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Chapter 36
Switzerland

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Abstract This chapter explores the situation of older workers in Switzerland and reflects on the gender implications of extending working life policies and practices. Firstly, we describe the current employment patterns of older workers in the Swiss context, paying particular attention to gender differences over the life-course. In a second section, we present the three-pillar Swiss pension system, before going on to analyse the nature and the origins of the gender pension gap. In a final section, we summarize the most important extended working life policy initiatives that have taken place in recent years and discuss the mismatch between these reforms and the conservative gender regime that has influenced the life-course of current generations of older workers.

Keywords Ageing · Employment · Extending working life · Gender · Pensions · Switzerland

Introduction

As in most other OECD countries, the Swiss population is ageing: from 17.8% in 2014, the over 65 s will represent 28% of the population by 2060 (Knüsel et al. 2015, p. 344). The employment rate of older people (50+) is high by European standards (Le Feuvre et al. 2014, 2015), but with a sharp drop after the legislated pensionable age, which stands at 65 for men and 64 for women. Nevertheless, at 18% of persons aged above 65 in the labour market, Switzerland has one of the highest post-retirement employment rates in Europe. Those working beyond 65 are more likely to be in part-time jobs, to be on fixed-term contracts and to be self-employed than those in the pre-retirement age groups.

Recent policy initiatives have focussed on guaranteeing the long-term financial viability of the pension system rather than on increasing the share of older workers

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in the labour force *per se*. However, by increasing the relative importance of occupational and personal pension schemes for the economic wellbeing of retirees, Swiss policy makers have tried to promote an 'individualised adult worker' model of social protection in later life. This policy has been promoted without due consideration for the underlying, highly differentiated, patterns of labour market participation for men and women across the lifecourse, or for the structural deficit in the provision of affordable childcare and elder care services across the country.

In order to explore this issue more closely, the present chapter is divided into four subsections. Firstly, we describe the current employment patterns of older workers in the Swiss context, paying particular attention to gender differences over the lifecourse (I). In a second section, we present the three-pillar pension system (II), before going on to analyse the nature of the Swiss gender pension gap (III). In a final section, we summarise the most important extended working life policy initiatives that have taken place in recent years (IV) and discuss their gender implications.

Highly Differentiated Gendered Employment Patterns Across the Lifecourse

The Swiss labour market is weakly regulated, but has been relatively protected from the effects of the post-2008 financial crisis. Unemployment rates are low, buffered by the presence of a highly qualified migrant labour force, from neighbouring countries or further afield. Understanding the implications of policies aimed at extending working lives requires a close analysis of the Swiss gender regime, which is still largely predicated on a set of 'modified male breadwinner' (Crompton 1999) norms and structural constraints (Giraud and Lucas 2009), with labour market withdrawal and/or part-time employment expected for most mothers. The Swiss fiscal system is unfavourable to dual-earner households, notably because childcare costs are high and means-tested. Any additional income gained through an increase in mothers' working hours risks being entirely eaten up by the combined shift of the household to a higher income tax bracket and the associated increase in the cost of day-care services (Bütler 2006).

As a result, women's labour force participation rates are high across all age groups, but their employment patterns differ considerably from those of their male counterparts. The division of domestic labour is skewed, with women carrying out the lions' share of household tasks and care duties, even in couples who are morally committed to gender equality (Levy and Widmer 2013). This widespread pattern of 'one-and-a-half income households' is clearly at odds with a pension system that rewards continuous and full-time engagement in the labour market.

In comparison to other OECD countries, Switzerland is characterised by relatively high employment rates by older male and female workers. According to Labour force survey data, the labour market participation rates of 55–64 year-olds increased from 70.5% to 75.8% between 2010 and 2015 (Avenir Suisse 2016). This increase is principally due to changes in older women's employment patterns, which rose from 56% in 2004 to 67% in 2014, whereas the rate for men remained relatively stable, at round 80% (OFS 2018). Despite this overall convergence in working patterns in later life, the labour market participation patterns of older men and women vary considerably: notably because only 31.5% of women aged 55–64 work full-time, compared to 82% of men (OECD 2018).

