A genuine social security system needed

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Worried glances into the future: the growing number of older people is leading to higher social security and health care costs. (Photo: RDZ)

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A genuine social security system needed

During the last few years, criticism of the social state – which means in reality the role of the state as redistributor and regulator – has been increasing. Putting into question the way in which social insurance has been developing does not of course imply that the social risks which it is intended to cover are disappearing. The contrary is indeed the case. The aging of the population is leading to higher health costs. Unemployment and the breaking apart of the family unit are strengthening the need for social protection.

The motives of those in favour of a "social moratorium" are more of an economic nature. In their opinion, social charges are having too great an inhibiting effect on the performance of the Swiss economy in world markets.

Specious reasoning

For the holders of this ideology – masked as "theory" – the lowest possible labour costs amount to a major competitive advantage for increasing production, which is the essential prerequisite for maintaining social benefits. But this reasoning is "circular" and therefore dangerous. In fact, taken to its extreme, it would justify the destruction of social security with the aim of strengthening the national economy in order to obtain the means of paying for social protection!

Michel Schweri *

For the neo-liberal current, social security costs must therefore be stabilised or reduced, and logically it would be necessary for this purpose to restrict social benefits to "those who really need them". But, with its air of high respectability, this demand is a trick because it veils the ultimate consequences of the reasoning.

In fact, in order to be able to determine without being arbitrary who would have the right to claim, it would be essential to fix an income threshold which would give the right to social insurance benefits, i.e. to lay down something like a "minimum income".[1] Without this, any form of targeting would be a mere artifice to limit the number of beneficiaries. But the main employers' associations showed firm opposition to this during the recent federal consultation process.

They do not want a minimum livelihood level to be established because by extension this would also determine a minimum wage which no employer could breach.

Riches to be shared

Just as logically, tax curves would have to be geared to this figure, and there would be a "negative tax" for those declaring a lower income. This would have to be financed on a progressive scale by all other tax payers. Finally, the income threshold – once worked out as a result of the social debate – would have to be applied to all forms of social insurance, unifying them into a genuine system of social security.

Whatever the top employers' organisations may think – and they do not hesitate to use false statistics for their "demonstration"[2] – progress of this kind in social security is possible in Switzerland and in the other industrialised countries. Evidence for this may be seen in the enormous capital assets of companies and banks as well as personal fortunes so colossal that they could not

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be the result of the business activity of one individual or his family. To what real extent, for example, did the direct efforts of Bill Gates contribute to the amount of his fortune? And where does the rest come from, if not from the work of others?

There is no lack of riches in today's world; it is their redistribution which has not worked. Unfortunately the debate has never been couched in these terms in Switzerland, where the authorities claim that "cost neutrality" must be respected in the social security system, thus applying the "social moratorium" de facto. However, the few statistics available lead us to conclude that in fact this country is not doing "too much" in the social field.

At the back of the queue

In fact the reverse is shown by international comparisons of social security costs according to the Eurostat system. Apart from old-age pensions and perhaps now unemployment insurance too, Switzerland's social efforts in relation to its gross domestic product are substantially weaker than the European average. In addition, "Comparaisons Internationales", published by the Canton Geneva Department of Economic Affairs, also shows an expenditure advantage in favour of Switzerland which is by no means negligible.

The fact is that in our country the total of compulsory charges (direct and indirect taxation plus social contributions) amounts to less than 34% of GDP, part of which is capitalised in pension funds. Only the United States (28%) does less than Switzerland, while Germany – a country which is far from impoverished – is at 39%.

In addition, according to the Federal Social Insurance Office, so-called "social costs" – the income of insurance institutions – represent 24% of GDP. But this calculation includes the substantial interest on the capital, which cannot be assimilated to a "cost", as well as transfers from one type of insurance to another. If these two items are excluded, the share of "social costs" in GDP falls to 20%.

