown to an unusually high level for Switzerland of 5.2%. Labour supply now began to significantly exceed demand, especially for low-qualified workers. Secondly, the Swiss government was involved in negotiations with the European Union aimed at introducing free movement of persons. This meant that in the medium term, the principle of giving priority to Swiss citizens would end, together with traditional immigration controls. The features that made the Swiss labour market unique were about to disappear (Schmidt 1995; Flückiger 1998) –

1 Between 1991 and 1996 real GDP grew by less than 1% per annum for six years in succession. Between 1991 and 1993 it even declined for three years in succession.

all the more so because during the recession pressure exerted by employers on the system of collective bargaining had increased. In some sectors – for example the banking, chemical or graphic industries – the result was a decentralisation of collective bargaining and a growing individualisation of wage adjustments (Mach 2001; Mach and Oesch 2003). The combined impact of unemployment and growing tendency to undermine collective agreements increased the pressure, particularly on the low-pay sector.

In this difficult labour market situation the Swiss Trade Union Confederation decided, in 1998, to respond to the expanding and increasingly precarious low pay sector by launching a large-scale campaign for minimum wages. Public criticism of low wages and calls for a minimum wage of 3,000 francs per month were aimed at paving the way for a significant raising of minimum wages in collective agreements. This paper focuses on an analysis of that minimum wage campaign. In the first part, we look at the background to the campaign and its implementation. In the second part, we try, on the basis of statistics, to evaluate its successes and failures. The conclusion will review the results and sketch out prospects for the future.

1. The background to the minimum wage campaign and its implementation

1.1 Background

Low pay has long been common in Switzerland, particularly for women and foreign workers. However, as a result of the long period of economic stagnation in the 1990s, low wages had increasingly led to financial uncertainty and poverty. The main reason was a steady increase in contributions and indirect taxation by the state in order to ensure the funding of additional expenditure during the crisis. At the same time, the risk of becoming unemployed increased considerably in the 1990s, which led to increasing numbers of short-term work contracts and the spread of involuntary part-time working. There was the risk of expanding low pay segments as many major corporations and privatised companies started to outsource services in a bid

to benefit from low-pay competition (activities included cleaning, transport services and catering). After seven uninterrupted years of crisis, by the end of the 1990s, the influence that the trade unions had on pay settlements had been severely weakened. The scope of collective agreements was in any case traditionally limited; combined with a substantial increase in unemployment and a trend towards pay settlements at company or even individual level, this reduced the ability of the trade unions to counter expansion of the low-pay sector. Particularly in these sectors, the balance of power shifted away from the unions.

Against this background a debate started within the unions, particularly in the newly-created services union *unia*, about the possibility of adopting a new strategy over pay policy (Rieger 1997). There was a tradition in Switzerland of each individual sectoral trade union having the sole responsibility of concluding collective agreements in its area and ensuring that minimum pay levels were raised (so-called sectoral autonomy). However, this strategy was clearly not suited to ensuring that workers in the growing – mainly female – service industries were covered by collective agreements. In addition, the trade unions were repeatedly being forced by the unfavourable balance of power to give their blessing to minimum wages that were below the subsistence level even in sectors covered by collective agreements. The social problems related to low pay were obvious; what was less clear was the appropriate policy response.

An *initial proposal* treated the expansion of low-pay sectors as unavoidable and proposed the introduction of state subsidies to ‘cushion’ the impact of low wages. However, the danger of this strategy was that it would have a massive knock-on effect. Introduction of state subsidies would not only amount to accepting the existence of sectors with wages below subsistence level but would actually encourage their development. Furthermore, a policy of making the individuals concerned dependent on state handouts was hardly a progressive one. And, finally, wage subsidies would also have raised intractable problems with respect to free movement of persons within the European Union.

A *second proposal* involved a statutory minimum wage. The introduction of such a minimum wage by politicians would have been conceivable, despite going against Swiss tradition. However, the left-wing parties in Switzerland only held a third of the seats in the national parliament, and the political balance of power at the end of the 1990s would only have allowed a minimum wage of at best a few percentage points above the levels prevailing in agriculture or the hotel and restaurant sector. It was therefore likely that at national level an extremely low minimum wage would have been established that would have had little impact outside the agricultural sector.

Against this background the trade unions decided to adopt a new strategy and a *third proposal*: establishment of a minimum wage should be removed from the exclusive framework of individual sectoral agreements in order to achieve a balance of power within society and to 'politicise' the issue of pay. The trade unions had in mind a minimum standard designed to be as specific and simple to communicate as possible – and they came up with the formulation 'no wages below 3,000 francs!' This figure was not primarily regarded as an equitable subsistence wage but rather as the level below which the trade unions thought that a wage was socially unacceptable and should be rejected. Finally, the idea was that the standard would not be introduced via political/parliamentary channels but through a combination of public campaigning with specific measures and collective bargaining in individual sectors. This new strategy was proposed and adopted in 1998 at the congress of the Swiss Trade Union Confederation. At the same time, the congress decided only to support the introduction of free movement of persons between Switzerland and the countries of the EU on condition that instruments would be created to effectively counteract the pressure to reduce levels of pay (SGB 1998).