Older workers are less likely to experience redundancy or unemployment than their younger counterparts. However, if they do lose their jobs, they find it hard to return to the labour market. This 'age penalty' appears in different employment policies. On the one hand, there is no legal provision against age discrimination in Switzerland. Beyond a certain age, workers who are made redundant are entitled to less compensation than their younger colleagues because economic prejudice is calculated on the basis of the potential number of years in gainful employment with the same company. But, on the other hand, older workers (55+) are entitled to longer periods of full unemployment benefit than younger age groups and they are also given priority for some 'active employment' policies, including re-training. Switzerland has a good record for on-the-job training for qualified workers, but a very poor record of offering life-long learning opportunities to those with low levels of education (OECD 2014).

In 2015, about a quarter of 55–64 year olds were not employed, i.e. not working and not actively seeking employment. This rate is much higher for women (32%) than for men (18%). The reasons given for non-employment also vary significantly by gender. Women are ten times more likely than men to cite 'personal reasons/family obligations', whereas more men than women had taken early retirement (SECO 2016, p. 10). Almost 30% of the non-employed 55–64 year-olds are not working for health reasons; two-thirds of them are recognised as permanently invalid, and the rest were on sick-leave and were temporarily unable to work. More non-employed men than women are recognised as permanently invalid (SECO 2016, p. 11).

Only a small proportion (3%) of the non-employed cite a lack of employment opportunities as the main reason for not working. For both women and men, the share of 'early or on-time retirement' as the main reason cited for non-employment at ages 55–64 fell between 2005 and 2015. The number of women citing 'personal/family duties' as the main reason for not working has also fallen (from 74,000 in 2005, to 55,000 in 2015), whereas the number of men mentioning this reason doubled over the same period, albeit from a very low base (from 3,000 in 2005, to 6,000 in 2015). Overall, the proportion of women who declare that they are involuntarily non-employed (due to poor health, invalidity or difficulties in finding a job) has increased over the past 10 years, whilst this proportion has remained stable for men (SECO 2016, p. 11).

Nevertheless, older workers do not seem to be particularly affected by precarious jobs in the Swiss context. In the 10 years before they reach full retirement age, only 2.2% of older workers had changed jobs in the previous 12 months, compared to 28% of the under 25 s and 6% of the 40–54 year-olds (OFS 2012, p. 5). For those in salaried jobs, the proportion of fixed-term employment is relatively modest, at under 5% for 55–64 year olds. However, beyond the legislated pensionable age, the proportion of fixed-term contracts increases significantly, particularly for men (15%) (OFS 2018, p. 17). Older workers are also more likely to be self-employed: this is the case for 21% of the 55–64 year-olds, but for almost 44% of the over 65 s (OFS 2012, p. 3).

After a steady decrease throughout the 1990 s, the employment rate of pensionable age men and women has risen in Switzerland over the past 10 years. According to Eurostat data, at 23.4% in 2016, the employment rate of Swiss 65–69 year-olds is the third highest in Europe, just behind Iceland and Norway. In 2015, the employment rate for the 64–74 age group reached 18%. The vast majority of pensionable age workers are employed on a part-time basis. Thus, the average working time for men drops from 97% of a full-time position at 55–64 years to 54% beyond 65 years. The equivalent decrease for women is from 69% to 35% beyond 64 years (SECO 2016:13).

Finally, it is important to note that the proportion of older workers varies quite considerably by economic sector and occupation. In the health and social services sectors, where labour shortages are frequent, the rate of early retirement is almost five times lower than in the banking and finance sector, which shed a large number of older workers following the post-2008 recession.

The Swiss Pension System

In 1972, a so-called three-pillar pension system was inscribed in the Swiss Federal constitution (RS 101, art.111 et 113). The legislated pensionable age currently stands at 65 years for men and 64 years for women. This is not a mandatory labour market exit threshold, but simply the age at which people automatically start to receive the basic (AVS) pension payment. It is possible to combine a pension with income from employment or self-employment, but retirees are required to pay pension contributions on any income beyond an annual 16,800 CHF (approx. 14,600€) ceiling. Some job contracts have an age-related contract termination clause, which prevents their incumbents from continuing to work beyond a pre-defined cut-off point.

