37. Social Policy

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1 Introduction

The notion of 'social policy' is widely used and has become part of everyday language. However, it is not easy to give a precise definition of the term. In general, this notion refers to any public action that aims to ensure the well-being of the population, reduce social inequalities, and combat poverty. Sometimes an attempt is made to delimit the scope of social policy by listing the public policies that are part of it: social insurance, health services, social assistance, support for reintegration into the labour market, childcare services, housing support, etc. However, such a definition is not conceptually satisfactory. An interesting alternative refers to the notion of decommodification: In this view, the aim of social policy is to reduce the dependence of individuals on market exchanges in general and in particular on their participation in the labour market (Esping-Andersen 1990).

Regardless of the definition chosen, social policy is a central task of the state. This can be seen by comparing the budget of the various social insurance schemes of approximately 166 billion Swiss francs (CHF) in 2019 to the federal government budget of around 71 billion CHF in the same year. To this must be added the social expenditure at the level of the subnational entities (i.e. cantons and municipalities), which can be very substantial in the area of social assistance and other social services. This financial importance is accompanied by a fundamental role in the economy. Social policy is not just about transferring money. It can change economic incentives, encourage or discourage work or savings, attract some people to the country, and cause others to move abroad. In short, today, social policy is arguably one of the state's activities that has the greatest impact on the functioning or malfunctioning of a country's political economy.

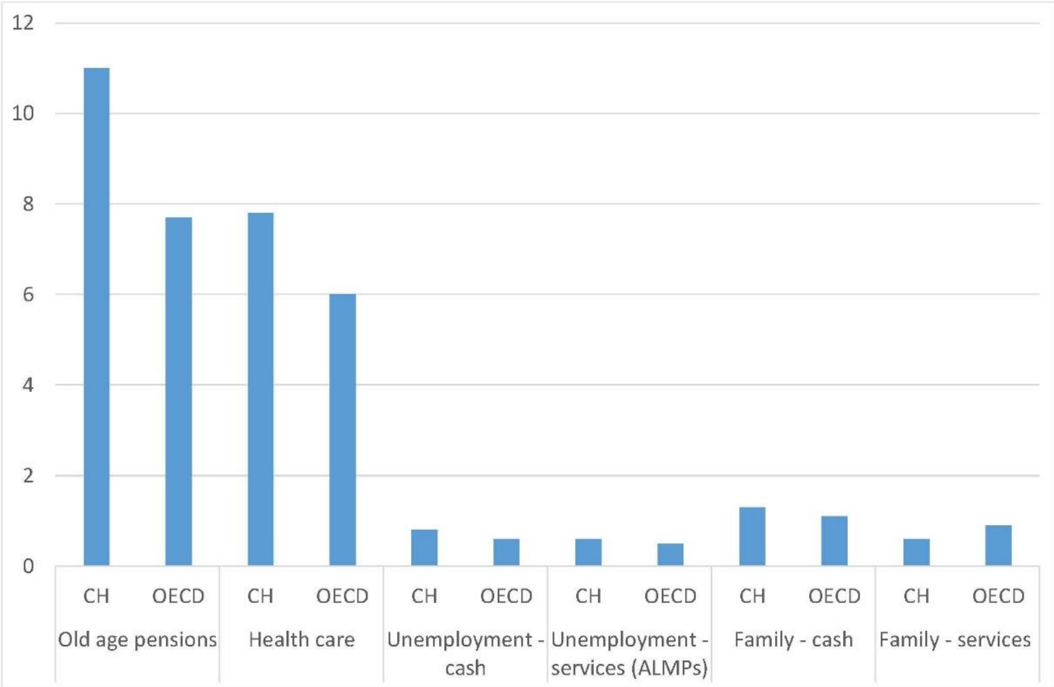
Equally important to this economic centrality is the politics of social policy. Over the past thirty years, almost all major social insurance reforms have been challenged in referendums and many of them did not survive the popular vote. Governments have been trying to reform some areas, such as pensions, for over two decades (Häusermann et al. 2019). Unsurprisingly, all the main political actors have become cautious in the field of social policy to avoid rejection by voters, which explains the difficulty that the government has in reforming the welfare state.

This difficulty is compounded by the rather favourable economic situation of the country, which makes it hard to adopt reforms that reduce social benefits. Undeniably, it is difficult to explain to the population, why the retirement age should be raised, when the Federal government has been running a budget surplus for several years, especially since the Covid-19 crisis did not put too great a strain on public finances in this country (see chapter 'Economic Policy' in this handbook). However, in the past, especially during the economic crisis of the 1990s, the Swiss political system has shown a good capacity to reform the welfare state (Armingeon 2003; Bonoli 1999). Thus, at present, the prevailing picture is one of a system that has stalled in terms of major reforms but is still able to move forward, albeit in small steps.