1.2 Implementation of the campaign

Implementation of the minimum wage campaign took place from 1999 onwards at various levels and involved, firstly, an intensive media campaign, secondly, a carefully-targeted debate on economic policy and thirdly, specific campaigns and collective negotiations in

individual sectors. There follows a short description of implementation at all three levels.

Media campaign: one of the main goals of the campaign was to generally ‘politicise’ the question of pay and in particular draw the attention of the public to the problem of low pay (Rieger 1999, 2001). The public campaign was addressed at a number of targets: on the one hand it aimed to awaken the social conscience of consumers (“Starvation wages in restaurants – guests lose their appetite”). On the other, the attention of the state and taxpayers was drawn to the fact that they were subsidising low wage companies via social security payments. And finally, an appeal was made to the general public’s sense of justice whereby it was unacceptable for full-time working not to suffice for an individual to make a decent living. A huge impact was also made by a study published in 1998 by the charity foundation *Caritas* on the phenomenon of the ‘working poor’ in Switzerland (Liechti and Knöpfel 1998). The problem was not only widespread – it now became a high-profile issue in the eyes of the public. In stark contrast to the very low rates of pay, managerial salaries were rocketing, and debate started to centre on the question of social inequality. In addition to these socio-ethical and socio-political arguments, it was pointed out that women were particularly concerned by low pay and this infringed the constitutional principle of equality. Women in receipt of low wages were encouraged to appeal to the courts in order to put their employers under pressure.

Radical change in the dominant economic and political discourse: For more than a decade, economists, federal policymakers and journalists in the leading Swiss newspapers had been voicing the opinion that a minimum wage would have an impact on recruitment and lead to higher levels of unemployment. In order to break away from this belief, the SGB, together with economists and specialists in labour law drew up an expert report on minimum wages that contained suggestions for the appropriate level, summarised foreign studies on the impact of minimum wages on national economies and attempted to evaluate the effects of a minimum wage on competitiveness and prices in the various sectors of the economy (Gaillard and Oesch 2000).

Practical work in the various sectors: In the years that followed, most member trade unions of the SGB came out clearly in public campaigns and collective bargaining in favour of any net wages falling below 3,000 francs being raised to that level. The demand for higher minimum wages has become an integral part of trade union collective bargaining policy (SGB 1999), particularly in the hotel and restaurant sector, retailing, the graphic industry, textiles, watch and clock-making, cleaning, private security and agriculture. In addition, an attempt was made to expand the scope of collective agreements by embracing a broader range of categories of employment (part-time workers, auxiliary staff) and concluding new agreements (Schäppi 1998; Rieger 2001). In particular the services union *unია*, which was set up in 1996, carried out an active media campaign against low pay in the retail and hotel and restaurant sectors parallel to the customary collective bargaining round. The result was a significant rising of minimum wages in both sectors. The strategy of 'naming and shaming' companies paying low wages was borrowed from the Anglo-Saxon countries and used with particular success against the two retail giants Migros and Coop.

As a last and fourth level for implementing the minimum wage strategy served the negotiations for a Swiss equivalent to the European directive on the posting of workers – the so-called 'Flanking Measures' for the introduction of free movement of persons between Switzerland and the member states of the European Union.² The negotiations between the trade unions, employer representatives and the government took place between 1998 and 2005 and in parallel to the discussions about minimum

2 The 'Flanking Measures' were introduced in 2004 in a bid to counter any pressure on wages resulting from the introduction of free movement of persons. Where wages below the usual local levels are paid, tripartite cantonal commissions, consisting of representatives of the state, the employers and the trade unions can request the cantonal government to issue directives with binding minimum pay levels. A detailed description of the flanking measures can be found in: Trunz and Gaillard (2005).

wages.³ In an effort to force through effective measures, the trade unions repeatedly drew attention to the risk of the introduction of free movement of persons exerting pressure on low wages and called for collective agreements to contain minimum wages. This is why pay policy, collective bargaining and minimum wages have been a recurrent topic of political debate over the last eight years in Switzerland. The interplay of the public campaign against low pay, collective negotiations for minimum wages in the various sectors of industry, criticism of the low wages paid by certain major companies and the ongoing argument about the Flanking Measures have meant that pay policy and minimum wages in particular have been constantly in the news over the last eight years.

Using data drawn from Swiss Pay Structure Surveys in the years 1998, 2000 and 2002, it is now possible to make an initial assessment of the impact of the minimum wage campaign.

