

# Geschichte der Sozialen Sicherheit in der Schweiz

## Synthese



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Matthieu Leimgruber, Institut d'histoire économique Paul Bairoch, Université de Genève; Martin Lengwiler, Departement Geschichte, Universität Basel; Carola Togni, Ecole d'études sociales et pédagogiques, Lausanne.

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Urs Germann, Matthieu Leimgruber, Martin Lengwiler, Beat Stüdli, Carola Togni

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## 1902 Introduction of Military Insurance

### Social Security for Soldiers

**The introduction of health and accident insurance did not completely fail in 1900. Only two years after the defeated referendum, the uncontested part of the proposal – military insurance – came into force. Soldiers thus became the first segment of the population to be subject to social security.**

Efforts to provide support to injured soldiers in Switzerland and other European countries reach back into the early modern period. Military pension schemes have been in place in the Confederation since 1852 and 1875. An accident insurance scheme was also set up for parts of the troops by private initiative in 1887. At the same time, the Confederation was working on a comprehensive health and accident insurance solution that was to cover not only the industrial workforce, but soldiers too. However, the draft bill of 1900 (Lex Forrer) was rejected by referendum. The federal authorities subsequently decided to split the uncontested military insurance from the more controversial parts of the proposal. The Federal Act on the Insurance of Military Persons Against Illness and Accident was swiftly passed in 1901 and entered into force in 1902. This represented the birth of the first social insurance in Switzerland.

The introduction of Swiss military insurance showed that in the case of injured soldiers the principle of insurance had prevailed over welfare. The Confederation no longer restricted compensation to people in need, but extended the benefits to members of the armed forces depending on the duration and severity of injury. Though the insurance only covered illnesses and accidents that occurred during military service, it did comprise illnesses and injuries not directly related to a military activity. However, no benefits were granted for pre-existing conditions that recurred or worsened during service. The insurance benefits included free meals and treatment up to complete recovery an illness allowance and, where applicable, a disability pension for soldiers as well as death benefits or survivors' pensions for their next of kin.

**Literatur** / **Bibliographie** / **Bibliografia** / **References:** Militärversicherungs-Schriftenreihe, 1, 1976 u. 2, 1979; Maeschi Jürg (2000), Kommentar zum Bundesgesetz über die Militärversicherung (MVG) vom 19. Juni 1992, Bern; Morgenthaler W. (1939), Militärversicherung, in Handbuch der schweizerischen Volkswirtschaft, 179-80, Bern.

(12/2014)

## 1987 Reform Deadlock in Health Insurance II

### The Failed Emergency Programme for Health Insurance

**Following the failed health insurance reform of 1974, the Federal Council and Parliament made another attempt in the 1980s to curb rising health costs. However, the partial revision of the Health Insurance Act was rejected decisively in a referendum in 1987.**

Since the 1960s, efforts to revise the Health Insurance Act (KVG) have faced steep hurdles.



Benefits provided by health insurance schemes were considered insufficient by leftwing and centrist parties. On the other hand, bourgeois forces criticized the unfettered rise in healthcare costs. Soon, everyone was talking about a ‘cost explosion’.

Following the failure of the 1974 reform, federal authorities felt compelled to act. In 1977, the Confederation froze the level of subsidies in response to rising costs. At the same time, the Federal Council and Parliament put forward an ‘emergency programme’ to counteract increasing costs and deficits. The programme was limited to a partial revision of the Health Insurance Act and ruled out fundamental reforms such as the introduction of mandatory insurance, new financing sources or substantial improvements to benefits. Another failure was to be avoided at all costs.

In 1987, Parliament passed a revised KVG. On the one hand, the reform envisaged an increase in policyholders’ deductibles. They were to pay an annual deductible as well as a retention fee (20 percent of health costs). On the other hand, rising costs were to be addressed by monitoring treatments as well as requirements regarding doctors’ tariffs and federal subsidies. The proposal also contained a moderate expansion in benefits. The full costs of hospital stays were to be assumed by health insurance, and an expansion in home care was planned. However, the proposal did not include the introduction of a mandatory insurance to compensate income loss during sick-days.

A secondary aspect of the 1987 proposal presented another stumbling block. The authorities combined the partial revision of the Health Insurance Act with an amendment to the income compensation scheme in an attempt to finally implement the existing constitutional principle for maternity insurance. The proposal granted women a maternity daily allowance for a period of 16 weeks. The costs were to be financed by payroll contributions, split equally between employers and employees. Business and small employers associations rejected this maternity insurance and challenged the proposal through a referendum.

On 6th December 1987, a clear majority of 71.3 percent of voters turned down the partial revision of the KVG. Health insurance remained stuck at the stage it had reached in 1964.

**Literatur / Bibliographie / Bibliografia / References:** Bernardi-Schenkluhn Brigitte (1992), Das Gesundheitssystem der Schweiz. Akteure, Strukturen, Prozesse und Reformstrategien, in Schriftenreihe der SGGP, 24, 1-191; Uhlmann Björn, Braun Dietmar (2011), Die schweizerische Krankenversicherungspolitik zwischen Veränderung und Stillstand. Zürich; Schuler Thomas, Frei Andreas (1987), Die Teilrevision der Krankenversicherung, Aarau.

(12/2015)



## 1999 Failed Introduction of Maternity Insurance

### Another Defeat for Maternity Insurance

Despite the constitutional obligation, a third attempt at introducing maternity insurance failed in 1999. While western Switzerland voted in favor of the proposal, German-speaking Switzerland came out just as strongly in opposition. Financing concerns primarily derailed the proposal.

