Referendum in Switzerland to place upper limit on salaries

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On November 24, the Swiss electorate is being asked to vote on the 1:12 initiative. The initiative, promoted by the Swiss Young Socialists (JUSO), would impose an upper limit on salaries, so that the highest salary in a company could be no more than 12 times that of the lowest wage within the same firm. Nobody should earn the same in one month as a colleague would take one year to earn, the proposal declares. Although JUSO is closely aligned to the Social Democratic Party, which is part of the governing coalition, the organisation is formally independent.

The collection of signatures began in the autumn of 2009, just one year after the world economy was on the brink of collapse following the bankruptcy of the investment bank Lehman Brothers. The required signatures were collected within the time period specified by law, and the citizens' initiative was successfully registered in April 2011. The parliament subsequently debated the proposal for two years, with the result that parliament and the federal government recommended that the initiative be rejected.

The referendum in March this year against rip-offs was also fought by parliament and the government until the last minute. Ultimately, 68 percent voted in favour of the proposal.

The rip-off initiative pursued more limited goals than the 1:12 proposal. It did not propose an upper limit on salaries, but merely that the shareholders of a Swiss company on the stock market would have to vote on the rewards for company management and the board of directors.

Although the opponents of the 1:12 initiative possess far larger financial resources than its proponents, the outcome of the vote remains anything but clear. Broad sections of the population support a limitation of high salaries, and there is also agreement with the proposal in more privileged layers. A poll conducted by Swiss radio (SRG) five weeks before the referendum date suggested that 44 percent planned to vote in favour of the plan, 44 percent against and the remaining 12 percent were undecided at the time of the survey.

The economic research department of ETH Zürich (KOF) has calculated that on the basis of official wage statistics, 1,200 companies would be affected by the plan, mainly in finance, insurance and large-scale trade. The wages of 4,400 top earners would have to be reduced by 1.5 billion Swiss francs (€1.22 billion), in order that the wage differential within each firm is not more than 1:12.

Over the last decade, the wage gap in Switzerland has grown continuously. Particularly in recent years, the wages of the top earners at banks, insurance firms and major international concerns have broken all barriers. Meanwhile, the incomes of the vast majority of the population have hardly increased over the past decade. When the increasing cost of living is included, those with the lowest incomes have actually seen their buying power reduced, despite average wage growth of 5 percent.

For hundreds of thousands, their salaries are insufficient to pay the bills. Many have no savings to fall back on and would not be able to cope with a large unexpected bill. Including children, the number of people in Switzerland considered to be working poor—i.e., those who cannot meet basic costs of living in spite of having a job—stands at 500,000.

While the income of extremely high earners increased by an average 19 percent between 2000 and 2010, low wages increased by just 5 percent over the same period. In spite of a slight slowdown in the wake of the global economic crisis in 2008, this process is continuing unhindered today. Although the large Swiss bank UBS

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reported losses of 2.5 billion francs in 2012, it paid out bonuses also totaling 2.5 billion francs.

Statistics on wealth paint an even more drastic picture. The richest 1 percent of the population controls 39 percent of all wealth. The top 10 percent owns 74 percent of the wealth, while the remaining 90 percent only controls 26 percent.

Since the fall of the Berlin wall in 1989, the wealth of the 300 richest people in Switzerland has increased five-fold from 86 billion francs to 449 billion francs. The enrichment of the super-rich is proceeding apace.

The richest 0.1 percent obtains an annual income from their wealth of 2.5 million francs, while the lowest 50 percent receive only 380 francs per person from their wealth annually. In other words, while the bottom 50 percent obtains just 1 franc per day from its wealth, the top 0.1 percent gets 6,888 francs per person per day.

These numbers show that the massive inequality in wages and wealth has deep social roots. Even the acceptance of the 1:12 initiative regarding income would not alter this. To overcome such deeply rooted social inequality, a fundamental change of the economic system is necessary.

Instead of supporting the freedom of the interests of individual capitalists, the economy must be organised to benefit the whole of society. However, this goal is opposed by all of the parties represented in parliament.

The disagreements within the political establishment over the 1:12 initiative reflect differences over the best methods of stabilizing capitalist rule. Those who favor the 1:12 initiative believe that certain concessions must be made to deep popular resentment towards expanding social inequality, the better to contain public opinion within the confines of capitalist politics. Those opposed to the initiative are afraid that one concession could lead to another, and believe that the wisest policy is to concede nothing. Both factions are nevertheless firmly wedded to the capitalist system, which is the source of inequality.

The entire Swiss political establishment is united in the campaign to impose cuts to spending in health and social care that will further impoverish the poorest in society. Taxes for the super-rich have been reduced several times over recent years, and the inheritance tax was abolished, which in turn resulted in a decline in tax revenues. This decline in tax revenue is now to be imposed on the working class through further austerity measures and spending cuts.

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