2. Empirical assessment of the impact of the minimum wage campaign

The minimum wage campaign provoked a positive response from the public, with widespread support for the trade unions' actions on behalf of the lowest paid workers. There follows a statistical analysis of the impact of the campaign on pay structures based on the following four indicators:

- *Collectively agreed minimum wages*: How did collectively agreed minimum wages develop in the low-pay sectors? (Section 2.1)
- *Absolute proportion of low wages*: How did the proportion of wages below 3,000 and 3,500 francs develop? (Section 2.2)

3 In 1998 and 1999 negotiations took place on 'Flanking Measures 1', which were introduced in the context of the free movement of persons between Switzerland and the 'old' members of the EU. From 2003 onwards, negotiations were opened on 'Flanking Measures 2', which were introduced parallel to the extension of free movement of persons to cover the new member states of the EU.

- *Relative proportion of low wages*: How did the proportion of low wages below 50% and 66% of the median wage develop? (Section 2.3)
- *Wage differentials*: How did the relationship between high and low wages develop? (Section 2.4)

With the exception of the first indicator, the calculations are all based on data provided by the Swiss Pay Structure Survey (LSE), which covers information provided by a representative sample of private sector companies in Switzerland. The Survey is carried out every two years and contains between 440,000 (LSE 1998) and 1,150,000 (LSE 2002) individual wages. The present assessment incorporates the data for the years 1998, 2000 and 2002.⁴

2.1 Development of collectively agreed minimum wages in the lower pay sectors

In 2002, the Federal Office of Statistics (Bundesamt für Statistik) commissioned the University of St. Gallen to carry out a study of the development of collectively agreed minimum wages in Switzerland. This evaluation of all collective agreements covering more than 1,500 employees highlighted the campaign's impact as early as 2002 (Prey et. al. 2002). The authors singled out three observations:

1. While the average growth rate of minimum wages for unskilled workers between 1999 and 2001 was 7%, the rate for qualified employees was a mere 2.9% and for employees with higher qualifications, 3%. Thus the lower minimum wage categories increased disproportionately to the rest.
2. A comparison of collectively agreed minimum wages with those covered by the Pay Structure Survey revealed that it was particularly unskilled workers in receipt of the lowest wages who bene-

4 All the analyses were carried out by Roman Graf at the Observatoire Universitaire de l'Emploi of the University of Geneva. Detailed results for the individual sectors can be found in: Oesch et. al. (2005). The 2004 LSE results will not be available to research institutes before 2006.

fited most from protection by collective agreements. This was partly indicated by the fact that unskilled workers with individual employment contracts often earned less than the collectively agreed minimum wage. Raising the collectively agreed minimum wage therefore resulted in a direct improvement of the effective wage paid in low-wage sectors.

3. In the year 2001, a strikingly large number of the lowest collectively agreed minimum wages were raised to the level of 3,000 francs. This was attributed to the trade unions' demand for 'no wages below 3,000 francs!'

Table 1 provides an overview of the actual development of collectively agreed minimum wages in a number of low-pay sectors. It reveals that between 1998 and 2004, the minimum wages for

Table 1: Development of collectively agreed minimum wages in low-pay sectors (in francs)

Sector	Qualification	1998	2000	2002	2004
Textiles	without apprenticeship	2365	2390	2750	3050
	with apprenticeship	3365	3410	3730	3950
Printing	without apprenticeship	2800	2900	3000	3000
	with apprenticeship	3500	3560	3560	3560
Retail, Coop	without apprenticeship	2400 – 2700*	2400 – 2700*	3200	3300
	with apprenticeship	2600 – 3000*	2600 – 3000*	3500**	3600**
Retail, Migros	without apprenticeship	2500– 2800	2600– 2900	3150	3300
	with apprenticeship	2700– 3100	2800– 3200	–	–
Hotels and restaurants	without apprenticeship	2350	2410	3000	3120
	with apprenticeship	3050	3110	3350	3525
Hairdressing	with apprenticeship	2800	2800	3000	3200

Notes: * Regionally differentiated minimum wages; **Minimum wages for three year apprenticeship.

Source: SGB.

unskilled or semi-skilled workers in particular were significantly increased in some cases. In the collective agreement for the hotel and restaurant sector, for example, minimum wages for employees without apprenticeships were increased by some 33%. In the two biggest retailers, Migros and Coop, the lowest minimum wages were raised by about a third, and other companies had to follow suit (Denner, Manor). These increases had a significant impact on the economy as a whole, as the agreement for the hotel and restaurant sector, which has been declared binding for the entire sector, covers the highest number of employees in Switzerland (206,000 in 2003), and Migros and Coop are amongst the biggest private employers in the country, with workforces of 80,000 and 50,000 respectively. Taken together, the hotel or restaurant sector and these two major retail chains account for almost 10% of all employees in Switzerland.

Even in smaller sectors such as the textile industry, collectively agreed wages have increased significantly, although they continue to be relatively low. In the graphics industry (printing) as well as the packaging sector, wage increases have been more modest. Nevertheless the scope of collective agreements in the graphics industry was extended to cover transport services. When it comes to personal services, despite low levels of unionisation, some progress has been made: between 1998 and 2004, minimum wages for trained hairdressers rose by 15%. In 2004, unions succeeded for the first time in concluding collective agreements for the cleaning sector in German-speaking Switzerland and the private security sector, which were subsequently declared to be binding for the entire sector. Minimum wages for unskilled employees were set at 3,140 francs in the cleaning sector and 4,000 francs in the private security sector.