Despite the unsuccessful attempts of 1984 (maternity initiative) and 1987 (KVG partial reform) to introduce maternity insurance, the constitutional obligation of 1945 and the

needs of many women for financial security during maternity remained pressing issues. The women's strike of 1991 called for the implementation of the article on gender equality and drew renewed attention to maternity insurance. The election of social democrat Ruth Dreifuss to the Federal Council propelled an advocate for the project at the highest level of government. Women's organizations and the women's groups of the national parties, which united behind the issue for a time, shaped the new proposal.

The law passed by Parliament in 1998 provided for maternity compensation over the course of 14 weeks for employed mothers and a one-off basic benefit granted to all employed and non-employed mothers. The costs of the insurance were to be funded by returns from the value added tax.

As was the case in 1987, the bourgeois parties and economic associations came out in support of the referendum opposing the maternity insurance bill. Their arguments were based primarily on concerns about how the new social insurance would be funded. The federal budget exhibited a deficit of six billion francs in 1996 and would face an ever-greater burden with a new maternity insurance. Critics also argued that the funding of other social insurance schemes would no longer be secured on a sustainable basis. Instead of creating new welfare systems, they said, existing schemes would have to be protected.

On 13th June 1999, 61 percent of voters rejected the introduction of maternity insurance. Analysis of the referendum revealed a rejection rate of 70 percent in German-speaking Switzerland as opposed to an approval rate of 78 percent in western Switzerland. The substantial rallying of women in western Switzerland was thus matched by the strong opposition of the center-right in German-speaking Switzerland.

The divergent voting behavior shows that different parts of the country had different attitudes towards expansion of the social welfare system. In response to the defeated maternity insurance, Geneva introduced its own cantonal maternity insurance in 2001. The introduction of nationwide maternity insurance would only follow in 2004.

**Literatur / Bibliographie / Bibliografia / References:** Eidgenössisches Departement des Innern und Bundesamt für Sozialversicherungen (1999), Eidgenössische Volksabstimmung vom 13. Juni 1999. Dokumentation für die Mutterschaftsversicherung, Bern; Despland Béatrice, Fragnière Jean-Pierre (ed.)(1999), Politiques familiales l'impasse? Lausanne.

(12/2015)

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## 1848-1890 Overview: The Social Question during the 19th Century

### Poverty and Social Policy before the Age of Social Security

**In the 19th century, industrialisation, urban growth and increase in population brought about new forms of poverty and social plight. These were considered particularly severe by contemporary observers. The 'social question' increasingly dominated socio-political discourse at the time.**

Switzerland was reshaped considerably by industrialisation in the time between the founding of the federal state in 1848 and the turn of the century. The population grew from 2.4 to 3.3 million. An increasing number of men and women moved from rural areas to cities and became wage earners in industry and commerce. Zurich, Basel and Geneva became urban economic centres. City walls were torn down and replaced by new peripheral districts. The liberal economic system and technical innovations facilitated the



construction of railways and factories. Machine-making progressively replaced the textile industry as the driving economic force. Export business flourished and a modern services sector with banks and insurance firms emerged.

This development was by no means trouble-free. Growth spurts were hampered by crises. Wealth and general opportunities in life remained highly unevenly distributed. Broad swathes of the population continued to be at risk of poverty. With mobility increasing and new forms of employment such as factory work emerging, families and local communities were less and less able to absorb the effects of poverty and social plight. At the same time, the early liberal state continued to limit public assistance to the poor and left many aspects of welfare to private charities, cooperative and union relief funds and the church.

The general public initially disputed the problem of poverty, referring to it as ‘pauperism’. The term ‘social question’ was coined around 1850. It was better suited to the situation of the growing working class and accounted for the emergence of a reformist (i.e. non-revolutionary) wing of the working class. Initially, an important role in this debate was played by charitable organisations, which propagated the ethos of self-help and regarded poverty as being a consequence of deficient morals. The economic crisis in the 1870s and the erosion of the liberal societal model enabled the idea of state-led “social reform” to gain traction among the bourgeois elite too. The notion that the state has an obligation to ‘represent the common interests’ for the benefit of socially disadvantaged groups and intervene in economic life with the support of experts widely caught on. How and to what extent, however, remained subject to debate

**Literatur / Bibliographie / Bibliografia / References:** Degen Bernard (2006), Entstehung und Entwicklung des schweizerischen Sozialstaates, Studien und Quellen, 31, 17–48; Studer Brigitte (1998a), Soziale Sicherheit für alle? Das Projekt Sozialstaat 1848–1998, in B. Studer (ed.), Etappen des Bundesstaates. Staats- und Nationsbildung in der Schweiz, 159–186, Zürich; **HLS / DHS / DSS:** Soziale Frage.

(12/2014)



## Developments since 1990 On the path to the present

### Quo Vadis? The disputed expansion of the welfare state

**Strategy debates and political deadlock, austerity measures and moderate expansion – the development of social security became increasingly controversial during the 1990s. Yet, despite growing criticism, major breakthroughs did occur: including mandatory health insurance, maternity benefits or the harmonization of family allowances. At the same time, a number of sites remain under construction: the long-term guarantee of old-age provision, better compatibility between family and work, and answers to the ‘new poverty’.**

Since the early 1990s, modifications to social insurance schemes have been complex and contentious. Compared to the previous 20 years, the rise in the welfare state burden (the ratio of social insurance revenues to gross domestic product) has slowed markedly. Against the backdrop of an unsettled economic situation and shifting political alliances, the formulation of social policy became hotly contested. The rise in the number of popular plebiscites which focused on social welfare issues reflected this. From 1971 to 1990, such plebiscites on welfare state policy constituted about 18% of all plebiscites, but this proportion rose to 31% subsequently (1991-2017). Political groupings have evidently

become less and less able to bind opposing interests together and create compromises supported by a stable majority.