Today, Switzerland has one of the most comprehensive and costly welfare states among the members of the Organisation for Economic Co-operation and Development (OECD). The most important financial area is, as in most ageing democracies, pension expenditures (see Figure 37.1). In 2017, Switzerland spent 11 per cent of gross domestic product (GDP) on this function, significantly more than the averages of other OECD countries. For a long time, the Swiss welfare state was seen as a largely passive welfare state: That is, a state that focused on income replacement benefits and was relatively inactive in reintegrating people into the labour market and promoting labour force participation.

However, this has changed and since the mid-2010s, Switzerland spends more than the OECD average on labour market re-integration, despite having one of the lowest unemployment rates.

Figure 37.1: Compulsory private and public social expenditure in Switzerland and OECD average as a percentage of GDP (2017)



Source: OECD (2022).

The Swiss welfare state is the product of its history, its political institutions, and its actors. Political institutions — in particular, federalism and direct democracy — still have a decisive impact on collective social policy choices. Within the framework set by these institutions, political actors with different interests clash and produce change (Bonoli and Häusermann 2011).

In this contribution, we discuss two of the main factors that affect social policy in Switzerland: institutions and political actors. First, we will discuss the historical development of the Swiss welfare state. Second, we present the positions and roles of the main actors in this policy field. Subsequently, we examine the issue of social policy coordination across the different levels of the federal state. Finally, the last two parts of this chapter are devoted to an evaluation of the Swiss welfare state and its future perspectives.

2 The development of social policy in Switzerland

The welfare states in Western Europe were mainly built during the so-called '*Trente glorieuses'* (1945–1975), a period characterized by strong and continuous economic growth, full (male) employment, and a high degree of stability in the family and labour market structures. Switzerland, however, is an exception as the construction of the welfare state was not completed until the mid-1980s (Armingeon 2001; Bonoli 2001). There were delays at every stage during the construction of the welfare state, which can be largely explained by the country's political institutions: direct democracy, federalism, and the interaction between the two (Armingeon 2001; Bonoli 2001; Obinger 1998). The option of a referendum has repeatedly allowed opponents of social policies to challenge and often also to prevent them. Federalism, in combination with direct democracy, has also contributed to delaying the development of a centralized welfare state because cantons retained control of many policies for a long-time (Gilliand 1993; Armingeon 2001).The assignment of residual competences to the cantons in the federal constitution meant that every new federal social law had to be preceded by a constitutional amendment, forcing the authorities to pass the referendum process not once, but twice for each subject. While direct democracy and federalism together have thus delayed the construction of the welfare state in Switzerland to a considerable extent, they have also influenced its form (Armingeon 2001). In fact, the lack of economic security led to the construction of a parallel, private welfare system, for example in the field of occupational pensions (pension funds) or health insurance (Bonoli 2007). This private system had to be integrated into the welfare state as it developed and has determined its shape to this day (Leimgruber 2008).

The development of the Swiss welfare state can be divided into four periods: The first, from the end of the 19th century to the Second World War, was characterized mainly by failure of attempts to introduce social protection schemes. The second phase, after the war, saw the adoption of the structures that carried the Swiss welfare state forward, such as the basic old-age pension and disability insurance. The third phase began in the early 1970s and saw the realization of a complete welfare state, comparable to those of other European countries, with the definitive adoption of compulsory unemployment insurance (1982) and the entry of occupational pensions into law in 1985. The fourth phase, from the early 1990s to present day, is characterized by a shift towards an active welfare state that pays more attention to new social risks and includes an important role for family policy (Bonoli and Häusermann 2011).

First attempts and failures

Inspired by the German example, the Federal Council considered amending the constitution to give the Federal state a mandate to legislate the field of social insurance in the late 19th century. Abandoning old-age and disability insurance for financial reasons and because of the perceived risks involved in operating a large social insurance system, the Federal Council proposed in its communication to parliament of 28 November 1889 that article 34bis be included in the Constitution, covering only health and accident insurance (see Table 37.1 and chapter 'Health Policy' in this handbook). This constitutional amendment was accepted by voters in 1890 after parliament had partially modified the Federal Council's proposal.