2.2 Development of the proportion of employees with wages under 3,000 or 3,500 francs

A more precise picture of trends in the low-pay sectors is provided by an analysis of the Pay Structure Survey (LSE). *Figure 1* shows the proportion of full-time employees receiving monthly wages of less

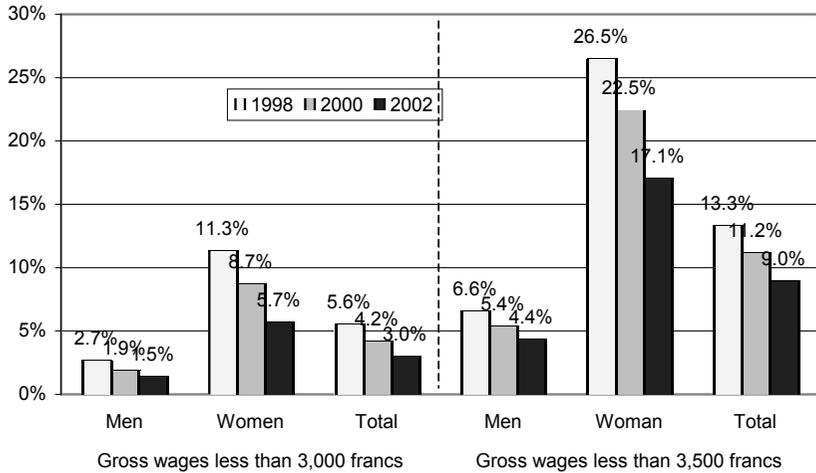


Figure 1: Proportion of employees in Switzerland with monthly wages below 3,000 and 3,500 francs

Source: Own calculations on the basis of the Swiss Pay Structure Survey 1998, 2000, and 2002.

than 3,000 and 3,500 francs respectively.⁵ The left-hand side of the graph clearly shows that it is above all women who are affected by very low pay levels in Switzerland. In 1998, more than 10% of all working women were earning less than 3,000 francs – a level of wages that in the long-term is not sufficient for subsistence. Given the starting situation, it is not surprising that the minimum wage campaign had a considerably greater impact on women's wages than on men's. Between 1998 and 2002, the proportion of women earning less than 3,000 francs was almost exactly halved from 11.3% to 5.7%. By way of contrast, even as far back as 1998, only a small minority of

5 Part-time workers are included in these calculations: all pay data has been standardized for equivalent full-time employment of 40 hours per week. Any 13th monthly salary payable has also been taken into account (about two thirds of all employees in Switzerland receive such a 13th salary payment each year). By taking the 13th monthly salary into account, the percentage of employees earning less than 3,000/3,500 francs a month has been slightly underestimated.

2.7% of all men were earning fewer than 3,000 francs and the reduction to 1.5% was therefore much more modest. Whereas in 2002 only a small minority of employees were being paid less than 3,000 francs, the proportion of those earning fewer than 3,500 francs was still 9%. Even so, the minimum wage campaign seems to have had a positive impact: there was a significant decrease in the proportion of women earning low wages from 26.5% to 17.1%. Nevertheless, in 2002, one in six women still earned less than 3,500 francs per month. Here, too, the gender gap is very striking: the corresponding figure for men was one in 23.

When looking at the development of low wages broken down according to sectors, it emerges that particularly in the traditional low-pay sectors such as the textile industry, the retail sector and the hotel and restaurant sector, the proportion of employees earning low wages has been significantly reduced. In these sectors, the percentage of employees earning less than 3,000 francs per month was halved between 1998 and 2002. This is not surprising inasmuch as the trade union campaigns strongly focused on the retail and hotel and restaurant trades. There were good reasons for this: developments in these two areas are of considerable significance for the economy as a whole, as the hotel and restaurant sector accounts for more than 200,000 employees and the retail sector for more than 300,000 – in other words, they are two of the biggest sectors in Switzerland. It is striking, however, that in these sectors the proportion of employees earning low wages (below 3,000 francs) has declined to a much greater extent than the proportion earning less than 3,500 francs, which in 2002 was still at the relatively high level of 20% in the textile industry, 18% in the retail sector and as much as 41% in the hotel and restaurant sector.

