

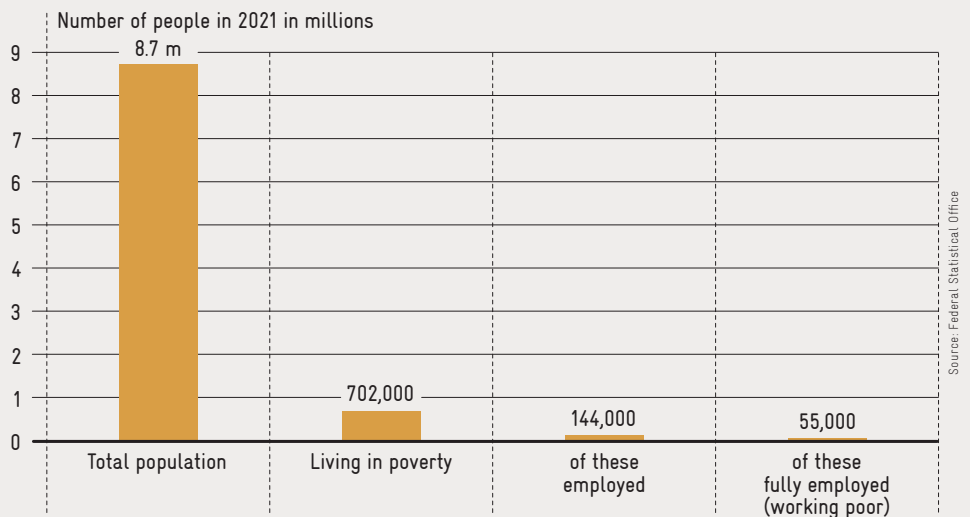
Paradoxical Minimum Wages

Calls for government wage floors are rife. But minimum wages can't deliver on their sociopolitical promises. They're particularly unsuitable for combating poverty.

Situation

Switzerland's liberal, flexible labor market is a key ingredient of its economic success. Wage policy is a matter for the social partners and is governed by collective employment contract (CEA). But for some years now there have been growing attempts by the government to intervene in wage formation. This includes statutory minimum wages: Since voters unequivocally rejected a national minimum wage in 2014, minimum wages have been introduced in five cantons. And now they've also reached the municipal level. Minimum wages pursue a lofty goal: who could object to "fair" pay and less income poverty? But do they really protect employees? Are they the right means of fighting poverty?

Only a minority of those in poverty are in full-time employment



8.2% of the Swiss resident population is affected by income poverty. Yet for every five people affected by poverty, only one is in employment – and often part-time.

Facts

+14%

Stable wage gap: Between 2008 and 2022, the lowest 10% of wages in Switzerland increased by 14%, slightly more than the wages of the highest earners.

■ Poverty does not mean low pay

Nine out of ten people in poverty are not employed or are employed only part-time.

■ Low pay does not mean poverty

Only a small number of full-time low-wage earners live in a working-poor household. Low wages are just as common in upper-income as in lower-income households.

■ High CEA coverage

The majority of "low-wage" industries already have minimum wages under collective employment contracts.

■ Negative employment effects

International studies tend to find that minimum wages have (minor) negative effects on employment.

■ Sociopolitical risks

Minimum wages make it more difficult for population groups with low productivity (including young people and refugees) to enter the labor market.

■ Lack of flexibility

Statutory minimum wages are inflexible and lead to conflicts with CEA minimum wages.

Recommendations

A successful economic policy is reflected in productive jobs and a **high level of labor market participation**. Minimum wages do little or nothing to achieve these goals. On the contrary, they place a burden on the labor factor and can thus **reduce the employment prospects of the low-skilled**. Where necessary,

poverty reduction should be targeted through **means-tested social transfers**. The cantonal and communal minimum wages should therefore be discontinued. The proven wage policy within the framework of the **social partnership** should not be further eroded.

