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Rich and poor in Switzerland

Income and wealth are not distributed equally in prosperous Switzerland. Who are Switzerland's poor and what support is provided for them? Who are the nation's rich and superrich? And what about the middle classes, the most significant demographic group? A social report on Switzerland's rich and poor. By Rolf Ribi

The biblical prophet Ezekiel addressed the leaders of Israel with profound words. He said: "Listen to the words of God the father: 'you are the shepherds of my people, but instead of looking after the flock, you have only thought about yourselves. You must atone for this.'" The prophet Isaiah called the ruling class of the time a "band of thieves", who were only interested in "gifts" (taxes). The prophet Amos bemoaned the fact that "the rich have splendid homes which they fill with treasures".

The prophets' words of wrath in the Old Testament resonate in public opinion today. The general public and the media in Switzerland complain that the gap between the incomes of the rich and poor is growing all the time. Economic sociologist Hanspeter Stamm says: "There is currently a high degree of inequality in Swiss society, which is condemned by most of the population."

"The gulf between rich and poor has become greater", explains Jürg Krummenacher, head of the leading aid organisation

Caritas Switzerland for 17 years. He says that the majority of the population have less available income today than at the beginning of the 1990s. Krummenacher adds that Switzerland is "one of the countries with the greatest inequality in terms of distribution of wealth, almost making it comparable with a banana republic". Seeing middle class people in danger of becoming poor "is something that we deal with every day at Caritas".

"The distribution of wealth in Switzerland has reached a point where it can only be described as feudal", says Hans

Kissling, who was head of the statistical office in the Canton of Zurich for 14 years until 2006. All the social and fiscal measures introduced have not prevented the "concentration of wealth in the hands of the few". In his book entitled "Reichtum ohne Leistung" (Effortless Wealth), Kissling looks at an "increasingly feudal Switzerland" and the inheritance of great wealth by people who have done nothing to earn it themselves.

*"Rich man and his poorer brother
Stood and looked at one another
Till the poor man softly swore:
'You'd not be rich if I weren't poor.'"*

(BERTOLT BRECHT, "ALPHABET", 1934)

Household income

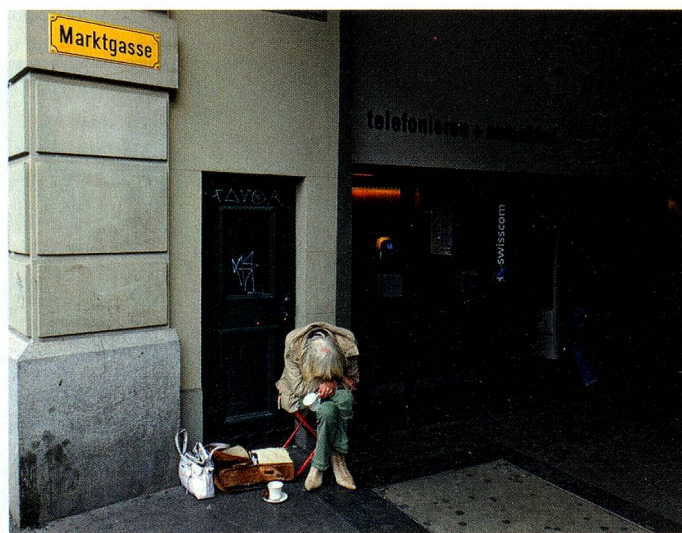
The distribution of household income is extremely unequal in Switzerland. The poorest 10% of households have to survive on an average income of CHF 25,000 a year (figures for 2005). The wealthiest 10% of households have ten times that amount at their disposal. The top 2% of all households have an average income of over CHF 420,000. If taxation and social security contributions are taken into account, the difference between rich and poor remains practically the same.

The academic Hanspeter Stamm believes the disparity in income has remained relatively steady over the past 20 to 30 years. The difference in income has "only increased slightly" since 1999. This is also the view of Serge Gaillard, head of the Department of Employment at the State Secretariat for Economic Affairs. He says: "Despite long periods of economic difficulty, the distribution of income in Switzerland has remained reasonably constant over the past 20 years."