There was also a significant reduction in low wages – albeit at a more modest level – in the food sector and the watch and clock-making industry as well as in health and social services. However, such reductions did not take place automatically, as is illustrated by the examples of the engineering and business services sectors, in both of which the proportion of low wages remained stable between 1998 and

2002. In other words, the minimum wage campaign apparently had little impact on these two sectors. The engineering industry has a collective agreement, but it does not contain any provisions for minimum wages, which are negotiated at company level. This means that the trade unions have only been able to indirectly influence the development of minimum wages within companies. The business services sector covers a wide variety of different activities ranging from corporate consultancy and legal services to industrial cleaning and private security. It is a sector with very low levels of unionisation and poor coverage by collective agreements.⁶

2.3 Development of the proportion of employees with wages below 50% and 66% of the median

Figure 1 indicates that recipients of low wages also benefited from the economic upswing – the proportion of employees in this category significantly declined between 1998 and 2002. However, the thresholds of 3,000 and 3,500 francs are fixed levels that provide little information on the development of the low-pay sector in comparison with overall pay trends. These thresholds also hide the influence of inflation (admittedly relatively low during the period concerned). Nonetheless, adjusted for inflation, a wage of 3,500 francs was worth more in 1998 than in 2002. For these reasons, the development of low wages is illustrated in the following graphs on the basis of a relative threshold. *Figure 2* shows the proportion of employees earning less than 50% and 66% of the Swiss median wage (identical threshold for all sectors) during each of the three years concerned.⁷ These

6 Despite this, 2004 saw the first sectoral agreements signed for the cleaning and private security service sectors, which were subsequently declared to be universally binding by the Federal Council (Bundesrat). In the cleaning industry, an agreement had long been in existence for French-speaking Switzerland. To this was now added an agreement for German-speaking Switzerland.

7 In absolute figures, 50% of the median wage in 1998 amounted to 2,555 francs; in 2000, the figure was 2,627 francs; in 2002 it was 2,720 francs. 66% of the median wage equated to 3,406 francs in 1998, 3,503 francs in 2000 and 3,626 francs in 2002.

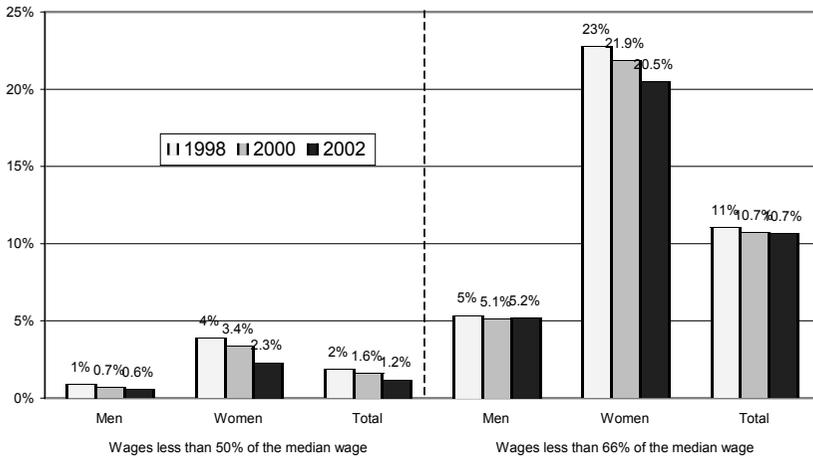


Figure 2: Proportion of employees earning less than 50% and 66% of the median wage

Source: Own calculations on the basis of the Swiss Pay Structure Survey 1998, 2000, and 2002.

statistics also indicate that the percentage of employees with low and very low wages declined between 1998 and 2002. However, if the figures are related to the reference value of the median wage (which rose 6.4% between 1998 and 2002), then the decline of the low-wage sector is much less pronounced. Thus in 1998, only 2% of employees in Switzerland were earning less than half the median wage, and this proportion has further declined to 1.2%.⁸ The biggest reduction was in the case of female workers. Whereas in 1998, one in 26 was earning less than half of the median wage, the corresponding figure for 2002 was one in 45. Women were also largely responsible for the (relatively weak) decline in the proportion of employees earning less than 66% of the median wage. Between 1998 and 2002, the propor-

8 The British minimum wage introduced in 1999 amounted in 2004 to 48.9% of the median wage (Low Pay Commission, 2005). The 50% threshold therefore more or less equates to the threshold for extremely low wages, and the 66% threshold marks the start of low wages.

tion declined by 2.3 percentage points from 22.8% to 20.5%. By contrast, the proportion of men earning less than 66% of the median remained at about 5%. Despite this, women are still over represented in the category of employees earning less than 66% of the median wage.

The size of the low-pay sector as illustrated in Figure 2 may appear to have remained relatively stable, but the statistics hide a wide fluctuation across sectors. For this reason *Figure 3* and 4 break down the figures according to sector.

1. One group of sectors displays a general reduction in the proportion of employees earning less than 66% of the median wage. This applies in particular to the watch and clock-making industry and the packaging industry (paper and cardboard). There was also a slight reduction in the hotel and restaurant sector, health and social services and the culture, sport and enter-