Particularly in health insurance and old-age provision, differing perceptions of the problems increasingly led to a stalemate between left-wing and center-right parties. It was still possible, when the compulsory health insurance system was introduced in 1994, to find a majority in favour of a moderate expansion. Since then, rising health costs have led to numerous efforts at revision, but many failed in parliament or at the ballot box. The left favored a unified public health insurance fund as a means to contain costs, but the voting public rejected popular initiatives in this vein in both 2007 and 2014. The second partial revision of the Health Insurance Act was also rejected at the ballot box in 2012, largely owing to the fear that it would no longer be possible to freely choose one's physician. Smaller steps, such as the introduction of risk equalisation between health insurers, as well as standardizing doctors' fees, proved more successful. Rising life expectancy and the increase in illnesses among the aged have led to discussions in health care circles about how to finance the growing need for nursing care.

A discussion about more far-reaching reforms began after the latest comprehensive revision (the 10th of the AHV) was carried out in 1996. While the center-right parties, focused on demographic shifts, wanted to raise the retirement age, left-wing parties warned against the loss of social solidarity and argued in favor of finding new sources of funding. However, proposals for an 11th revision of the AHV failed at the ballot box in 2004 and in parliament in 2010. In 2010, the electorate also decisively rejected reducing the conversion rate used in occupational pension schemes. The reform package entitled "old-age provision 2020" suggested simultaneously revising the AHV and the occupational pension schemes, but this too failed in a plebiscite, largely on the grounds that it would increase the retirement age for women from 64 to 65. It was not until 2019 that the electorate accepted a proposal, in the context of a tax reform, that will lead to providing additional income for the AHV. To cover the funding gap that remains, and to solve other AHV structural problems, the Federal Council drafted a new proposal. The "AHV 21" calls for an increase in women's retirement age but with compensatory measures, a more flexible retirement age, and an increase in the VAT. Reforming the old-age pension scheme thus remains one of the most important areas under construction in the social security system, especially since employer and worker groups' proposals for reforming the occupational pension scheme are still under discussion.

Since the 1990s, social security for mothers and fathers has become increasingly prominent, with social security instruments here greatly expanded. Thus, it proved possible to find a political majority in favor of maternity insurance (2004) and in favor of harmonizing family allowances (2006). Both confederation and cantons have invested in early childhood care, to improve the compatibility of work and family life. Nevertheless, and as in the past, Switzerland still lags behind other OECD countries in this area.

In addition, fundamental questions about the future of social security have been discussed since the end of the 20th century, with the "new poverty" a particular focus. Such poverty affects single mothers, the unemployed whose rights to unemployment benefits have expired, and low-income families in particular. Unemployment insurance (1995) and social assistance are based on the premise that those who receive them will be rapidly reintegrated into the labour market. However, the "activation policy" this involves remains controversial. Critics see a concealed reduction in benefits in its measures, as well as increased control over those who receive benefits. New models of social security are also being discussed that could adequately take account of changes in work relationships (e.g., part-time work) and new types of families (e.g., single-parent or patchwork families). Proposed new instruments include, among others, general employment insurance or an unconditional basic income, though the attempted introduction of the latter was clearly rejected at the ballot box in 2016.

**Literatur / Bibliographie / Bibliografia / References:** Studer Brigitte (2012), Ökonomien der sozialen Sicherheit, in P. Halbeisen, M. Müller, B. Veyrasset (ed.), Wirtschaftsgeschichte der Schweiz im 19. Jahrhundert, 923–974, Basel; Obinger Herbert, Armingeon Klaus et al. (2005), Switzerland. The marriage of direct democracy and federalism, in H. Obinger, S. Leibfried et al. (ed.), Federalism and the welfare state: New World and European experiences, 263–306, New York; Année politique Suisse / Schweizerische Politik, 1990–2010.

(05/2020)



## 1850-1890 Poor Relief at the Close of the 19th Century

### Poor Relief: from Support to Disciplining

**In the 19th century, poverty was largely regarded as being self-inflicted and as a sign of weak character. Those who became poor but were considered fit for work were stigmatized and shunned. Structural causes of poverty remained ignored.**

In Switzerland, assisting people unable to support themselves was traditionally one of the duties incumbent on the municipalities. The principle of support in one's hometown held firm until well into the 20th century. People in need from other municipalities were sent back to their home municipalities by means of 'pauper carts'. This made it more difficult for the poor to find employment as they could only receive support in their home municipalities. The increasing legal rules on poverty increased the influence of the cantons on poor relief, while the powers of the federal state remained limited. The introduction of the 'alcohol tenth' in 1887 was the first time federal funding became available to the cantons to counter alcoholism or inadequate upbringing – both of which were considered significant causes of poverty at the time.

In particular, the elderly, women and children were threatened by poverty. A moralizing view of poverty was prevalent among the bourgeois elite: only the 'deserving' poor, those unable to work as a result of age, youth, family obligations, illness or disability, were to receive support. Whereas poor people capable of working were accused of improvidence, prodigality or lacking work ethic. Structural causes of poverty were ignored. Although mass poverty decreased after 1850, economic slumps continued to be a threat to people.

