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Autor: Peter, Theodora
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Rich Switzerland and its cost-of- living crisis

Switzerland is considered to be an island of prosperity, but life in one of the world's richest countries is more expensive than ever. Even middle-income households are buckling under the high cost of things like healthcare and housing.

THEODORA PETER

Many people imagine that Switzerland is a rich country where no one has any financial worries. After all, Swiss living standards are among the highest in Europe. Luxembourg and Norway are the only two countries on the continent with higher disposable income.

But Switzerland is a haven of prosperity for only 20 per cent of households – i.e. where monthly gross income exceeds 8,508 Swiss francs for a single person, or 17,867 francs for a family of four. All other households have to get by on less. Households in the lowest 20 per cent income bracket have to make do with under 3,970 francs (single person) or under 8,338 francs (a couple with two children un-

der 14). These latest figures from the Federal Statistical Office (FSO) relate to the year 2021. Gross income means the total income earned or received by a household, i.e. wages, pension or other sources.

According to the FSO, middle-income households account for around 60 per cent of Switzerland's resident population. But there are also huge differences between the highest and lowest middle-income earners, because the middle-income bracket refers to households with gross income of between 70 and 150 per cent of the national median: including both a single person who earns 8,500 francs a month and a pensioner with an income of just under 4,000 francs, while ranging between 8,338 and 17,867 francs for

a family of four. For an idea of how much a lower-middle-income family have to pay in living expenses, meet the fictitious Meiers on page 6.

Money is tight for families

The 2024 Family Barometer, published by the umbrella association Pro Familia Switzerland, reveals that financial pressure is increasing particularly for parents with children. In this latest survey, 52 per cent of respondents said their income was insufficient or barely sufficient. This is compared to 47 per cent last year. Most families are scarcely able, if at all, to save for a rainy day or pay voluntarily into a Pillar 3 pension scheme, with two thirds saying they

can put no money or no more than 500 francs away at the end of the month. For four out of 10 families, high living costs are even a reason not to have more children.

One or both parents in around half the families surveyed are considering working longer hours. Doing so is worth it in many cases – but not if the children need day care. This is because the high cost of preschool and child care in Switzerland compared to other countries can potentially eat up any additional earnings.

Soaring health insurance premiums, rising rents, higher energy costs, and the general increase in living expenses are placing a strain on budgets. There is growing anger about this, says Switzerland's official price watchdog Stefan Meierhans, who has received a record number of complaints in the last two years. He counted 2,775 messages in 2023 – including from people who can no longer afford to pay their bills. "There are growing fears of general financial insecurity," Meierhans said at his annual press conference this spring.

Price rises are the new normal

It is the job of the price watchdog to tackle rip-off prices, particularly in areas where there is a lack of competi-

tion. Last year, for example, Meierhans intervened on the issue of public transport ticket prices. People with a 2nd class GA Travelcard consequently ended up paying less than what the Swiss public transport sector wanted to charge. Instead of a whopping 4,080 francs, the 2nd class GA Travelcard will now "only" cost 3,995 francs – 135 francs more than before. Despite this, public transport ticket prices have still risen by around four per cent.

Price watchdog Stefan Meierhans can see that people are struggling. He is receiving more and more complaints from concerned citizens.



Cartoon: Max Spring

When prices increase for justifiable reasons like expensive electricity or necessary investment, even the watchdog has to take a step back. “We have to get used to the new normal of price rises,” he says. This year, Meierhans wants to ensure that consumers are not disproportionately affected by the increase in VAT. He will convene a purchasing power summit with representatives of the business community in the middle of the year to discuss the issue.

The biggest worry for millions of Swiss is the cost of healthcare, where Meierhans believes there are savings to be made on things like medicine and hospital and laboratory charges.

Above all, people in Switzerland are worried about the high cost of healthcare. **Health insurance premiums have more than doubled in the last 20 years.**

The problem is that healthcare expenditure is increasing by around three per cent every year. This is because Switzerland has an ageing population, with people going to the doctor more often. Health insurance premiums have more than doubled in the last 20 years as a result. A family of four now pays up to 1,250 francs a month for the minimum basic health insurance package.

Health insurance is also a long-running political issue. Until now, decision-makers have been unable to agree on reforms to reduce costs. Parliament wants to provide relief with a new funding model that incentivises outpatient treatment to prevent expensive

Living costs for a middle-income family

The Meiers are a family of four who live in a major Swiss city. Both parents work part-time, earning a combined monthly net income of 9,000 Swiss francs.

The cost of keeping a roof over their heads makes the biggest dent in their household budget. The Meiers pay 2,200 francs in rent every month, ancillary costs included, for their four-room apartment. An electricity and gas bill of 150 francs comes on top of that. Premiums for healthcare and other insurance policies amount to 1,300 francs. And the Meiers have to set aside around 1,000 francs a month for tax.

Food and household items cost 1,200 francs. Internet and mobile phone bills and the Swiss television and radio licence fee run up to 250 francs. Clothes, shoes, hairdresser/barber, and leisure activities cost the Meiers around 1,000 francs a month on average – not including the 250 francs in music tuition fees that they also pay for their eight-year-old son and ten-year-old daughter.