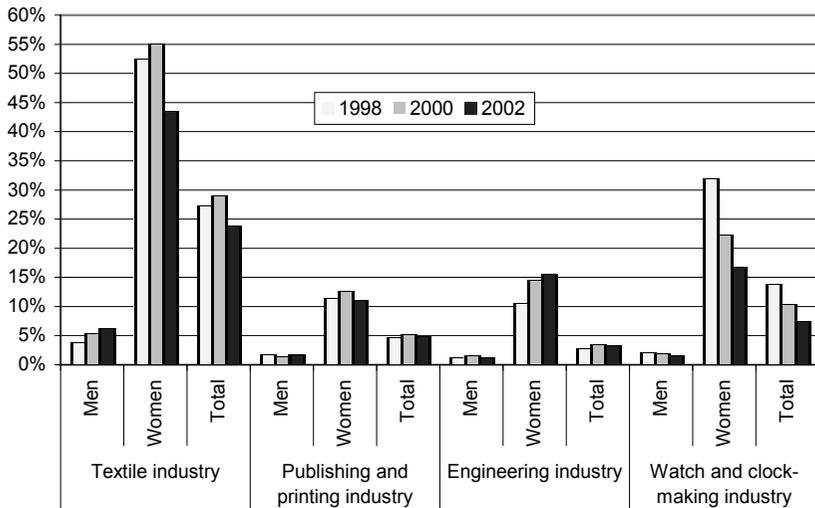


Figure 3: Proportion of employees with monthly wages below 66% of the median wage – manufacturing

Source: Own calculations on the basis of the Swiss Pay Structure Survey 1998, 2000, and 2002.

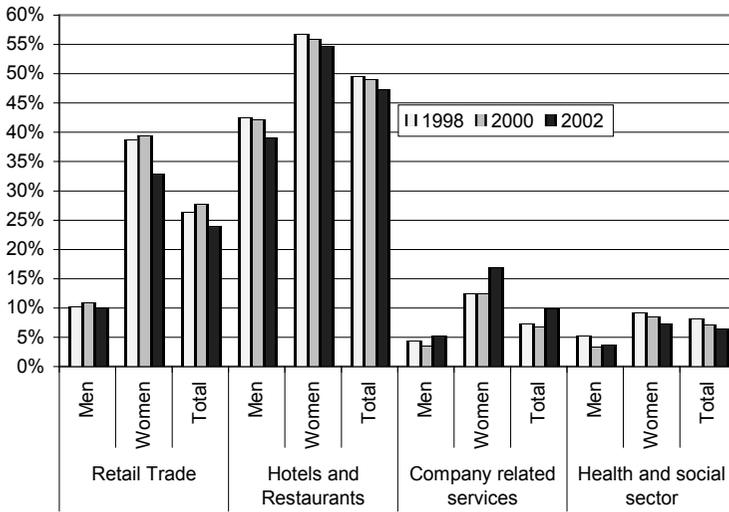


Figure 4: Proportion of employees with monthly wages below 66% of the median wage – services

Source: Own calculations on the basis of the Swiss Pay Structure Survey 1998, 2000, and 2002.

tainment industries. The reduction in the hotel and restaurant sector is more striking if one takes the 50% threshold rather than the 66% one. Between 1998 and 2002 the proportion of employees in the hotel and restaurant sector earning less than 50% of the median wage was reduced from 13% to 5%. Thus, improvements in this sector concerned the 50% threshold rather than the 66% one.

2. In a second group of sectors, the reduction was confined to female employees. In the retail sector, the textile industry and the food sector, the proportion of women earning less than 66% of the median wage was reduced, whereas the proportion of men remained stable or even slightly increased (in the textile and food sectors).
3. In a third group, consisting of the metalworking industry, the road transport sector and business services, the size of the low-

pay sector effectively increased between 1998 and 2002. This confirms the statement made above that the proportion of low wages did not automatically decline as a result of the impact of the low-wage campaign. Low wages were reduced in sectors in which the trade unions and public opinion were mobilised and collective agreements succeeded in adjusting pay levels, but in other sectors in which there were no collective agreements or no campaign was carried out, the situation remained unchanged or even deteriorated during the economic upswing.

2.4 Development of wage differentials

This final section is devoted to analysing the development of wage differentials. As already mentioned at the start, there was a danger in 1998 that low-qualified employees would not benefit from the onset of economic recovery. This seemed likely in view of the (for Switzerland) unusually high surplus of low-qualified workers on the labour market and the increasing trend amongst employers only to grant pay rises on an individual basis. Such a development would have led to a significant increase in wage differentials, and the minimum wage campaign was designed to counter this. On the basis of developments of three different indicators for wage differentials,

Table 2: Development of relationship between high and low pay, 1998–2002

	Relationship p90/p10*	Relationship p75/p25**	Gini Index***
1998	2.53	1.62	0.217
2000	2.64	1.66	0.235
2002	2.61	1.64	0.233

Notes:

* Relationship between pay in 90th percentile to pay in 10th percentile (90th percentile = 90% of wages are lower, 10th percentile = 10 per cent of wages are lower).

** Relationship between the pay in 75th percentile to pay in 25th percentile.

*** The Gini Index takes into account distribution across the entire wage structure. The higher the value, which can be between 0 and 1, the greater the inequality

Source: Own calculations on basis of Swiss Pay Structure Survey.