In an effort to address poverty, the cantons and municipalities expanded elementary schools and adapted the system of relief to new social emergencies (handing over tasks to private associations and later replacing the hometown principle with one that supported the poor in their place of residence). Likewise, they promoted emigration, set up poorhouses and reformatories for the destitute elderly and children or took repressive measures (such as workhouses, marriage prohibitions and suspension of voting rights), which further stigmatized already peripheral groups in society.

**Literatur / Bibliographie / Bibliografia / References:** Head Anne-Lise, Schnegg Brigitte (ed.) (1989), *Armut in der Schweiz (17.–20. Jh.)*, Zürich; Lippuner Sabine (2005), Bessern und Verwahren: Die Praxis der administrativen Versorgung von „Liederlichen“ und „Arbeitsscheuen“ in der thurgauischen Zwangsarbeitsanstalt Kalchrain (19. und frühes 20. Jahrhundert), Frauenfeld.

(12/2014)



## 1850-1890 Assistance Funds as a Precursor to Social Security

### Modest Benefits and restricted Scope: the Provision of Assistance Funds

**In 1890, there were over one thousand mutual assistance funds in Switzerland. They offered policyholders modest protection from the consequences of accidents and illnesses. Despite their limited benefits and the locally restricted scope, they formed an important precursor to modern social security.**

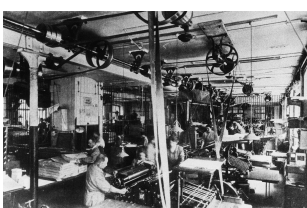
Assistance funds were a link between traditional forms of provision (as provided by guilds, for example) and modern social insurance schemes. The first funds – organized as unions – emerged as early as the end of the 18th century. By the 1870s, they became prevalent particularly in industrialized regions and cities. In 1888, Switzerland had 1,085 assistance funds serving 209,920 members. In industrial regions, up to 25 percent of the workforce were members of such a fund. Though a number of funds were open to anyone; most were maintained by professional associations, employers or trade unions.

Unlike poor relief, the assistance funds were geared towards the working population, in particular the growing industrial workforce. They were based on the principle of mutuality and the balance of risk: the members were required to regularly pay a premium and, in return, received a modest daily allowance protecting them in the event of loss of earnings due to illness or disability. Special burial funds assumed the burial costs for policyholders. From the 1880s, a number of funds also offered pensions for old age, widows and orphans, and competed with commercial insurers such as the Swiss life insurance and pensions company, Swisslife, founded in 1857.

In the 1860s, insurance mathematicians like Herrmann Kinkelin or Johann Jakob Kummer began to criticize the organization and financial models of the assistance funds for their inadequate capital reserves, which rendered the funds incapable of fulfilling their obligations in the long run. However, the assistance funds resisted calls for controls and rejected a state health and accident insurance scheme – particularly in French-speaking Switzerland. Yet, the introduction of accident insurance in 1918 strengthened state regulation and competition. The number of funds dropped after the First World War. Some became commercial insurers.

**Literatur / Bibliographie / Bibliografia / References:** Lengwiler Martin (2006), Risikopolitik im Sozialstaat: Die schweizerische Unfallversicherung (1870–1970), Köln; Muheim David (2000), Mutualisme et assurance maladie (1893–1912). Une adaptation ambiguë, *Traverse*, 2, 79–93.

(12/2014)



## 1877 The Swiss Factory Act and the Origins of Worker and Child protection

### Innovative Protection for Workers: the 11-hour Day and Prohibition of Child Labour

In 1877, the young Swiss Confederation passed an internationally ground breaking Factory Act. It was the first time the state intervened in freedom of contract and decreed a set of standards for the protection of workers. It limited working hours and afforded special protection to women and children.

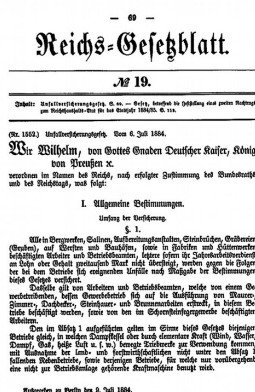
In 1877, despite resistance from the industry, the electorate narrowly voted in favor of federal legislation regarding factory work – this became known as the Factory Act. This constituted the direct intervention of the Confederation in economic affairs: it curbed freedom of contract and the autonomy of industrialists. Switzerland thus became a pioneer in relation to protecting workers' rights.

During the 1860s, non-profit groups and doctors drew attention to the topic of working conditions with their investigations revealing inadequacies in terms of fatal hazards and health risks in factories as well as the prevalence of child labor. Subsequently, the protection of factory workers' health and productivity dominated the debate regarding the 'social question'. The completely revised federal constitution of 1874 ultimately gave the Confederation the power to pass regulations concerning child Labour, the limitation of working hours and the protection of workers.

In many respects, the Swiss Factory Act implemented the constitutional standard built on the legislation of those cantons, which had already regulated industrial work. The canton of Zurich, for instance, had introduced restrictions to child Labour in 1815. The act passed by the canton of Glarus in 1864 led the way for the development of workers' protection, as it regulated the employment of adults for the first time. The Swiss Factory Act limited working hours to eleven hours per day, and prohibited work at night and on Sundays. It also banned the employment of children less than 14 years of age and pregnant women a number of weeks prior to and after childbirth. It committed factory owners to adhere to provisions for the protection of workers and made them liable in the event of accidents, while inspectors monitored compliance with the law. However, it only applied to factories, but not to the many small commercial enterprises, let alone agriculture. In 1882, only 134,500 people or around 10 percent of the workforce were covered by the new legislation.