The parents work 80 and 60 per cent. They take turns to do the family



Cartoon: Max Spring

chores and cook for the children on three weekdays. The kids attend all-day school on the other two days, which costs 800 francs a month. Before the children reached school age,

the parents paid more than double that for day care.

The Meiers have no car. Public transport travel cards, occasional car sharing, and costs related to their bikes set them back around 750 francs every month.

They have 600 francs in reserve to cover any miscellaneous or unexpected costs – and particularly expenses over and above their basic health insurance: besides the deductible and co-payment amount, other things like optician and dentist fees can quickly add up. Dental braces for children cost several thousand francs each.

All these expenses potentially add up to 8,500 francs a month, leaving the middle-income Meier family with 500 francs to spare for holidays and to put towards retirement. Families on lower incomes often have nothing left at all. (TP)

hospital stays. Two political parties have forwarded their own solutions: the Centre would like to introduce a cost control mechanism, while the SP wants to boost state relief with a cap on health insurance premiums (more on page 7). Their respective popular initiatives will be put to voters on 9 June.

Affordable housing is rare

Rents are another big household expense. Unlike in many other countries, only a minority of the Swiss population can afford to buy a home of their own – 58 per cent live in rented accommodation. However, it is becoming increasingly hard to find affordable places to live due to a general scarcity on the housing market. The average rental price has increased by 20 per cent in the last 15 years. In major cities like Zurich and Geneva, it is no longer unusual for new tenants to have to pay well over 3,000 francs a month. Property speculators are the culprits, says the Swiss Tenants' Association. To date, politicians on the left have been unable to push through a government cap on rents, although the Federal Council recently indicated that the rules on rental prices could at least be re-examined.

Food prices have less of a significant impact. In 2021, the average Swiss household spent 6.8 per cent of its income on food. Food expenditure is almost double that in many European countries. And in Romania, it accounts for over 28 per cent of household income. Nevertheless, people in Switzerland have seen things like their weekly supermarket shopping, a coffee at a restaurant or a stamp from the post office become more expensive. This everyday inflation is a psychological hammer blow because it is much more noticeable. So much for Switzerland being an island of prosperity.

Two popular initiatives to combat soaring healthcare costs

On 9 June, voters in Switzerland will decide on two popular initiatives to address the problem of soaring healthcare costs: the SP's health insurance premium cap and the Centre's cost control mechanism.

1. An initiative to boost state relief

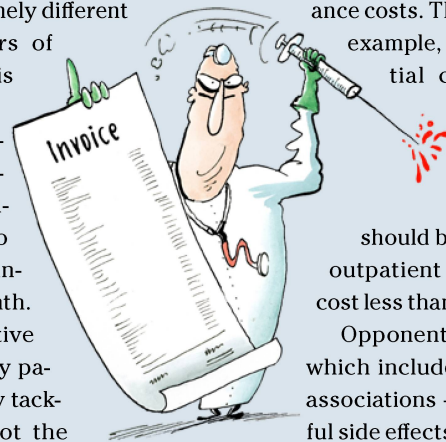
The SP wants to introduce a cap on health insurance premiums. Under its proposal, no policyholder would have to spend more than 10 per cent of their disposable income on health insurance. The state would then have to finance the difference. Premium relief is already applied at cantonal level but in extremely different ways, and the authors of the initiative believe it is insufficient. They also want relief for middle-income as well as low-income households, enabling a family of four to save up to several hundred Swiss francs a month.

This left-wing initiative goes too far and merely papers over the cracks by tackling the symptoms, not the causes, say the centre-right and right-wing parties. More importantly, it would lead to a whopping 4.2 billion francs in extra costs every year, they argue. Nevertheless, parliament has decided that the cantons should provide more money to subsidise premiums – but nowhere near the sum the campaigners want. This indirect counterproposal will be implemented if voters reject the SP proposal.

2. A cost control mechanism to save money

The Centre is proposing a different way to reduce healthcare costs, with a cost control mechanism that would oblige the Confederation and cantons to intervene if healthcare costs rise faster than wages. It hopes that this measure will put downward pressure on mandatory health insurance costs. The party believes, for example, that there are potential cost savings to be made on medicine, which is expensive to buy in Switzerland, and that more should be done to incentivise outpatient procedures, which cost less than inpatient treatment.

Opponents of the initiative – which include the Swiss medical associations – warn of the “harmful side effects” of any cost control mechanism, saying that it could, at worst, lead to long waiting lists and a two-tier health system. Both the Federal Council and parliament have dismissed the proposal as being too inflexible. But again, they have drawn up an indirect counterproposal that would see the government stipulate cost and quality targets every four years while taking account of factors such as ageing demographics and advances in medical technology. The idea is that this would increase transparency around which costs are justified on medical grounds.



Cartoon: Max Spring

Link to initiative: bezahlbare-praemien.ch

Link to initiative: die-mitte.ch/kostenbremse-initiative