The three pillars of the Swiss pension system can be summarised as follows:

1st Pillar (AVS): Universal Basic Pension Scheme
Introduced in 1948, the old-age, survivors [widows'] and invalidity insurance scheme (AVS) aims to cover the basic daily needs of retirees, widows/widowers and the disabled. It is obligatory for everyone living or working in Switzerland, beyond the age of 17 for those in gainful employment and beyond 20 for those not in the labour market. The AVS contributions of those not in employment are calculated on the basis of the household income and wealth, including property ownership. A married housewife is exempt from paying AVS contributions once her husband's contributions are above 964 CHF, i.e. twice the minimum annual threshold (see: www.ahv-iv.ch/p/2.03.f).

Contributions to the 1st pillar are tax deductible. Employers cover at least 50% of the AVS contributions of their employees, which are calculated as a percentage of the employee's salary and vary by age group: from 7% for 25 to 34 year-olds, up to 18% for 55 to 65 year-olds, with an average rate of about 10.1% (Rosende and Schoeni 2012). Due to this sliding scale, older workers objectively cost more to employ than their younger counterparts. They are often also entitled to a number of 'perks', such as an additional week of paid holiday beyond the age of 60. However, these extra costs do not seem to have a negative impact on their access to jobs, except after redundancy, a career-break, or a spell of unemployment.

The (relatively modest) pensions received through the 1st pillar depend both on the number of years spent in employment, the income of the recipient over the whole of his or her working life, and the household composition. Years spent out of employment for childcare or other informal care duties are taken into consideration, but reduce the average annual salary, as does any period of part-time employment. The combined basic pension payments of a married couple can't exceed 150% of the maximum AVS allocation.

In class and gender terms, the 1st pillar is highly redistributive, but it does not necessarily provide all beneficiaries with sufficient income to cover their daily needs. Those with average annual earnings below 14,100 CHF who have contributed for the maximum number of years (i.e. 45 for men, 44 for women) can expect to receive a monthly pension of 1175 CHF (approx. 1035€). Those with average annual earnings above 84,600 CHF who have contributed for the maximum number of years can expect to receive the maximum monthly pension of 2350 CHF, a sum equivalent to the poverty line in Switzerland (Reiner et al. 2015).

In short, women make 33% of the AVS contributions, but they receive 57% of the pension benefits (OFAS 2015: 60). However, they are more likely than men to receive a basic pension that is below the Swiss poverty line. This does not necessarily mean that older women are under pressure to work beyond the full retirement age, since households that fail to reach the upper ceiling of the AVS through a combination of their total pension entitlements, can apply for means-tested 'additional welfare benefits' (*prestations complémentaires*), funded from cantonal taxes. According to Assi (2015), these top-up welfare payments have become an integral part of the Swiss pension system, although they are rarely mentioned in pension reform policy documents. In 2012, 12.2% of AVS beneficiaries were receiving means-tested top-up benefits, almost all of them women (OECD 2014).

2nd Pillar (LLP): Occupational Pension Schemes

Prior to the mid-1980s, occupational pension schemes were reserved for certain categories of workers, usually in the public sector or in private-sector managerial and professional jobs. At the end of the 1960s, only 50% of people working in Switzerland—two-thirds of men and a quarter of women—were covered by an occupational pension scheme (Höpflinger 2014). About two-thirds of older workers are now covered by such a scheme, but this proportion is still higher for men (81.7%) than for women (56.8%).

The 2nd pillar occupational pension is supposed to 'maintain the previous standard of living' of retirees, through a monthly pension or a lump-sum payment, or a combination of the two. Taken together, the 1st and 2nd pillars are supposed to enable Swiss retirees with a maximum level of contributions to receive the equivalent of 60% of their final salary (Assi 2015), offering a relatively high potential replacement rate by European standards.