**Literatur / Bibliographie / Bibliografia / References:** Siegenthaler Hansjörg (ed.) (1997), Wissenschaft und Wohlfahrt. Moderne Wissenschaft und ihre Träger in der Formation des schweizerischen Wohlfahrtsstaates während der zweiten Hälfte des 19. Jahrhunderts, Zürich; Gruner Erich (1968), Die Arbeiter in der Schweiz im 19. Jahrhundert, Bern.

(12/2014)



## 1883/1884/1889 Bismarck's Welfare State Laws in the German Reich

### A new Insurance Model: legal Entitlement rather than Need

Modern social insurance arose in the 1880s in the German Reich. It quickly became a model for other countries, including Switzerland. According to the new insurance principle, benefits no longer depended on needs. Instead, they were guaranteed and granted automatically by legal entitlement.

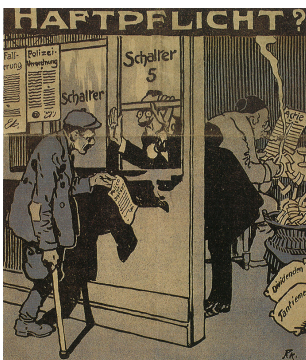
Between 1883 and 1889, the German Reich introduced the obligatory health and accident insurance system as well as old age and disability insurance for workers and other wage earners. Soon, the new model of provision was also discussed and propagated in Switzerland. It marked the transition from social policy intended for welfare and the swift

repair of damages to an expandable public service based on individual legal entitlements and social insurance that covered the risks of working life. Several factors tipped the scales in favor of the reforms initiated by Imperial Chancellor Otto von Bismarck: an interventionist understanding of the role of the state, problems with the existing assistance funds, unresolved questions regarding accident coverage and the intention of the government to integrate the working class into the authoritarian state and thus weaken social democracy.

The German health insurance (1883) included coverage of treatment costs, daily sickness allowance, and support for women in childbirth and death benefits. The accident insurance (1884) likewise covered treatment costs and further provided for accident prevention measures. The old age and disability insurance (1889) granted a modest pension in the event of occupational disability or upon reaching the age of 70. All three insurance schemes were mandatory for people with an annual income of less than 2,000 Reichsmarks. They were funded by contributions from employees and employers, and additionally – in the case of old age and disability insurance – by state subsidies. The insurance schemes were either introduced on the basis of existing health insurance funds or new self-governing trade associations (accident insurance) and regional insurance institutions (old age and disability insurance) were set up.

**Literatur / Bibliographie / Bibliografia / References:** Lengwiler Martin (2007b), Transfer mit Grenzen: das ‚Modell Deutschland‘ in der schweizerischen Sozialstaatsgeschichte 1880–1950, in G. Kreis, R. Wecker (ed.), Deutsche und Deutschland aus Schweizer Perspektiven, 47–66, Basel; Stolleis Michael (2003), Geschichte des Sozialrechts in Deutschland, Stuttgart; Kott Sandrine (1995), L'état social allemand. Représentations et pratiques, Paris.

(12/2014)



## 1890 Constitutional Basis for Health and Accident insurance

### First Steps towards a Welfare State

**When the German Reich passed its first social welfare acts in the 1880s, the Swiss Confederation was not even able to engage in social policy. First, a constitutional basis for social welfare law needed to be established – starting with health and accident insurance.**

The constitutional article that granted the Confederation the power to set up a mandatory accident and health insurance system was passed with a decisive majority in the popular vote of 26th October 1890. It transferred responsibilities from the cantonal level to the Confederation and represented a significant step towards national welfare policy. The new constitutional article drew impetus from civil liability in occupational accidents, which had led to dissatisfaction on the part of both workers and business owners. Whereas workers ran the risk of coming away empty-handed from a case, business owners carried all of the responsibility of buying their employees into a collective policy with an insurance company. The predominantly bourgeois Parliament instructed the Federal Council in 1885 to start preparations for the introduction of a mandatory workers' accident insurance. In the course of these preparations, the Federal Council incorporated health insurance into the bill.

The Federal Council commissioned several statistical surveys and ordered a number of expert reports, including the notable memorandum by Ludwig Forrer, a National

Councillor from the canton of Zurich affiliated to the Free Democratic Party. He advocated the insurance principle ('spreading the risk to many') and the establishment of a mandatory public accident and health insurance following the model set by Bismarck: 'liability means dispute, insurance means peace.' The Federal Council and Parliament followed this visionary, pragmatic concept. However, the proposal submitted by the advising committee of the National Council to expand the legislative powers of the Confederation to include 'other types of personal insurance' and lay the constitutional foundation for old age, disability or unemployment insurance straight away did not gain acceptance.

**Literatur / Bibliographie / Bibliografia / References:** Lengwiler Martin (2006), Risikopolitik im Sozialstaat: Die schweizerische Unfallversicherung (1870–1970), Köln; Degen Bernard (1997), Haftpflicht bedeutet den Streit, Versicherung den Frieden: Staat und Gruppeninteressen in den frühen Debatten um die schweizerische Sozialversicherung, in H. Siegenthaler (ed.), Wissenschaft und Wohlfahrt. Moderne Wissenschaft und ihre Träger in der Formation des schweizerischen Wohlfahrtsstaates während der zweiten Hälfte des 19. Jahrhunderts, 137–154, Zürich.