But, though statistics show that income distribution has not changed significantly over the past two decades, the public perceives the situation differently. People believe that things have worsened for the poor and improved for the rich. According to the Federal Statistical Office, no fewer than 380,000 people aged between 20 and 59 were considered poor in 2006, which corresponds to 9.1% of the population. Many employees have received only minor if any real salary increases in recent years, which have been largely offset by increased health insurance contributions. On the other side of the fence are the high management salaries and bonus payments for some top earners.



Christmas party for the needy in Lausanne.



Beggars in Berne's Marktgasse.

Household wealth

The distribution of wealth in Switzerland is significantly more unequal than income. The sociologist Hanspeter Stamm points to "extreme inequality in the distribution of wealth", which is "rather high by international standards". Some facts and figures: around 30% of taxpayers have no assets, and an almost identical percentage have assets worth no more than CHF 50,000. Two thirds of the population own just 5.6% of all wealth. At the other end of the spectrum, 3.7% of the population pay tax on assets of more than CHF 1 million. These millionaires possess half of all private wealth.

In terms of the distribution of wealth and income, the Canton of Zurich is more or less representative of the average for all the cantons. The former head of statistics, Hans Kissling, provides the following figures on wealth for Switzerland's largest canton. Three wealthy taxpayers have assets equal to those of half of all other taxpayers. Ten affluent taxpayers have as much wealth as two thirds of all other taxpayers. Kissling says: "Such ratios are in fact feudal."

According to Hanspeter Stamm, "disparity in terms of income is significant in Switzerland, and it is very high in terms of wealth". While inequality in income has remained relatively constant over the course of time, there are hardly any reliable figures for the changes in wealth. The assets of the rich also fluctuate with ups and downs on the stock market.

Poverty in a wealthy land

There are over a million poor people in Switzerland. One in six children, one in eight

adults and one in six pensioners all live in poverty. These statistics for 2003 from the Caritas publication "Poverty in Switzerland" still cause a furore today. So much poverty in affluent Switzerland? "The poverty issue has never really been taken on board by the politicians", says former head of Caritas, Jürg Krummenacher. He adds that these days, however, "there is no longer any doubt that poverty exists in Switzerland".

Since poverty in Switzerland is not calculated officially, the publication's authors, Christin Kehrli and Carlo Knöpfel, rely on data available for child poverty, poverty among people of employment age and poverty among the elderly. They estimate that poverty affects 250,000 children, 604,000 people of employment age and around 200,000 pensioners. More than 14% of the population are unable to meet their living expenses themselves and are reliant on state assistance. But even though state support helps, around half a million people still live in poverty, which means 6.4% of people in this prosperous country are considered poor.

But what is the "official" poverty threshold? In Switzerland, the poverty values of the Swiss Conference on Social Welfare are the most commonly used. These values factor in decent living conditions and social integration. The poverty threshold for single people is CHF 2,200 a month, CHF 3,800 a month for single parents with two children and CHF 4,650 a month for a couple with two children. These figures take account of the cost of rent, basic health insurance contributions, basic requirements for food, clothing, healthcare, energy, cleaning and travel, and CHF 100 for each member of the household.

There are various approaches to tackling poverty:

■ **Social assistance:** A quarter of a million people live completely or partly on state social support. This means CHF 3 to 4 billion is spent on ensuring people have enough to survive. Almost half of all recipients of social assistance are foreigners. If a social welfare office arranges a job, benefits are reduced if the offer is not accepted. Social welfare assistance is primarily the responsibility of the cantons. Walter Schmid, President of the Swiss Conference on Social Welfare, is calling for federal legislation to secure a basic standard of living and "clear political responsibility for social welfare in Switzerland".

■ **Supplementary benefits:** If the AHV pension or disability insurance is not sufficient to meet living costs, state supplementary benefits make up the difference. There is a legal entitlement to these need-based benefits. However, only around half of all those entitled to them actually take advantage of this right. Jürg Krummenacher, the former head of Caritas, says: "The supplementary benefits have made a significant contribution to reducing poverty amongst the elderly and the disabled."

■ **Working poor:** There are also people in Switzerland who live in poverty despite being in employment. In 2006, there were 146,000 people, or 4.5% of the workforce, whose household income was below the poverty line despite being in employment. Over half of all the working poor are Swiss. Single parents, families with several children, people with low levels of education and immigrants are among those particularly affected.



