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Excessive salaries – the people will now decide

The Swiss people are set to vote on Thomas Minder's "fat cat" initiative in March 2013. The parliamentary debate on this popular issue has been a three-year fiasco.
By René Lenzin

Yes or no to the bonus tax? Yes or no to the indirect counterproposal? Yes or no to withdrawal of the initiative? It has taken almost four and a half years to determine how to proceed with the "fat cat" popular initiative (called "Gegen die Abzocker" in German), which Schaffhausen businessman Thomas Minder launched in October 2006 and submitted in February 2008. It took parliament alone three years of debates until the proposal was finally ready to be put to a decisive vote at the end of this year's summer session. Minder's initiative arose out of widespread frustration over excessive salaries and bonuses, particularly in the financial sector. The issue gained increasing support in the wake of the banking and financial crises that broke out during the signature collection period. Minder wants to put an end to such salaries and bonuses by granting more rights to shareholders. As the owners of listed companies, they should decide on reasonable remuneration for the management.

Politicians procrastinate and manoeuvre

Although many people are not aware of or perhaps do not even understand the details of how he aims to achieve this objective, they clearly trust Minder, the traditional and successful mouthwash manufacturer, to clamp down on the fat-cat culture. Just how popular Minder has become thanks to his initiative is underlined by his election to the Council of States as an independent last autumn.

Politicians have nevertheless struggled to come to terms with Minder's initiative. There is a general consensus that shareholders' rights need to be bolstered. However, just how far this should go remains contentious. Whereas the Federal Council, business associations and conservative parties consider the initiative's provisions to be too rigid, those on the left of politics want to augment them with a bonus tax to enable the general public to benefit from high bonuses. This state of affairs has resulted in a three-year-long struggle between the parties and councils.

The only thing clear from the outset is that a parliamentary majority wished to respond to the initiative with a counterproposal as also put forward by the Federal Council. The Swiss Social Democratic Party (SP) and the Swiss People's Party (SVP) wanted to keep as close as possible to the text of the initiative whereas the Free Democrat-Liberals (FDP) and the Christian Democratic People's Party (CVP) favoured granting individual companies greater room for manoeuvre.

Thomas Minder on the rostrum in the National Council chamber

The main point of contention was the bonus tax that Minder himself has always rejected. When the National Council and Council of States finally agreed on a bonus tax as a direct counterproposal to the initiative, this was still defeated in the final vote as the Green Liberals switched from the "yes" to the "no" camp. What remains is an "indirect counterproposal" in the form of a stock corporation law reform, which will enter into force if Minder's initiative is rejected by the people.

Minder believes the people are behind him

After the rejection of the bonus tax in parliament, Minder contemplated withdrawing his initiative so that the counterproposal (stock corporation law reform) could enter into force as quickly as possible. But he finally decided to continue with the referendum. He explained that this was partly because he had received lots of letters encouraging him to continue his fight against the fat cats. But the main reason was that he regarded the counterproposal as too concessionary. He remarked that it only covered 40 % of his concerns. The initiative's opponents say that 80 % of Minder's concerns are addressed. Here are the main differences:

- Under the initiative and counterproposal, shareholders have to vote on the total remuneration for the Board of Directors and Executive Board on a yearly basis. Under the counterproposal, they can declare the vote on the Executive Board remuneration to be consultative.
- The initiative prohibits severance payments and advance remuneration. The counterproposal permits such extraordinary payments provided they are approved by two thirds of the shareholders.
- The initiative aims to restrict the holding of additional mandates by members of the Board of Directors and management, while the counterproposal only stipulates mandatory disclosure.
- Both the initiative and the counterproposal abolish proxy voting by custodians or company representatives. The initiative stipulates the introduction of remote electronic voting, whereas the counterproposal permits this on a voluntary basis.

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