Currently, anyone earning more than 21,150 CHF a year (approx. 18,600€) is obliged to contribute to an occupational pension fund. This threshold explains why part-time workers are often excluded from such schemes. Employers must match the contributions of their employees, and all payments are tax deductible. Anyone earning below threshold can make voluntary contributions to an occupational pension fund of their choice, but without the matching employers' contribution.

Swiss occupational pension funds can be operated either as defined benefit (DB) schemes, usually at 70–80% of the end-of-career earnings, or as defined contribution (DC) schemes. A 2010 survey of the largest Swiss pension schemes estimated that almost half of the public-sector occupational pension funds operated a DB scheme, compared to only 7.4% of the private occupational pension funds (cited in Assi 2015, p. 363). In reaction to increased life expectancy, the minimum conversion rate—used to calculate the monthly returns on accumulated savings—has been progressively reduced, from 7.2% in 2005, to 6.8% at present (Höpflinger 2014).

In the event of divorce, a 1997 Law permits the equal 'splitting' between spouses of any 2nd pillar savings accrued during the marriage. It is nevertheless difficult to document the extent to which this rule is applied in practice, since women may forego their share of the couple's pension rights in order to ensure smooth divorce proceedings (Kuehni et al. 2013).

All occupational pension schemes are now 'portable'. When a worker changes jobs, the savings accrued with a given pension fund are automatically transferred to the fund of the new company or to a temporary holding fund (*caisse de libre passage*) for those made redundant or taking a career-break. In certain circumstances (acquisition of real estate, setting up a private business, definitively leaving Switzerland for a non-EU or EFTA destination, etc.), it is possible to withdraw at least part of the accrued savings as a lump sum well before reaching the legislated retirement age (Lenz and Staechelin 2017). Any occupational funds placed in a temporary holding fund can only be redeemed as a lump-sum payment and not as a monthly pension. Finally, a national regulatory body protects all registered pension funds from insolvency.

3rd Pillar (PPS): Personal Pension Schemes

The third pillar of the Swiss pension system is based on voluntary contributions by individuals to personal pension schemes, offering different levels of tax benefits. The stated objective of voluntary pension contributions is to compensate for insufficient income from the 1st and 2nd pillars and to allow retirees to maintain their previous standard of living. Anticipated withdrawal of funds is subject to financial penalties that vary according to the type of insurance contract.

Table 36.1 Share of salaried and self-employed [men aged 55–64 years, women aged 55–63 years] who contribute to the different pillars of the Swiss pension system 2008

	Employed			Self-employed		
	Total	Men	Women	Total	Men	Women
Pillars 1, 2 & 3a	57.7	64.9	48.9	29.4	34.2	[19.7]
Pillars 1 & 2	26.9	27.6	26.1	11.6	12.1	[10.5]
Pillar 1 only	9.3	4.0	15.6	29.2	23.9	39.8
Pillars 1 & 3a	6.2	3.5	8.5	29.9	29.8	30.1

OFS (2012, p. 6)

Men are twice as likely to contract a personal pension scheme (42.3%) then women (25.3%). As shown in Table 36.1, 57.7% of salaried workers in Switzerland are currently contributing to all three pillars of the pension system, whereas this is the case for under 29.4% of the self-employed. Within each of these employment categories, men generally have a more diversified pension cover than women. The share of self-employed women making no contributions beyond the basic pension scheme (39.8%) is particularly noteworthy.

The Swiss Gender Pension Gap

Historically, male-breadwinner married couples were entitled to a 'spouse allowance' that was added to the husband's pension once his wife had reached the age of 60, whereas single and divorced women were obliged to work until age 64 to qualify for a full basic pension (Perriard 2017). In 1997, legislation put a stop to this differential treatment, by introducing individual pension rights for all women, irrespective of their marital and employment status. In parallel, a widower's pension allowance was also introduced for men. However, the Swiss pension system clearly rewards those with continuous and full-time employment histories more than those with a more typically female life-course, resulting in a large gender pension gap (GPG).