Table 2 examines whether, during the short period covered by our analysis, the campaign was successful. All three indicators suggest that wage differentials slightly increased between 1998 and 2000 and then slightly decreased between 2000 and 2002, but did not return to the level of 1998 (Table 2).⁹

This slight increase in wage differentials is often attributed to the escalation in the salaries paid to top managers. If, the argument goes, the top 1% or 5% – in other words those on extremely high salaries – are removed; the increase in differentials is expected to disappear. We therefore repeated our calculations using a reduced sample of only 99% and 95% of all the pay data, effectively excluding the 1%/5% of top earners. However the pattern remained the same: between 1998 and 2000, wage differentials grew, although this trend was partially reversed between 2000 and 2002.¹⁰

Figure 5 shows – once again – that behind the (modest) increase in wage differentials in the economy as a whole, there has been a wide range of trends in individual sectors. There was a distinct reduction in differentials in the printing and publishing sector, the packaging industry and the foodstuffs industry. In the hotel and restaurant sector, the relationship between high and low wages was also reduced by 5%. Wage differentials remained stable in the textile and engineering industries, the construction sector, retailing and health and social

9 A comparison with OECD figures for 1990 indicates that in terms of wage differentials, Switzerland is about halfway down the list (Piketty 1997). Measured in terms of the relationship p_{90}/p_{10} , Norway (2.0), Sweden and (2.1), Denmark (2.2), the Netherlands and Belgium (both 2.3) have smaller differentials. Germany (2.5) and Portugal (2.7) are at a similar level to Switzerland (2.6), and France (3.1), Britain (3.4) and the USA (4.5) have larger differentials. If, instead of wage distribution, one takes *income* distribution as the indicator, then Switzerland joins the European countries with the greatest disparities (Atkinson et al. 1995).

10 If the top one per cent of wages (e.g. the very highest earners) is removed from the sample, the relationship p_{90}/p_{10} is as follows: 2.48 (1998); 2.58 (2000); 2.55 (2002). If the top five per cent is removed, the relationship p_{90}/p_{10} is: 2.31 (1998); 2.38 (2000); 2.34 (2002).

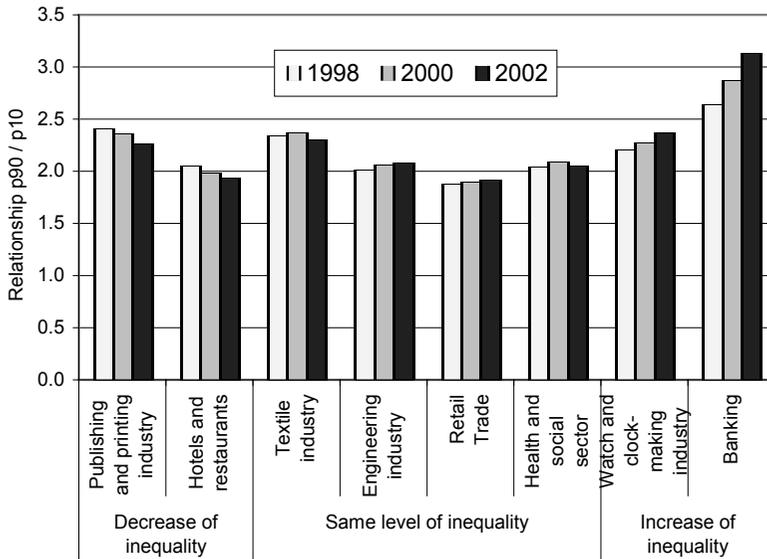


Figure 5: Development of wage differentials 1998–2002 (relationship of P90/P10)

Source: Own calculations on the basis of the Swiss Pay Structure Survey 1998, 2000, and 2002.

services. Finally, there was a (in some cases distinct) increase in differentials in the chemical industry, the watch and clock-making industry, banking and post and telecommunications. It is striking that the sectors with high differentials were value-added growth sectors (chemicals, banking, telecommunications), whereas those in which differentials were reduced were sectors that had to cope with structural problems (printing, hotels and restaurants). What is surprising is the trend towards greater differentials in the telecommunications sector, which can probably be explained in terms of liberalisation (postal services) and partial privatisation (Swisscom) of former state companies.

This would seem to indicate that pay in expanding sectors was concentrated disproportionately on better qualified employees, whereas in declining sectors, high wages did not increase to a greater extent than low wages. In the future, employment prospects will continue to

be skewed towards growth sectors. In such circumstances, collective bargaining and collective agreements have an important role to play in preventing the wages paid to poorly qualified employees from missing out on general wage trends.

3. Conclusions

3.1 Campaign successes

A crucial factor in the success of the minimum wage campaign was the positive response from the general public. The vast majority of the population supported the claim that working people should be able to make a decent living on their wage. The simplicity of the slogan 'No wages below 3,000 francs' played an important role. It contained – and continues to contain – a universal demand: it was not a case of protecting an individual social group against poverty (as required by the needs principle in social policy), but rather was based on the principle that all working people should have a right to decent levels of pay. Although in reality it was mainly women and foreigners who were affected by low pay, the general demand made by the campaign meant that it achieved a certain validity for all working people. This enabled organisations to mobilise large groups of employees over and above those who were directly affected.