(12/2014)

## 1890-1947 Overview: First Steps towards a Welfare State

### Ambitious Plans, modest Results

By the end of the 19th century, there was intense public debate about the introduction of public social insurance. The plans were ambitious, but faced political opposition. Thus, the social security system remained fragmented and strongly characterized by private solutions until the Second World War.

The Swiss welfare state began to take shape between 1890 and 1947. The creation of a constitutional basis for an accident and health insurance in 1890 represented a first step towards modern social policy. But in 1900, voters rejected a bill for a health and accident insurance act. It was only with considerable delay that politicians were able to save parts of the bill. Eleven years later, a much more streamlined bill was passed in a next referendum; the bill only prescribed mandatory accident insurance. This was to become a familiar pattern in the establishment of social security leading up to the Second World War. The period seems like a protracted phase of experimentation distinguished by gradual, minimalistic and sometimes unsuccessful attempts at reform. Lasting impetus even failed to take hold after the First World War and the general national strike of 1918, which triggered social activism in the short term. The system of direct democracy, plebiscites as well as political negotiations in the run up to referenda all had an impeding effect. This also explains how the first moderate bill for old age and survivors' insurance failed to secure a majority in 1931. It was only the experiences of the Second World War that enabled the emergence of new momentum, ultimately culminating in the introduction of the AHV (old age and survivors' insurance) in 1947.

This development resulted in social security in Switzerland remaining a hybrid and heterogeneous system until well after the Second World War. Not only the state (federation, cantons and municipalities) played an important role, but many private stakeholders too: commercial insurance companies as well as charitable and non-profit organisations for example. The major burden borne by public welfare continued to be communal poor relief, which, however, developed new strategies for dealing with social plight after the turn of the century.





**Literatur / Bibliographie / Bibliografia / References:** Studer Brigitte (2012), Ökonomien der sozialen Sicherheit, in P. Halbeisen, M. Müller, B. Veyrasset (ed.), Wirtschaftsgeschichte der Schweiz im 19. Jahrhundert, 923–974, Basel; Degen Bernard (2006), Entstehung und Entwicklung des schweizerischen Sozialstaates, Studien und Quellen, 31, 17–48.

(12/2014)



## Around 1900 Reforms in Poor Relief and Guardianship system

### Rationalization and Development: the Modernization of Municipal Welfare

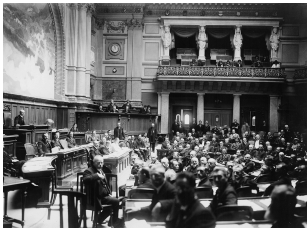
Around 1900, poor relief began to evolve into modern welfare in the country's progressive cities. Focus was placed on poverty and social plight in working-class districts. The reforms pursued a maxim of rationalization, centralization and bureaucratization. Public welfare thus entered the domain of legal practitioners, doctors and emerging social work.

At the turn of the 20th century, the system of municipal poor relief still formed the backbone of social welfare. The principle of support in one's home municipality was retained by most cantons. Nevertheless, new approaches for improving the situation of workers and for tackling poverty emerged around 1900, as did measures for controlling and disciplining the lower classes. As part of a drive for 'communal social policy', it was predominantly the cities that expanded their social provision. For instance, the city of Bern established an employment office in 1889, a poorhouse in 1892 and an unemployment fund in 1893. Bern also encouraged the construction of social housing and subsidized private day nurseries and crèches (1891/1898).

At the same time, a new generation of welfare experts – who gathered at the 1905 Swiss Conference on Poor Relief – called for the rationalization of welfare following examples set abroad. Guidelines were established for caseworkers, the centralization of organization, the bureaucratization of procedures and the professionalization of personnel. Social schools founded by women opened up the vocational field of welfare work for bourgeois women.

The new understanding of welfare was visible in an exemplary manner in how cities cared for youths. Further development and scientific attention accompanied the child protection provisions of the Civil Code (1912) as well as the institutionalization of education and training courses (from 1908). The city of Zurich thus professionalized the medical care of school children (1905) and reorganized the system of guardianship (1908). Public welfare was thereby expanded from children in need to 'neglected' and sick children. In this process, the authorities increasingly involved scientific experts, especially doctors and remedial educators.

**Literatur / Bibliographie / Bibliografia / References:** Matter Sonja (2011), Der Armut auf den Leib rücken: Die Professionalisierung der Sozialen Arbeit in der Schweiz (1900–1960), Zürich; Tabin Jean-Pierre et al. (2010 [2008]), Temps d'assistance. L'assistance publique en Suisse romande de la fin du XIXe siècle à nos jours, Lausanne; Schnegg Brigitte (2007), Armutsbekämpfung durch Sozialreform: Gesellschaftlicher Wandel und sozialpolitische Modernisierung Ende des 19. Jahrhunderts am Beispiel der Stadt Bern, Berner Zeitschrift für Geschichte und Heimatkunde, 69, 233–258; Ramsauer Nadja (2000), "Verwahrlost": Kindswegnahmen und die Entstehung der Jugendfürsorge im



## **Around 1900 Establishment of the International Labour Office in Basel**

### **Socio-political Internationalism in opposition to Unbridled Capitalism**

**At the end of the 19th century, workers' protection became an international issue. Numerous congresses as well as the International Labour Office (founded in Basel in 1901) strove to harmonize national protection regulations, prevent the damaging effects of economic competition and alleviate social tensions.**

On the occasion of the 1900 World Exhibition in Paris, social policymakers from various European countries founded the International Association for Labour Legislation (IALL). It established an International Labour Office in Basel that was largely funded by Switzerland. Just like the many other international congresses as well as international organisations and offices that emerged at the turn of the century, the foundation of the IALL reflected the growing economic interdependence of modern industrial countries and the development of modern transport and communication links. Matters of social security figured high on the international congress agenda. Experts and officials debated public welfare and private charity as well as occupational accidents, insurance schemes and the methods applied in actuarial science (for calculating insurance risks).