In consequence it appears that society as a whole could pay for social security – or more precisely social redistribution – which would protect everyone from the vicissitudes of life. Even more important, it would be reasonable to expect from rich Switzerland a proportionally greater effort. ■

[1] As an indication, Canton Geneva provides a minimum income for old-age, survivors' and disability pensioners, as well as for the unemployed no longer entitled to unemployment insurance benefits, of about Sfr. 25,000, including rent and health fund premiums. For its part, the Trades Union Federation of Canton Geneva has calculated that Sfr. 50,000 per year are necessary for a single person to live modestly according to normal standards.

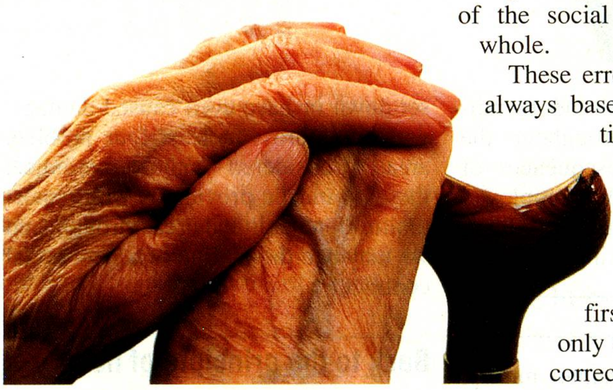
[2] See also on this subject the article by Heinz Allenspach, former head of the Central Union of Swiss Employers' Associations, in "Vie Economique" (May 1996). The author mixes up the receipts and expenses of social insurance and on this basis warns that the latter spent about Sfr. 115 billion in 1995, even though the Federal Social Insurance Office calculated real expenditure of Sfr. 84 billion in 1994. This error of Sfr. 30 billion was taken up blithely by the press and employers' organisations.

unable to measure up to the efficiency standard.

Private assistance discredited

The third basic error lies in the wide-ranging depersonalisation of social assistance, in its anonymity as an umbrella covering everyone without distinction. This started when somewhere along the line the idea cropped up that it was undignified to have to worry about assistance and go out and look for it. In this way, private assistance through the family, the neighbourhood and the circle of friends, as well as through assistance organisations and the churches, was discredited and replaced. At the same time, government social assistance became as widely spread as possible and was elevated to the status of a right. The price which had to be paid to avoid "disgrace" for those receiving alms has become simply too high from today's point of view.

The fourth – and perhaps the most decisive – basic error was that from the very beginning a veil was cast over the cost of the welfare state, not least with the objective of more easily obtaining a consensus. It is no longer possible to discover who are the net winners and who are the net payers in the great redistribution game, and above all how great are the net sums involved. And indeed more or less every possible precaution is taken to prevent the truth being made known.



Effective costs unclear

The problem stems from the fact that much of the redistribution process understood as social aid takes the form of so-called assistance in kind, i.e. by the attribution of low-cost housing, by access to culture, education and health care subsidised equally for all, by reduced charges for services, etc.

The process continues in the field of social insurance, which because of its so-called solidarity component has more in common with an umbrella than an insurance scheme. It is reflected with particular clarity in the so-called employers' contributions. These lead to a situation in which no employee has any idea of how much he really earns or how much he costs his employer. He does not get any feeling of the huge cost of the social security network as a whole.

These errors are of course almost always based on the best of intentions. In many cases it is true that the choice of the path – when interpreted from the point of view of the time in which it was first taken – appears not only comprehensible but even correct. But it is nevertheless true, and this is becoming increasingly clear, that the welfare state of today has not only financial but also, and more particularly, social defects which are grounded in its basic concept and cannot be eliminated through mere tinkering. The fact that it may be justified historically should not prevent us from questioning it from the bottom up. The whole social equation is too important to be layered over with taboos.

We all know more with the benefit of hindsight, goes the old saying. We should make good use of hindsight now, at a time when we still have a certain amount of room for manoeuvre left. We must take the opportunity to seek new avenues for our social policy, to pay equal attention to the requirements of sustainability, self-responsibility and assistance for the weaker among us. ■