A 2015 study of the generations born between 1937 and 1948 and whose working lives had covered the period 1957–2002 (for the older age group) and 1967 and 2012 (for the younger age group) found that—at 37%—the Swiss GPG is one of the largest of all OECD countries. However, as shown in Table 36.2, this gap varies considerably according to the type of pension benefit under consideration.

The GPG also varies significantly by marital status: it is 10% higher than the average for married persons (47%) and is 10% lower than the average for divorced and widowed persons (27%). There is virtually no GPG for single (never married) persons (Table 36.3). In addition, parental status also counts. The GPG amounts to 41% amongst parents, but is limited to 17% for persons without children (OFAS 2015: 63). Even with the relatively protective post-divorce pension 'splitting' rule (in a country with a 40% divorce rate), the rules for calculating occupation pension

Table 36.2 Gender pension gap by type of pension entitlement 2012

Source of pension entitlement	Annual Pension Income (in Swiss Francs)			
	Average Women	Average Men	Gender Gap	%
1st Pillar Basic Pension (AVS)	21,663	22,269	606	2.7
2nd Pillar Occupational Pension (LLP)	10,948	29,622	18,674	63.0
• As a pension	8,959	24,417	15,457	63.3
• As a lump-sum	2,000	5,125	3,124	61.0
3rd Pillar Personal Pension (capital)	681	1,494	813	54.4
Overall difference in annual pension income	33,169	52,755	19,585	37.1

Source OFAS (2015, p. 94)

Table 36.3 Gender pension gap by type of pension and marital status 2012

Marital status	Gender pension gap		
	AVS (%)	LLP (%)	Private (%)
Single/never married	−2.2	0.9	46.4
Married/civil partnership	8.0	74.8	59.5
Divorced/separated	4.8	49.3	38.9
Widowed	2.1	50.8	53.6
Total	2.7	63.0	54.4

Source OFAS (2015, p. 104)

benefits severely penalise women for their discontinuous and part-time employment histories. This is all the more important because the 2nd pillar accounts for the largest share of pension income for this generation of Swiss retirees, and this is particularly detrimental to those women who divorce in middle age.

Swiss Pension Reforms from a Gender Perspective

Pension reforms have a chequered history in the Swiss context. Since 2004, three successive attempts to align full retirement ages at 65 years for men and women have been rejected by Swiss voters. Recent public debate and media coverage of extended working life issues have focussed on the financial viability of the Swiss pension system and there has been relatively less public debate, academic research or media coverage of other extended working life issues (Le Feuvre et al. 2015). However, gender issues were central to the most recent rejection of a comprehensive pension reform proposal.

In September 2017, the *Prevision 2020* White paper was presented as a long-term solution to the financial viability of the 1st and 2nd pillar pension schemes, but also as a means to reduce the gender pension gap (OFAS 2017). This reform was defeated in the popular referendum. Opposition came from several sides of the political spectrum. Right-wing parties and employers' organisations were opposed to the proposed (modest) increase in employers' contributions to occupational pension schemes. Despite initial support from the Socialist Party, trade unions and most of the municipal or cantonal Gender Equality Offices, public demonstrations against the reform were organised by feminist organisations. These groups argued that the solution to the gender pension gap should come from reducing the gender pay gap, improving child-care provision and thus the career prospects of women across the life-course, rather than through an increase in their legislated pensionable age. Feminist opposition to the reform highlighted the fundamental ambivalence of Swiss politicians with regard to gender equality issues, since the Federal Council that was arguing in favour of a gender-neutral, 'adult worker' model for the future of the Swiss pension system had previously voted against the adoption of two weeks of statutory paternity leave (Lanfranconi and Valarino 2014) and had also refused to increase the very modest federal budget allocated to the provision of public pre-school child-care, thus making it virtually impossible for mothers to adopt a continuous, full-time employment pattern.

This stalled pension reform provides an interesting example of the difficulties and dangers associated with the adoption of extended working life measures based on an egalitarian ideal, whilst the historical structural framing of national gender norms is left largely untouched.

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