The radical National Councillor Ludwig Forrer (who was later elected to the Federal Council) was given the mandate to prepare a health and accident insurance bill, which passed through parliament in 1899. A referendum was launched by a heterogeneous coalition of health insurance companies, doctors' representatives, right-wing parties, and trade unions, all of whom had different motives: ideological anti-statism, protecting the status quo, and economic freedom for doctors. Their combined effort resulted in the rejection of the bill the following year. This failure undoubtedly marked a halt in the development of the Swiss welfare state. It was not until 1911, that parliament passed a new law that introduced health and accident insurance. However, this law was much less ambitious than the bill previously rejected in 1900 and only provided for subsidies to health insurance funds and the establishment of a national insurance fund for accidents.

The initial steps for pensions followed a similar path. A national old-age insurance scheme was one of the demands of the 1918 general strike, which prompted the Federal Council to present a proposal in 1919 that provided for the introduction of an old-age and disability insurance scheme. Following numerous parliamentary debates, a proposal to amend the Federal Constitution by adopting Article 34^{quater} (now Article 112) was submitted to the people and accepted in 1925. The Confederation was thus given the mandate to set up an old-age and survivors' insurance scheme and was also authorized to introduce a disability insurance. However, as with the Forrer Act of 1900, legislation needed to implement following the incorporation of article 34^{quater} into the constitution (the Schulthess Act), which failed to pass the popular vote in 1931. Thus, a national pension policy would have to wait for more favourable times.

The post-war period

As in other European countries, the Second World War considerably strengthened the sense of national unity, which was particularly conducive for adopting comprehensive social policies (Obinger and Schmitt 2020). Additionally, in 1939, the Federal Council set up a system of compensation funds, which guaranteed a replacement income for active soldiers. At the end of the war, this measure, which was regarded highly by the population, formed the basis for a national pension system. In 1944, the Federal Council set up a commission of experts, which quickly submitted its report. The government proposal and the parliamentary work were carried out swiftly, and they were implemented following the very popular acceptance (more than 80 per cent of the votes) of a federal old-age and survivors' insurance in 1947, which came into force on 1 January 1948.

The post-war period saw further important achievements in social policy. In response to a popular initiative calling for federal family allowances, a counterproposal granting the Confederation the power to legislate family allowances was adopted at the end of 1945 but was exercised only in favour of farmers. A new article, which authorized the Confederation to set up an unemployment insurance scheme, was ratified by voters in 1947. Finally, disability insurance, which came into effect in 1960, was also the indirect result of a popular initiative. This time by the Socialist Party and the Labour Party, which pushed the federal authorities to fulfil the constitutional mandate that had been in force since 1925.

The 1970s and 1980s and the completion of the welfare state

At the end of the '*Trente Glorieuses*', the Swiss welfare state was still underdeveloped compared to other European countries in several areas, particularly regarding the absence of compulsory unemployment insurance and pension coverage beyond the subsistence minimum provided by the basic pension *Assurance-vieillesse et survivants* (AVS[1]). The first gap was closed in response to the economic crisis of the mid-1970s by means of an urgent federal decree. The Constitution was then amended to allow the Confederation to declare membership of unemployment insurance compulsory. The corresponding law would only come into force in 1984, but a provisional regime guaranteed coverage against the risk of unemployment risk in the interim.

Table 37.1: Political institutions and delay in the adoption of the main social laws

Policy field	**Modification of the Constitution**	**Entry into force**	**Time lag (in years)**	**Law currently in force**
Compulsory health insurance	1890	1996	106	Federal Law of 18 March 1994 on health insurance, SR 832.10
Accident insurance	1890	1918	28	Federal Law of 20 March 1981 on accident insurance, SR 832.20
Old-age insurance	1925	1948	23	Federal Law of 20 December 1946 on old-age and survivors' insurance (AVS), SR 831.10

Invalidity insurance	1925	1960	35	Federal Law of 19 June 1959 on invalidity insurance, SR 831.20
Family allowances	1945	1953/ 2009*	8/ 64	Federal Law on Family Allowances, SR 836.2
Maternity insurance	1945	2005	60	Federal Law of 25 September 1952 on allowances for loss of earnings in the event of service and maternity, SR 834.1
Occupational pension insurance	1972	1985	13	Federal Law of 25 June 1982 on occupational retirement, survivors' and invalidity pensions, SR 831.40
Compulsory unemployment insurance	1976	1984	8	Federal Law of 25 June 1982 on compulsory unemployment insurance and compensation in the event of insolvency, SR 837.0

* For farmers only, entered into force in 1953 for all others in 2009.

Source: adapted from Armingeon 2001 and Gilliand 1993.

