

World's highest minimum wage on ballot in Switzerland

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Apr 14, 2014

By Catherine Bosley, Bloomberg

Jasmin Eicher has already axed her sole full-time employee to keep afloat her shop selling cards, candles and paper in a Zurich suburb. If Switzerland approves what would be the world's highest minimum wage, she says the only option would be to close her door.

The Swiss will vote in a national referendum May 18 on whether to create a minimum wage of 22 francs (\$25) per hour, or 4,000 francs (RM14,787.56) a month. While about 90 percent of workers in Switzerland already earn more than that, employers say setting Switzerland's first national wage floor would push up salaries throughout the economy. When adjusted for currency and purchasing power, it would be the highest minimum in the world.

"We couldn't pay it," said Eicher, standing behind the counter in her shop in Schlieren. The employee she let go earned 3,500 francs a month. Now she's by herself, working 10 hours a day, six days a week, and her hopes of hiring a cheaper helper would be dashed if the proposal passed.

"Of course I understand about people not earning enough, but not everyone is worth 4,000 francs. Here in Switzerland we're already so well-off," she said.

The chief backers of the proposal are Switzerland's biggest trade unions, which argue that pay levels need to reflect the country's prices — among the world's highest. A poll by researcher gfs.bern released April 11 said 52 percent of voters were likely to reject it, while Leger research firm last month found the same percentage would vote yes.

Highest minimum

About 10 percent of Switzerland's full-time workforce receive a pretax wage of less than 4,000 francs, according to a statistics-office report for 2010. When adjusted for purchasing power, the Swiss proposed wage would amount to \$14.01 an hour. That's more than the minimum wages in Luxembourg and France, at \$10.60, and Australia at \$10.20, according to 2012 data from the Organization for Economic Cooperation and Development (OECD).

With income inequality growing among developed economies, according to the OECD, minimum wages are on the table in other countries as well. In the U.K., Prime Minister David Cameron has increased it to 6.5 pounds (\$10.88) per hour, the first time it has been raised more than inflation since 2008. In the U.S., President Barack Obama is pushing for an increase in the \$7.25-an-hour federal minimum to \$10.10, while German Chancellor Angela Merkel's cabinet backed a national minimum of 8.50 euros.

George Sheldon, professor of economics at the University of Basel, said the Swiss proposal would be counterproductive.

"Unemployment among the unskilled is increasing," he said in a phone interview. "The solution to their problem can't be to make them more expensive."

Vacation vote

National referendums, a key element of Switzerland's political system, are held four times a year. In a country that's home to about 300 banks, voters often side with employers. In 2012, for instance, they voted down a proposal to require employers to offer six weeks of paid vacation.

Last year, though, voters approved the so-called fat-cat initiative, which gave shareholders a binding vote on managers' pay and blocked big severance packages. They did reject a measure to limit executives' pay to 12 times that of junior employees.

Despite being home to multinational corporations such as KitKat-candy-maker Nestle SA and drugmaker Novartis AG, Switzerland gets two-thirds of its employment from small and medium-sized enterprises. The Association of Swiss Cleaning Companies, Allpura, opposes the minimum wage, saying it would lead to job cuts and worse working conditions. It says employees in the sector earn between 18.50 francs and 26.50 francs per hour.

Big companies including Nestle, Novartis and Swatch Group AG are against the measure too, saying it will hurt the economy.

"State intervention in the liberal economic system also goes against the market economy principles of our society that have been so successful to date," Novartis spokesman Dermot Doherty said via e-mail.

Supply impact

At Nestle, the wages of all Swiss employees are above the proposed minimum, spokesman Philippe Aeschlimann said. "A higher cost of labor would however affect companies in our supply chain and our Swiss customers," he said via e-mail.

Some retail chains pay less than 4,000 francs a month and have refused to sign collective agreements, representatives of the campaign's supporters said at a press conference in Bern in February. The wage would be indexed for inflation.

"I'm for it and I'll vote yes," said Cecile Steinemann, a 23-year-old student in Zurich, reading by the city's lake on a sunny afternoon. "You've got to live off something and having more than one job is just too tough."

Germany, where wages are mostly negotiated at the industry level, is one of only seven European Union countries with no minimum wage, according to Eurostat. Corrected for purchasing power, Switzerland's planned minimum would work out to about 2,500 euros a month, more than the 1,921 euros in Luxembourg and 1,502 euros in Belgium, the bloc's two highest in early 2014, according to its statistics office.

Rent needs

In Switzerland, the median gross wage paid to the least qualified workers was 4,627 francs per month in 2010, according to the statistics office report. That leaves little left over in a country where the average two-person household spent 2,643 francs a month on taxes, social insurance and health insurance, plus 5,498 francs on daily needs such as food, rent, clothing and transport, according to the statistics office.

The multi-party federal government is opposed to a national minimum wage, saying it will do more harm than good and lead to higher unemployment. The jobless rate as measured by the International Labor Organization was 4.1 percent late last year, compared with 11.9 percent in the euro area.

Consumer prices

"A minimum wage won't stop poverty," Economy Minister Johann Schneider-Ammann said at a press conference in Bern in February. "This new system could be counterproductive."

According to Boris Zuercher, head of the Employment Directorate at the State Secretariat for Economic Affairs, the uniform wage would get passed on to

consumers in the form of higher prices and will ultimately result in job losses among low-wage earners. Workers earning between 4,000 and 6,000 francs a month — 40 percent of the full-time workforce — will seek higher pay too, he said.

“The main criticism is that it’s an enormously high minimum wage — it would be the highest internationally,” Zuercher said, speaking by phone from Bern. “It’s not a question of Novartis or UBS not being able to afford to pay 4,000 francs, but some little company in a remote valley.”

By contrast, the Swiss Federation of Labor Unions says a minimum wage wouldn’t lead to higher unemployment because it would mostly affect domestically-oriented sectors where outsourcing isn’t possible.

“In economic terms it’s short-sighted” for the government to allow people to be poorly paid, said Paul Rechsteiner, a Social Democrat member of parliament and a member of the initiative’s committee. “It’s just a bad situation if wages are being paid on which you can’t live in Switzerland.”

As for Eicher, she says the proposal has one bright side. If it passes and her shop folds, she could imagine working someplace else — with a guaranteed minimum income. “It’ll be great to be an employee,” she said.

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