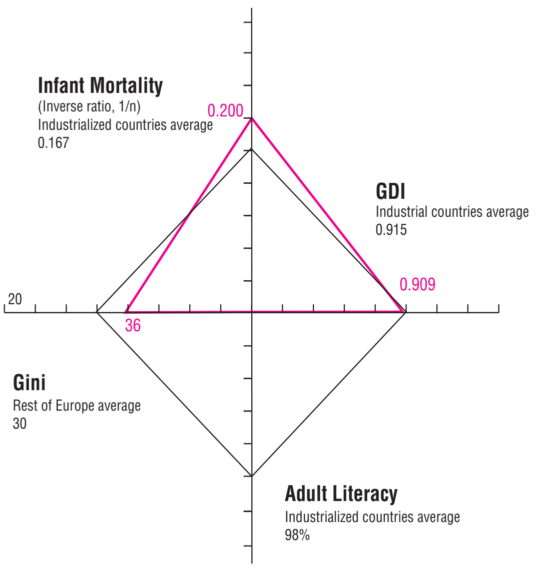
S W I T Z E R L A N D

R E P O R T

«ETHNICISING» POVERTY



The Equity Diamond: National values in terracotta compared to regional ones in blue.
Source: ***Infant mortality:*** UNICEF, *The State of the World's Children, 1998*, ***Adult literacy:*** UNICEF, *The State of the World's Children, 1998*, ***GDI*** (Gender Development index): UNDP, *Human Development Report 1998*, ***GINI***: World Bank, *World Development indicators 1998*. (The regional average for this indicator was calculated by *Social Watch*).

Switzerland is one of the world's richest countries. Its social problems are relatively minor by international comparison, especially in a North–South context. Thus, an evaluation of specifically Swiss problems requires consideration of ***trends*** *in social issues rather than quantifiable elements. Have social problems in the country become more acute in the 1990s? What can be expected in future? Switzerland's official Report on activities initiated in line with the recommendations of the World Summit for Social Development gives no answers to these questions. The Swiss Coalition believes that social problems have intensified in the 1990s.*

We are concerned about the declining ability of national governments to ensure social security, which also affects Switzerland, and about aggressive trends that aim to dissolve socio–political solidarity.

We therefore welcome the fact that the Report gives serious consideration to the social dimensions of ***globalisation*** and links it to economic liberalisation in the context of political responsibility. We also agree to a certain extent with the Report's assessment that Switzerland, with its open, already internationalised economy, can benefit from globalisation, or, more precisely, from the opening of markets now taking place world–wide. But the Report gives no attention to the possible negative impacts of globalisation. As in other Western countries, the pressure of globally integrated financial markets is shifting the burden of income taxation in Switzerland to wages and salaries, while taxation of financial products is becoming increasingly obsolete. Taxation of financial products may be completely eliminated, even though the financial industry is one of the strongest pillars of the Swiss economy. This would reduce the country's capacity to finance social policy measures in the future. Many people now believe that social security measures will be endangered.

The Swiss Coalition therefore believes that the Swiss government must commit itself to a ***re–regulation of financial markets*** (Tobin Tax, international insolvency law, targeted control of capital flows in developing countries). This step is even more urgent in the wake of the financial crisis of 1997/98. Only if such a commitment is made will rich countries maintain the ability to provide social security and poor countries achieve a measure of the same.

- In the 1990s, Switzerland went through a prolonged economic crisis, which was the main cause of high unemployment and the expansion of relative poverty. After a situation of full employment during the 1980s, the official rate of unemployment peaked at 5.2% in 1997[1]. The government blamed the crisis on an unfavourable international economic environment, structural problems in the domestic market and technological change. This is not sufficient, however, to explain why Switzerland was the only European country that did not recover from the recession in 1991/92, and why it emerged from economic stagnation only in 1998. To understand the «Japanese path» of the Swiss economy in the 1990s, an additional factor must be considered: the rigid monetary policy of the Central Bank. This policy, which focused on combating inflation, exerted a dampening effect until 1996 and strangled the economic recovery that was taking shape in 1993. Many of Switzerland's contemporary social problems can be traced to this policy. The key role played by monetary policy can be seen in retrospect: the change in policy that took place in 1996 was responsible for the initial signs of economic recovery in 1997. Modest economic growth since then is responsible for a decline in the rate of unemployment (October 1999: 2.3%).

- A series of studies since the 1980s have revealed considerable ***relative poverty***, with rates measured in double digits in certain parts of the country. The national poverty rate[2] was at 10.3% (710,000 persons) in 1992. Only some of the people classified as poor by these statistics apply for public assistance. It is typical of Switzerland that it still has no national statistics on poverty, nor can it supply statistics on how much assistance is provided to the «new poor» at federal, cantonal and community levels. We welcome the fact that the federal government is making greater efforts to address this statistical problem. After reaching a historic low in the 1960s, the number of people who depend on public assistance has increased in sudden jumps with every recession.
- The problem became more acute in the 1990s when wages at the lower end of the scale stagnated or declined, and many wage–earners in this category (the «***working poor***») were forced to live below the poverty line as defined by public officials concerned with social welfare. According to a study of Caritas[3], there are about 250,000 working poor in Switzerland (4.7% of the active population). Today, Switzerland occupies a leading place among countries with the greatest social disparities. ***According to the Swiss Federal Office of Statistics, 2.9% of taxpayers holds 42% of the country's total wealth, whereas 44.5% of taxpayers holds only 4.2%. A relatively small number of taxpayers (3.4%) receives 15.7% of total net income[4], while about half of all taxpayers (50.8%) receives only 26.8%.***
- The ***failure to integrate foreigners into Swiss society*** has been a source of great social problems. One–fourth of the active population and 19.33% of the total population are not Swiss citizens. ***Foreigners are disproportionately represented among the unemployed and in the lowest wage categories***[5]. On average, they have fewer qualifications than Swiss citizens do, which makes their position in the labour market more precarious. Switzerland must take full responsibility for its foreign population. Active recruitment of foreign workers for economic reasons has been a matter of Swiss policy at different times since the 1950s, with the most recent phase ending in 1991. Domestic arguments against the integration of foreigners, which are gaining popularity and even becoming fashionable among some parties in the governing coalition, are a cause for concern. ***If Switzerland cannot achieve better integration of its foreign population, it runs the risk of fostering greater segregation in the labour market and public life, and of «ethnicising» poverty, which would have negative consequences for public order and social harmony***. Switzerland thus faces a serious challenge with regard to the WSSD goal of social integration.
- In this context, it must be recalled that the relatively weak position of ***women*** in the Swiss labour market has been historically linked with the problem of immigration. Economic expansion in Switzerland after 1945 took place virtually without the inclusion of women in the growing labour market. Lack of political rights for women (until 1971), and a predominantly masculine and conservative culture, were responsible for the fact that economic expansion was based mainly on an immigrant (male) workforce. The proportion of women in the workforce has increased since the 1980s. Today, 42% of the active population are female. Women often work part–time[6], under unsafe conditions and in low wage categories. Although there exists a law against discrimination, in the private sector women still earn on average 23% less than men.

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1 1990: 0,5; 1995: 4,2; 1996: 4,7; 1998: 3,9%.
2 Persons which dispose on 50% or less of the available average income according to the EU–guidelines. There are no newer rates available on national level.
3 Caritas, 1998
4 Statistical Yearbook of Switzerland, 1999.
5 1997, 10,7% of the foreign active population was unemployed, against 3,6% of the active population with Swiss passport.
6 1998, 54% of the active women worked part time, but only 8.7% of men.