The 1970s also saw the emergence of the three-pillar system in the area of pensions. In 1969, a popular initiative by the *Parti du Travail* called for the transformation of the AVS from a basic pension to a full pension scheme, ensuring the replacement of 60 per cent of wages. In response, a bourgeois committee, later joined by the Socialist Party, proposed making membership of a pension fund compulsory for every employee. This second solution was adopted by voters and led, in 1972, to the introduction of the three-pillar concept in the Constitution. The second pillar (occupational pension), which is compulsory, is intended to enable pensioners to keep their standard of living in retirement, while the third pillar, which is voluntary, is intended to enable everyone to adapt their pension coverage to their personal requirements. The introduction of compulsory pension fund membership was a difficult task, because many workers already had this type of coverage and feared changing insurance conditions. Thus, it was not until 1982, that an Occupational Pension Act was passed, which came into force in 1985.

In parallel with these developments at federal level, the cantons instituted social policy schemes mainly in the areas of family policy and social assistance. The latter is the safety net for any resident, who does not have access to an adequate income. The Federal Constitution obliges the cantons to provide this last-resort assistance, but federal law is not very restrictive in terms of the form this assistance should take. The result is a fragmented welfare system with significant differences from canton to canton (Federal Council 2015).

Consequently, the process of building an industrial welfare state was completed in Switzerland by the mid-1980s, two or three decades later than in other Western European countries. However, some anomalies remained: the absence of compulsory health insurance and maternity insurance (see chapters 'Health Policy' and 'Family Policy' in this handbook). In fact, these two gaps were only filled in 1996 and 2005, respectively. However, Swiss social policy remains influenced by the federal structure of the state. Thus, several areas remain within the competence of the cantons and even the municipalities. These include family policy, social assistance, and to some extent education policy (see chapter 'Education Policy' in this handbook).

Finally, another area of social policy also remains underdeveloped compared to other OECD countries. This is housing policy, even though access to housing is problematic for low-income people in many urban areas. Since the 1970s, the federal government has developed a policy to encourage the construction of low-cost rental housing. This policy has mainly taken the form of soft loans to non-profit organizations, such as housing co-operatives, which rent at affordable prices. Some cantons provide additional funds to make the option more attractive (Cuennet et al. 2002). Overall, however, the federal government's involvement in housing policy is limited. As in many other areas of social policy, housing is mainly a matter for the cantons. According to an inventory of the different forms of support available in the country, nineteen cantons (out of twenty-six) provide housing support to low-income households. A common form of this assistance is a subsidy to the owner (usually a non-profit organization), who rents the accommodations at a lower price. In some cases, such housing is provided on a means-tested basis (Bonoli and Bertozzi 2007). A small number of cantons have introduced a housing allowance for people whose ‘reasonable’ housing costs (also determined by household size) exceed a certain proportion of their income.

These interventions have a limited impact and affect only a small proportion of the population. Financial support for housing is mainly provided by the three main means-tested programmes of the Swiss welfare state: social assistance, supplementary benefits to AVS, and disability insurance.

The reorientation towards an active welfare state

From the mid-1990s onwards, Switzerland began a process of reorientation of its welfare state aiming at strengthening the labour market integration and promoting participation in the labour market, a reorientation, which in the past was rather marginal. This trend follows a significant increase in the number of unemployed people as well as in the number of people receiving disability insurance and social assistance from the early 1990s. Between 1990 and 2000, the number of disability insurance beneficiaries increased by 39 per cent, the number of social assistance beneficiaries by 104 per cent, and the number of unemployed by a factor of four (Champion 2011).

In response to these developments, several reforms were adopted. First, unemployment insurance was fundamentally reformed in 1995 (Giriens and Stauffer 1999; Bonoli and Mach 2000). The maximum duration of benefit receipt was limited to eighteen months for most unemployed people, but at the same time, new instruments were introduced to facilitate the labour market integration of the unemployed. These included the creation of regional placement offices and the expansion of the range of measures for labour market integration. A few years later, it was the turn of disability insurance. The fifth revision of disability insurance, adopted in 2007, essentially pursued the same objective: To strengthen the active dimension of occupational integration and to make it possible to access a disability pension only if reintegration measures have failed or cannot reasonably be applied (Champion 2011: 130; OECD 2006).

For cantonal social assistance, the reorientation process is more mixed. Indeed, some cantons and cities have moved faster than others have and are trying to reorient themselves in different ways. In Frenchspeaking Switzerland (especially Vaud, Fribourg, and Geneva), social assistance services are being encouraged to work with employment services and regional employment offices and provide labour market integration services. On the other hand, in the German-speaking part of Switzerland, the combination of social assistance and employment services is concentrated more in the large cities, where social services are little by little acquiring competence in labour market integration and are thus increasingly able to make it available to target groups (Bonoli and Champion 2013).