It was no coincidence that Switzerland was committed to workers' protection beyond its borders. The Factory Act of 1877 contained special provisions for the protection of children and women, and was widely considered to be progressive. Representatives of the working class, industry and the Federal Council were all equally interested in harmonizing protection provisions the terms of competition across borders. After an initial diplomatic push failed in 1890, the workers' union organized a congress in Zurich in 1897 that sought to coordinate international social policy.

After its foundation, the International Labour Office in Basel acted primarily as a documentation center. Further to its role as a private association close to government, the IALL initiated several conventions, including protection from hazardous substances and a ban of night work for women. Until the First World War, it continued to push for the protection of young workers and for the introduction of an eight-hour workday. Many of its functions were transferred to the International Labour Organization in 1919.

**Literatur / Bibliographie / Bibliografia / References:** Herren-Oesch Madeleine (2009), Internationale Organisationen seit 1865. Eine Globalgeschichte der internationalen Ordnung, Darmstadt; Topalov Christian (1999), Laboratoires du nouveau siècle. La nébuleuse réformatrice et ses réseaux en France, 1880-1914, Paris; Garamvölgyi Judit (1982), Die internationale Vereinigung für gesetzlichen Arbeiterschutz, in Gesellschaft und Gesellschaften. Festschrift Ulrich Im Hof, 626–646, Bern.

## 1900 Defeat of the first Health and Accident Insurance Bill



### Bitter Disappointment: the unexpected 'No' for Lex Forrer

**Despite broad support in Parliament, voters rejected the first bill for health and accident insurance – a painful defeat for advocates of social security. In consequence, plans for mandatory health insurance were dropped.**

On 20th May 1900, around 70 percent of voters rejected the federal bill on health, accident and military insurance despite the support of all political parties and trade associations. The electorate followed the arguments of a broad opposition comprising liberal anti-centrists in western Switzerland, conservatives, private insurance companies and some members of the agricultural and working class communities. In particular, anti-statist arguments presented by health and assistance funds that feared for their autonomy caught on with the voters.

The bill passed with a large majority in the Federal Assembly in October 1899 had been drafted by National Councillor Ludwig Forrer. The FDP politician was at the forefront of the push for social security. Although the complex, 400 articles strong legislative proposal was limited to employed workers, it represented a major step forward. For the first time, it prescribed mandatory insurance for most wage earners, while offering others the option of voluntary insurance. Soldiers would also have been covered. The insurance would not only have assumed treatment costs, but also included illness, childbed and death benefits allowances. The accident and military insurance would have granted coverage of disability and survivors' pensions too. The insurance was to be funded by federal contributions as well as employer and employee premiums. Parliament intended to hand over implementation to both existing private health insurance funds and new public funds yet to be created, as well as to the planned Swiss Institute for Accident Insurance. A federal insurance court was envisaged as the relevant appellate court.

The voters' rejection of the bill brought an abrupt end to the dream of comprehensive risk cover. As a result, further social welfare development was dependent on small increments in policy during the following decades. Nevertheless, military insurance commenced provision already in 1902. And in 1912, voters accepted a more streamlined version of the health and accident insurance bill; it was limited to mandatory accident insurance and contained no fundamental reforms to health insurance.

**Literatur / Bibliographie / Bibliografia / References:** Degen Bernard (1997), *Haftpflicht bedeutet den Streit, Versicherung den Frieden: Staat und Gruppeninteressen in den frühen Debatten um die schweizerische Sozialversicherung*, in H. Siegenthaler (ed.), *Wissenschaft und Wohlfahrt. Moderne Wissenschaft und ihre Träger in der Formation des schweizerischen Wohlfahrtsstaates während der zweiten Hälfte des 19. Jahrhunderts*, 137–154, Zürich.

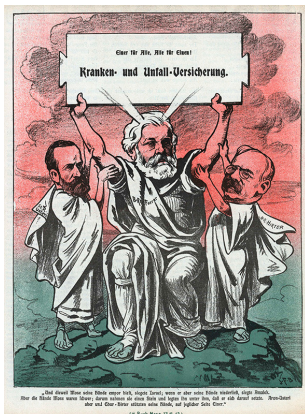
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## 1912 Introduction of the Health and Accident Insurance Bill and Foundation of Suva

### Compulsory Accident Insurance, voluntary Health Insurance

**In 1912, voters accepted a revised proposal for health and accident insurance. It prescribed a partial obligation for accident insurance, but excluded fundamental**



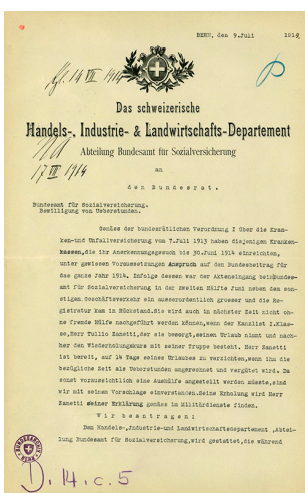
**reform to health insurance. In 1918, Suva (the Swiss Institute for Accident Insurance) commenced its work.**