Michael Schumacher's home on Lake Geneva.



Schloss Rhäzüns, the Blocher family's weekend retreat.

■ Families and children: Politicians of the left have been calling for tax relief for families for years. Walter Schmid of the Swiss Conference on Social Welfare warns: "What we need in Switzerland is supplementary benefits for low-income families and affordable crèche places. Social welfare is no substitute for family policy." Almost 45% of the recipients of social assistance are children and young people. Often, their parents are unemployed, they live with a single parent or they are the children of immigrants. Most of these young people living in poverty have not obtained professional qualifications.

The rich and the superrich

In 2004, there were 6,700 people in Switzerland with wealth of more than CHF 10 million (those with even greater wealth are not categorised in official statistics). According to the business magazine "Bilanz", there are 120 billionaires in Switzerland, of whom two thirds are foreigners. "Bilanz" has been calculating and estimating the wealth of the 300 richest people in Switzerland for many years. This group possesses no less than CHF 529 billion or around half the total net assets. According to "Bilanz", Switzerland's superrich include Maja Oeri, CHF 18 to 19 billion in assets (inheritance, pharmaceutical group Roche), Nicolas Hayek, CHF 4 to 5 billion (watch manufacturer), Christoph Blocher, CHF 3 to 4 billion (Ems Chemie), Urs E. Schwarzenbach,

CHF 2 to 3 billion (foreign exchange trading), Hans Vontobel, CHF 2 to 3 billion (banker), and Marc Rich, CHF 1 to 1.5 billion (commodities trader).

It is true that the rich make a disproportionately high contribution to total fiscal income thanks to progressive direct federal tax. However, the maximum tax rate has remained unchanged at just 11.5% since 1975. Even the extremely high earner Daniel Vasella, of the pharmaceutical group Novartis, does not pay tax above this rate on an annual income of CHF 30 million. And the rich pay exactly the same health insurance contributions as the poor.

What about the middle classes?

Social philosopher Wilhelm Röpke sees society's middle class as a manifestation of stability, equilibrium, cohesion and prosperity. He believes it is important to have a strong middle class. His outlook is fairly conservative and supportive of the state, and he recognises values such as efficiency, integrity and endeavour. The middle class also represents solidarity and a strong commitment to public affairs. Many a political party or group claims to represent the middle class these days.

According to official statistics, the middle class' share of available income has increased slightly in recent years. But subjective perceptions reveal a different story to the statistics. The fear of unemployment is growing,

all the more so in view of the current financial crisis and economic recession. Globalisation is seen as a threat, and the free movement of persons with the European Union is perceived as a danger. They also have reservations about higher salaries and the offsetting of inflation. All these things add to middle class fears about the economic downturn. The "Neue Zürcher Zeitung" declares: "Society's middle classes merit more prominent attention again in public life, academia and politics."

Inconsistent public opinion

The huge salaries of top earners and the "swindlers" heading up companies are receiving extensive coverage right now. The public are outraged at bonus payments being made to financial managers. Even some Federal Councillors have attacked the enormous salaries paid in the world of business.

But while there is outrage at high managerial salaries, little is said about the wealth of the rich. The Swiss people almost always decide in favour of the wealthy when it comes to a vote. Such decisions include tax relief for shareholders, wealth tax, flat-rate tax for superrich foreigners, the rejection of a capital gains tax, the closure of the tax register, which was previously open for public inspection, and the defence of banking confidentiality.

The biggest contradiction, however, concerns inheritance tax. Inheritance tax has been abolished in many cantons for spouses and direct descendants. At national level, there is little hope of a federal inheritance tax being adopted. The introduction of an inheritance tax might even reduce federal taxes for everyone. But the majority of Swiss people do not want tax on inheritance. The unequal distribution of wealth in Switzerland therefore looks set to continue. Even Jean-Daniel Gerber, State Secretary at the Federal Department of Economic Affairs, poses the question: "Is Switzerland replacing the privileges of being born into nobility with the privileges of being born into wealth?"

DOCUMENTATION

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Demonstration against poverty in front of the Federal House.