By reorienting its welfare state towards labour market integration and even more towards promoting the labour market participation of disadvantaged groups, Switzerland is fully in line with a European and even global trend that sees a 'social investment' policy as a solution to the various problems faced by welfare states (Morel et al. 2012; Hemerijck 2017). The notion of social investment refers precisely to social policies that help people in need not with cash benefits but by investing in their human capital to enable them to achieve financial autonomy through labour market participation.

As of the early 2020s, the Swiss welfare state could be regarded as a welfare state in transition, moving from a classical Bismarckian model to a more modern one, oriented towards social investment and the promotion of equal opportunities. This reorientation, however, has not been without difficulty. On the one hand, the general public is still strongly attached to the achievements of the *trente glorieuses*, particularly pension policy. On the other hand, the institutional and political obstacles that characterized the expansion of the Swiss welfare state are still present and slow down the adoption of new social policies.

3 The main conflicts in social policy, the actors, and their positions

The key actors in Swiss social policy are political parties, trade unions, employers' associations, federal departments, cantons, and municipalities. In the following, we present the political positions of these main actors in social policy.

The position of the actors: economic and cultural conflicts

The main political conflicts that characterize the party systems of Western European countries are the economic dimension (also called left-right) and the cultural dimension. Although these two conflicts have played an important role in the development of public policy in Switzerland, issues relating to the welfare state have mainly revolved around the economic dimension. Thus, in general, left-wing political actors, i.e. the Socialist Party, other left-wing parties, and the trade unions, have favoured an expansion of the welfare state. These actors generally favour policies that allow for wage replacement in the event of traditional social risks, including old age, illness, disability, and unemployment. Historically, they have supported instruments such as generous social insurance schemes, minimum wage regulations, or, more generally, generous redistributive policies (Esping-Andersen 1990).

While left-wing actors call for higher and more comprehensive social benefits to protect workers, right-wing actors advocate for other principles and favour targeted support to meet situations of need. Thus, right-wing parties and employers' organizations adhere to values such as subsidiarity, individualism, and individual initiative, and support minimum and means-tested benefits. For example, the Liberal-Radical Party has successfully opposed the extension of benefits by taking advantage of direct democracy where citizens are reluctant to accept tax increases to finance social spending (Armingeon 2001). In other words, these actors were oriented towards a market logic (Esping-Andersen 1990). In the scientific literature, indicators of the preferred level of social spending, of the degree of state intervention in the economy, or of the need to reduce inequalities in a society are used to capture this conflict dimension (Fossati and Häusermann 2014).

While the expansion phase of the welfare state is dominated by the economic dimension (left–right axis), the cultural dimension is also gaining in importance with the emergence of a multicultural society (Häusermann 2010; Fossati and Häusermann 2014). Thus, today, we are witnessing in Switzerland (and elsewhere in Europe) a new divide between, on the one hand, advocates of a strong welfare state that excludes migrant populations ('welfare chauvinism') and, on the other hand, a vision close to the active welfare state that invests in the human capital of disadvantaged publics (Häusermann 2012). This vision is also seen as a response to the emergence of a multicultural society, with the idea that an investment-oriented welfare state favours the integration of migrant populations, who are often over-represented among the beneficiaries of social schemes (Bonoli 2020). This divide, which corresponds to the cultural divide between conservatives and progressives, has little correlation with the economic divide. For example, populist actors, who want a welfare state that is not very open to immigrants, may nevertheless be in favour of high welfare benefits for citizens (Afonso and Rennwald 2018). In Switzerland, this cultural divide is represented by the opposition between the Swiss Popole's Party, which sometimes defends chauvinist positions on social policy, and the Greens, a party that is open to a multicultural society and favours social investment (Afonso and Papadopoulos 2015).

The political position of interest organizations: trade unions and employers

At the beginning of the welfare state building process, Swiss political parties were not very developed, and the main political actors were in fact the interest groups, in particular the trade unions and employers' associations. Their influence remains important to this day. Traditionally, trade unions represent workers and lobby for increased protection of workers' rights by supporting the introduction and expansion of different social policies (Rueda 2005). The main instruments through which trade unions — in alliance with left-wing parties — try to achieve this protection in Europe are decommodification measures, i.e. cash benefits that replace wages in case of need (Esping-Andersen 1990) as well as a statutory minimum wage (never achieved in Switzerland) and effective legislation for dismissal protection, which is comparatively weak in international comparison.