The positive response from the general public not only helped to enhance the image of the trade unions. It also made it possible to put pressure on companies that paid low wages. In some sectors, media interest was such that companies found they had to justify the low wages they were paying. Consumers, too, (particularly in the retail and hotel and restaurant sectors) and public bodies started to develop an interest in low pay. Combined with trade union campaigns and collective negotiations in the various sectors, this made it possible to stop the spread of the low-pay sector. Between 1998 in 2002 the number of employees earning less than 3,000 francs per month went down by some 100,000 and the number earning less than 3,500 francs declined by as much as 200,000. The majority of those affected were women. Thanks to the minimum wage campaign, a further

widening of wage differentials was also prevented. At least in sectors with a high proportion of low wages, the lowest levels of pay were raised in proportion to general pay trends.¹¹

The debate about low pay was not confined to companies and sectors. It also had an impact at the level of economic policy-making. Just as the SGB had succeeded in weakening the ‘monetary consensus’ in the 1990s (Ettlin and Gaillard 2001), the campaign managed to break through the consensus that any measures to protect employees would have a negative impact on economic development and employment. In contrast to Germany, the opinions of economic journalists in Switzerland, who for years had preached that minimum wages would have a disastrous impact on employment, now became more muted.¹²

Finally, the campaign also helped to remind employers of their duties with regard to the debate about the working poor. Public opinion seems (at least for the time being) to have swung towards the view that companies should pay decent rates of pay instead of the state being expected to subsidise wages. The demand put forward in 2002 by Federal Councillor Couchepin (who was economics minister at the time) for wage subsidies had as little impact as studies that tried to demonstrate that subsidies were superior to minimum wages from the point of view of economic theory (Gerfin et al. 2002). Both the SGB and the employers association rejected wage subsidies (to some extent for different reasons) (Gaillard 2001).

11 The accusation made by the neoliberal right that the trade unions were conservative and backward-looking fizzled out during the campaign.

12 British experience with the minimum wage introduced in 1999 also confirms the thesis that minimum wages do not automatically have a negative impact on the employment prospects of poorly qualified workers. Between 1989 and 2004 the British minimum wage was gradually increased by 35%, but despite this, employment also increased steadily. By the autumn of 2004, the unemployment rate had reached an all-time low (for Britain) of 4.8% (Low Pay Commission, 2005). Cf. also the contribution by Pete Burgess in this volume.

3.2 Unfinished business and prospects for the future

Campaigning and public outrage in themselves are not enough to eradicate the problem of low pay, as is demonstrated by the figures for road transport and business services. In both sectors, the proportion of employees earning wages below 3,500 francs remained at 9% between 1998 and 2002. In the engineering industry as well, the percentage of women earning fewer than 3,500 francs per month remained stable at 30% between 1998 and 2002. The reason for this appears to be that in these sectors the trade unions only have an indirect influence on the pay settlements – either because there is no actual collective bargaining (road transport) or because wage negotiations only affect effective wages and take place on a decentralised basis within companies or because sectoral agreements have not been in existence for very long and only cover certain areas (business services: cleaning, security). In addition to this, in sectors such as road transport (trucks) – as in the export industry – public pressure plays a less important role. The end customers for this type of services are either located abroad or consist of other domestic companies. Unlike the retail chains and cleaning institutions, companies in these sectors are less sensitive to the negative impact of *naming and shaming*.

In our opinion, this gap needs to be filled by an expansion of collective agreements. The coverage of collective agreements should be extended both in terms of content and scope and the number of new agreements should be increased. This was the approach advocated by the SGB at its 2002 Congress under the slogan of ‘Collective agreements for all!’. Parallel to the minimum wage campaign, the trade unions have been trying since 2002 to achieve a turnaround in favour of collective agreements. Since then, new collective agreements have come into force in several service segments, for example the cleaning sector, private security services, filling station shops, pharmacy assistants, textile care and laundries, as well as in some hospitals not directly funded by the state. The result has been that the number of employees in the low-pay sector who are now covered by collective agreements has significantly increased. However the need for collectively agreed minimum wages is set to

grow, particularly in the context of free movement of persons. In some sectors there is a danger that the tradition will persist of recruiting cheap workers from abroad who have less legal rights and then, after some time, passing them into the hands of the social security system. That is the reason why minimum wages are also required for economic reasons.

It is also becoming increasingly important to lay down minimum pay rates for various categories of wage earners within a sector or company. The minimum wage campaign cannot stop at 3,000 francs. The figure proved to be an effective slogan, but given the high level of prices in Switzerland, wages at this level are only just sufficient to enable an individual to support himself. That is why all minimum wages must be adapted in line with economic developments. In our opinion, it would be wrong to lay down the lowest wages in collective agreements and to leave pay levels for skilled occupations up to market forces. Minimum wages are also necessary for activities that require a certain level of training or professional experience. For these reasons, the minimum wage campaign needs to be relaunched.

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