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Autor: Lenzin, René

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Categorical "no" to lower pensions

Three out of four voters rejected a reduction in occupational pension. The introduction of animal lawyers also suffered a heavy defeat. In contrast, a constitutional article on research on humans was approved by a clear margin. The turnout was 45%. By René Lenzin

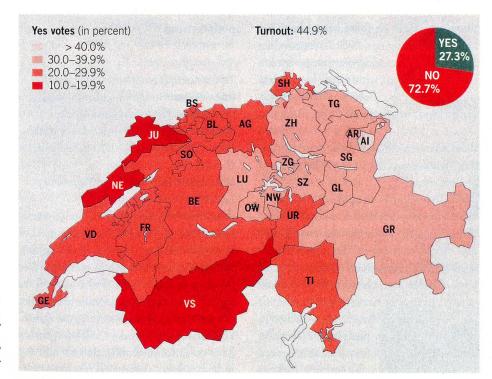
Occupational pension Change to the conversion rate

The Federal Council and Parliament's conservative majority were given a bloody nose on 7 March. 72.7% of voters rejected a reduction in the occupational pension conversion rate. This rate is used to convert the capital amount accrued at retirement into annual pension payments. It currently stands at 7%, which means that every CHF 100,000 in capital produces an annual pension of CHF 7,000. The rate is already set to decrease to 6.8%, but the Federal Council wanted to reduce it to 6.4% to take account of higher life expectancy and lower capital income. The left and the trade unions called a referendum against the proposal and succeeded in persuading almost three in four voters that this step was not necessary at present. The proposal was defeated in every canton, but most heavily in western and southern Switzerland (see map).

Basis for research on humans

The majority of voters backed national government on the other two referendum proposals. 77.2% of voters and all the cantons voted in favour of a constitutional article governing research on humans. The legislator hopes the article will protect human dignity and privacy, on the one hand, and ensure freedom of research, on the other. The constitutional article now has to be laid down in a Law on Human Research. It remains to be seen whether there will be the same level of unanimity on that.

The Swiss people showed little support for the mandatory introduction of cantonal animal lawyers. 70.5% of voters and all the cantons rejected the popular initiative from Swiss Animal Protection that advocates this system. This means the current legislation, which gives cantons the option to introduce animal lawyers, will remain in force. These lawyers act for mistreated animals ex officio in criminal proceedings.



Comment

Reform bottleneck in the social sector

Switzerland's three-pillar old-age pension system is seen as a successful model. The first pillar - old-age and survivors' insurance (AHV) pension - has a clear redistributive effect and meets basic requirements. In the second pillar - occupational pension - all those insured augment their own capital which will maintain their accustomed standard of living in retirement. The third pillar - voluntary, taxprivileged saving - enables an extra cushion to be built up for old age. The mandatory saving of occupational pension actually has a negative impact on the economy in some ways. However, by securing part of the pensions of the future today, it ensures a more stable old-age pension system than in many other countries.

Switzerland is nevertheless finding it difficult to adapt this successful model to social trends. In view of increasing life expectancy and the falling birth rate, it appears that sooner or later it will no longer be possible to finance either the AHV or occupational pension schemes with current contribution levels. Theoretically speaking, the solution has been obvious for some time – higher contributions, lower pensions or a combination of both. In reality, politicians have yet to succeed in putting forward a reform proposal capable of winning majority support.

In particular, attempts to introduce corrective measures aimed just at benefits have failed. In 2004, the Swiss people rejected the 11th revision of AHV, which primarily aimed to reduce benefits, by a clear majority. And in the referendum on 7 March, a proposal to reduce occupational pension benefits was defeated by an even greater margin. These results show that the Swiss people do not want to reform the social security institutions through benefit reductions, or at least not just through benefit reductions. In 2004, the Swiss people inflicted an even heavier defeat on proposals to raise VAT to fund AHV than on the benefit reduction proposal. And in November 2008, they also voted against a generous early retirement provision by a clear margin.

A solution capable of gaining majority support will only be achieved through a combination of benefit adjustments and additional income. The state of the AHV and occupational pension schemes means politicians have time to come up with a suitable solution, but not that much time.