Switzerland, however, is a peculiar welfare state. It started, as is the case of liberal systems, with highly fragmented protection, mainly organized at the communal and cantonal level. It evolved only very late into a more comprehensive system with centralized and state-run welfare regime (Armingeon 2001). This can be explained, as previously mentioned, by a highly decentralized and fragmented political and institutional framework, but also by the nature of the initial social partnership, where agreements between employers and trade unions were settled in a decentralized way, either at regional or sectoral levels, and where the principles of subsidiarity and self-regulation were predominant (Ebbinghaus and Fluder 2000). In addition, trade unions have played an important role for private social insurance organizations. In fact, until the 1970s, they lobbied to run insurances themselves rather than advocating a centralized, state-run scheme. They were also sceptical about social protection through collective agreements. This attitude is illustrated by the fact that they severely criticized the Lex Forrer, which aimed to establish a national health insurance system, and by the fact that they were suspicious of state-run pension schemes (Trampusch 2008, 2010; Leimgruber 2008). It was only after the 1970s, i.e. in the light of the process of deindustrialization and its consequences in terms of their declining mobilization capacity, that trade unions in most countries in Europe began to support state interventions and to join left-wing parties to target the political rather than the economic arena (Trampusch 2010). For example, during the economic crisis of the 1970s, they lobbied for a mandatory federal unemployment scheme (Armingeon 2001; Trampusch 2008, 2010).

Employers in Switzerland have always held a particularly influential position within the corporatist system, which has allowed for very close formal and informal collaboration with the trade unions on the one hand and the state on the other. For example, the employers' associations were more cohesive and therefore more effective in their ability to mobilize than the trade unions, which were divided between socialist and Christian-democratic organizations (Oesch 2011; Eichenberger and Leimgruber 2020). Their political positions have always been clearly opposed to the expansion of redistributive and federal social policies. Instead, they have supported fiscally conservative measures as well as limited, subsidiary, private, and occupational social insurance schemes (Leimgruber 2008; Eichenberger and Leimgruber 2020). Moreover, they clearly adhere to the liberal credo of minimizing state intervention to avoid creating disincentives for entrepreneurship and individual responsibility (Eichenberger and

Leimgruber 2020). In Switzerland, for example, they support employer-based social protection systems such as occupational pension schemes. These still exist in the context of the second pillar (Leimgruber 2008). In summary, employers generally support measures that promote individual responsibility and subsidiarity, a view shared by other actors, who are ideologically on the right.

4 Organization and coordination in the field of social policy

The Swiss welfare state is a product of the country's history and institutions, in particular the federal structure of the state. In addition, the Swiss welfare state delegates an important part of its functions to the private sector. This is the case for health insurance, pension's second pillar, and in labour market integration (organizers of active labour market policy measures). The result of this process is a fragmented welfare state with several coordination problems. For reasons of space, and as an example, we will limit ourselves to examining the coordination of social policies for people of working age, which also represent an important share of the overall social policy budget. However, coordination problems between public and private actors, between the confederation and the cantons, exist in many areas such as family policy and in the health sector (see chapters 'Health Policy' and 'Family Policy' in this handbook).

Coordination of social policies for people of working age population

The problem of co-ordinating social policies targeting people of working age emerged in the early 1990s. This was due to the economic crisis that hit Switzerland during those years (see chapter 'Economic Policy' in this handbook). More or less simultaneously, all social security schemes came under pressure due to a large increase in the number of beneficiaries and thus expenditures. This development made the previous, mainly informal, collaboration more difficult. It made institutions more 'selfish' in the sense that, under pressure, they prioritized the protection of their budget rather than the general interest, when the latter implies devoting resources to beneficiaries covered by other social schemes. In practice, the lack of coordination gives rise to three different problems.

The first problem identified is the carousel effect, i.e. when beneficiaries apply to one institution, they are referred to another, sometimes several times, and end up excluded from the social protection system. A typical example is a person, who is unemployed and has health problems. The unemployment insurance may, because of the health problems, not recognize the person as fit for work and therefore exclude him or her from its benefits. Since the decisions of the unemployment insurance are not coordinated with those of the disability insurance, the same person may be considered capable of work by the latter and thus be excluded from its benefits (Champion 2008).

Second, following the reorientation of all social schemes towards reintegration into the labour market, managers of the various institutions are finding that they lack certain capabilities. For example, the social services do not have authority in terms of labour market placement and vocational reintegration, which is not the case with unemployment insurance. On the other hand, the latter are not at all specialized in caring for unemployed people with health problems, a competence which is found within the disability insurance offices. As a result, it soon became clear that the pooling of all these competences was essential for successfully meeting the challenge of labour market integration (Champion 2008; Egger et al. 2010).

Finally, all actors develop strategies for cost shifting. Faced with the difficulty of containing the increased number of beneficiaries and reintegrating them into the labour market, all actors involved tried to transfer them to other social schemes. This practice, known in the literature as ‘cost shifting’ (Øverbye et al. 2010; Bonoli and Trein 2016), is achieved in different ways. For example, for federal unemployment insurance, reforms have made it more difficult to access benefits such as by extending the minimum period during which contributions must be paid to be entitled to unemployment benefits.

These restrictions on access to unemployment insurance likely led to a cost shift to cantonal and municipal social assistance, although this burden shift is difficult to quantify. An attempt was made in a study concerning the latest of these reforms (fourth revision of unemployment insurance in 2011). It concluded that the 2011 reform was responsible for an increase in the number of social assistance caseloads of between 5 and 15 per cent in fifteen cities (Salzgeber 2012: 64).

During the same period, cantons and municipalities also practiced a cost shifting strategy aimed at shifting part of the burden of social assistance to federal social insurance. For example, until 2009, the canton of Geneva had a job guarantee system for unemployed people, who could not return to the labour market during the eighteen-month unemployment insurance compensation period. The duration of the job offered was twelve months, i.e. the period of contribution required to obtain a federal unemployment benefit. This allowed unemployed people to re-gain entitlement to a new eighteen-month compensation period financed by federal unemployment insurance (Flückiger et al. 2002). Other cantons have implemented similar, but generally less generous and less visible programmes. Neuchâtel, for example, rather than guaranteeing a twelve-month period of employment, has developed a system of job guarantees limited to six months, but renewable once (Bonoli et al. 2011).

Although there is no systematic overview of the extent of these practices, it is certain that many other cantons and municipalities have used the strategy of cost shifting to avoid the financial responsibility of the long-term unemployed. It is difficult to estimate the impact of these practices on the overall system. In 2008, the Federal Council estimated their cost to the unemployment insurance system at CHF 90 million per year, or 2.2 per cent of the expenditure on cash unemployment benefits (Federal Council 2008: 7046).

While it is difficult to precisely put a price tag on the cost of lacking coordination, the problem is a constant source of frustration among policy makers and practitioners. In less favourable economic conditions, lack of coordination may result in substantial extra costs and tensions in the provision of social welfare.

5 An evaluation of the Swiss welfare state

Overall, the Swiss welfare state enjoys a fairly good reputation among experts. This is partly due to its pension system, which in the early 2000s was described by World Bank researchers as a 'triumph of common sense' and used by the Bank as a model for other countries (Queisser and Vittas 2000). The OECD, in its 2019 report on Switzerland, also gives a rather positive assessment of the country's social situation. It notes that inequality has increased less than in other countries but warns Switzerland about the capacity of its pension system to cope with demographic ageing and the risk of exclusion from the labour market for low-skilled profiles and older unemployed people (OECD 2019).

The quality of a social protection system can be assessed in different ways. An important element is undoubtedly its capacity to combat poverty. In Switzerland, the at-risk-of-poverty rate (calculated according to the European Union (EU) method, i.e. the share of the population living in households with a disposable income of less than 60 per cent of the median income) has been around 15 per cent in recent years and thus slightly below the EU average (see Table 37.2). Thus, relative poverty indicators indicate that Switzerland is in the average of continental European countries, i.e. it has higher rates than the Scandinavian countries, but lower rates than the southern European countries (Bonoli and Trein 2018).

Table 37.2: Statistics on relative poverty (per cent) in Switzerland compared to the EU average

At risk-of-poverty rate (whole population)*	**2010**	**2015**	**2017**	**2018**	**2019**
Switzerland	15.0	15.6	15.5	14.6	15.4
Unweighted average EU	16.5	17.3	16.9	17.1	17.1

Source: OFS (2022a), Eurostat – EU-SILC 2020 (Version of 21.12.2021).

* ‘At-risk-of-poverty rate’ = share of the population living in households with a disposable income below 60 per cent of the national average.

If instead of using an indicator of relative poverty an indicator of material deprivation is used, Switzerland performs best in Europe, with a material deprivation rate of 4.3 per cent in 2020 (against an EU average of 13.8 per cent). This means that most Swiss residents possess what are considered basic items (car, washing machine, telephone, or television), live in a neighbourhood without excessive criminality or noise, and can afford expenditures such as eating meat twice a week, heat their apartment, or paying an unforeseen expenditure of around CHF 2000, etc. Such a material deprivation indicator reflects a notion of absolute rather than relative poverty, therefore gives a somewhat different picture of the social situation in Switzerland. Despite not being poor in absolute terms, there are around 15 per cent of people who, compared to the standard of living of other Swiss residents, are considerably worse off. Thus, the relative poverty indicator reflects the extent of poverty on the one hand but also the level of inequality in a country overall.

The ability of a social protection system to combat poverty varies within a population. In general, single parents, large families, and the elderly are among the groups most at risk of poverty. In Switzerland, the at-risk-of-poverty rate rises significantly for single-parent households (26.8 per cent compared to 15.4 per cent for the population as a whole), for couples with three or more children (24.4 per cent), and for people aged 65 or more (21.5 per cent). The latter figure is relatively high and may be surprising given that it is well above the EU average (at 17.3 per cent). It is believed that this discrepancy is at least partly due to the habit of retired individuals in Switzerland of withdrawing all or part of their second pillar pension in the form of a lump sum, which makes many pensioners appear poor in terms of their income, but nevertheless have substantial assets, in particular owner-occupied dwellings (Bonoli 2017; Wanner 2008). This is consistent with the observation that the material deprivation rate of people aged 65 and over in Switzerland is very low (2.1 per cent in 2020) and among the lowest in Europe (EU average: 11.5 per cent).[2]

Overall, the Swiss social protection system can therefore be considered rather effective in protecting the general population from the risk of poverty, although some groups, in particular single-parent households, clearly suffer from an increased risk. This does not mean that the Swiss welfare state will not face several challenges in the coming years.

6 Challenges and prospects

The reform of the pension system and its adaptation to the demographic ageing process is undoubtedly the main challenge facing the Swiss political system (OECD 2019). The financial health of the basic pension is strongly dependent on the ratio between contributors and pensioners. With demographic ageing, this ratio will continue to deteriorate rapidly until around 2035 (OFS 2020). Demographic ageing also poses a problem for the financing of second pillar pensions. The increase in life expectancy means that a given capital will have to be used to finance benefits for an increasingly longer period.

These problems have been known for some twenty years and have given rise to several attempts at reform, most of which have failed, either in parliament or in referendums. The ambitious reform known as ‘Pension provision 2020’, which was intended to ensure the financial sustainability of the two main pillars of the Swiss pension system, was rejected by voters in 2017. Since then, the Federal Council and the main political parties have been reluctant to embark in structural reforms and are currently implementing limited changes. In 2019, however, in a rather spectacular ‘political bargain’, the left succeeded in having additional funding for the basic pension of up to two billion per year included in a corporate tax reform. However, these additional funds will not be able to finance all the additional costs due to ageing.

The second major challenge that the Swiss welfare state will have to face in the coming years concerns the coordination between the different policies at the federal level. As aforementioned, the institutional fragmentation of the welfare state has been a serious obstacle for the reorientation towards labour market integration in the past. In a favourable economic situation, the Swiss welfare state could probably afford the inefficiencies created by fragmentation. However, as we saw during the crisis of the 1990s, in a difficult context of high unemployment, these coordination problems encourage opportunistic reactions rather than the pursuit of a common social policy goal of labour market integration.

Third, family policy in Switzerland remains underdeveloped. In contrast to EU member states, Switzerland does not have generous parental leave. Maternity insurance provides a paid leave of fourteen weeks and for fathers paid leave lasts two weeks (introduced in 2021). Moreover, childcare services remain insufficient and are generally financially very onerous for parents (see chapter ‘Family Policy’ in this handbook). This situation has several negative consequences, among them a great difficulty in reconciling work and family life, leaving many women working only part-time, and a high poverty rate for single-parent and large families.

As previously mentioned, the development of the Swiss welfare state has been slower than in most other European countries. This was due to the country's political institutions. Today, these same institutions are slowing down the process of reform and reorientation of the welfare state. Nevertheless, this process is underway, and the Swiss welfare state is slowly filling in the gaps and adapting to the socio-demographic changes. The favourable economic situation, in which the country found itself from the 2000s onwards, subsequently contributed to decelerating the adoption of unpopular reforms, such as that of the pension system. However, a turnaround in the economic situation could accelerate the pace of reform — as it was the case in 1990s due to the difficult economic situation, when the Swiss political system proved capable of adopting necessary reforms with unusual speed.

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[1] Old-age and survivors' insurance.

[2] All figures are for 2020 (OFS 2022b).