After a quarter of a century of intense debate, voters finally accepted the Federal Act on Health and Accident Insurance (KUVG) on 4th February 1912. With respect to accident insurance, the KUVG broadly conformed to the Lex Forrer proposal previously rejected in the 1900 referendum. However, the mandatory insurance covered a smaller demographic range and was limited to employees in industry and to certain professions. Until the 1980s, only about half of the employed workforce had mandatory insurance against accidents, though there was a growing number of voluntary policyholders. The benefits (treatment costs, illness allowance, pensions and death benefits) and funding of the accident insurance were similar in scope to the 1900 proposal. However, the bill did not include mandatory health insurance. It was the cantons that subsequently passed such obligations. The Confederation's involvement remained restricted to the subsidization and regulation of private funds.

The new act transferred the implementation of the accident insurance to Suva (the Swiss Institute for Accident Insurance), which began its work as an autonomous public-law entity in Lucerne in 1918. To this day, the highest decision-making body in Suva is the administrative board comprised of representatives of employers, employees and the Confederation. The administrative board also appoints the board of directors. Suva's responsibilities include accident prevention, a task previously assigned to factory inspectors. In addition, Suva has been committed to the field of medical rehabilitation for many years, in particular by running a health spa facility in Baden (1928).

**Literatur / Bibliographie / Bibliografia / References:** Lengwiler Martin (2006), Risikopolitik im Sozialstaat: Die schweizerische Unfallversicherung (1870–1970), Köln.

(12/2014)



## 1913 Foundation of the Federal Social Insurance Office

### A dedicated Office for Social Security

**With the formation of the Federal Social Insurance Office (BSV) in 1913, the Confederation had its first agency predominantly dedicated to social security. The BSV performs a number of different supervisory functions. Its primary aim, however, is to prepare and coordinate the further development of the welfare state.**

On 19th December 1912, Parliament approved the formation of the Federal Social Insurance Office (BSV) – the first federal agency to be designated as a federal office. It was assigned to the Department for Trade, Industry and Agriculture (now known as the Federal Department of Economic Affairs, Education and Research) and was initially accommodated in the building of the Swiss National Bank in Bern. Its tasks included the execution of the Health and Accident Insurance Act (KUVG), in particular the supervision of Suva, and the recognition and subsidization of health insurance funds. In addition, the office was responsible for further preparations regarding social insurance and for international agreements. It was appointed with six regular positions: a director, an assistant, an expert, a mathematician and two clerks.

The new administrative unit constituted an institutional outcome of the referendum on 4th February 1912 with which the KUVG was passed. From the very beginning, the Federal Council intended to ensure the new office had access to the necessary actuarial expertise

and was directed by 'qualified insurance experts'. First it was supposed to merge the new office with the Swiss Insurance Office (known today as the Federal Office of Private Insurance) responsible for monitoring private insurance companies since 1886, an idea that was soon discarded. Following a rejection from the insurance office director and mathematician, Christian Moser, the decision was eventually reached that insurance lawyer, Hermann Rüfenacht, would occupy the position of director.

Another reason for the creation of a new office was the fact that old age and disability insurance still figured on the political agenda. The 'insurance problems' were by no means solved with the introduction of the KUVG. The Federal Council held the view that, in future, the state would have to be in a position to carry out and justify the 'objectively necessary development of its legislature' and recognize the 'economic consequences': "Only then may government bodies defend workable measures with energy and authority, and also be able to confront excessive demands beyond our powers with objective reasons."

**Literatur / Bibliographie / Bibliografia / References:** Bundesamt für Sozialversicherungen (1988), Geschichte, Aufgaben und Organisation des Bundesamtes fürs Sozialversicherung (Sonderdruck aus der Zeitschrift für die Ausgleichskassen, 1988, Nr. 7–9), Bern; Botschaft des Bundesrates an die Bundesversammlung betreffend die Errichtung eines Bundesamtes für soziale Versicherung, 29. Oktober 1912, Bundesblatt, 1912 IV, 501–526.

(12/2014)



## 1914-1918 Mass Poverty and Emergency Aid in the First World War

### The First World War: Lack of Safety Nets worsen Social conflicts

**Switzerland was not prepared for a protracted war in 1914. Deficient welfare, food shortage and rising prices exacerbated social plight. The cities in particular took emergency measures while the Confederation remained hesitating. The National General Strike of 1918 then laid the groundwork for extensive social reform.**

Like all European counties at the outbreak of the First World War, Switzerland only expected a short engagement. No socio-political measures were taken to counter the rampant inflation for a long time. Neither was there compensation of loss of pay for soldiers nor price controls. It was not until the final two years of the war that authorities began rationing basic food such as milk and bread. The Federal Council also softened the Factory Act and ordered wage freezes in public enterprises. The results were losses of real earnings ranging from 25 to 30 percent as well as shortages in food and housing. In the summer of 1918, official statistics indicated 692,000 people – around one sixth of the population – were in need of emergency aid. These figures were even higher in cities. The already weakened population was then hit by the Spanish flu in autumn 1918 which claimed almost 25,000 lives – or 0.6 percent of the population by 1920.

Emergency measures were implemented primarily by the cantons and municipalities. Often in cooperation with non-profit women's associations, they set up soup kitchens and workers' shelters, and handed out food. The Confederation chiefly supported unemployment welfare. It predicted a rise in unemployment and therefore established a welfare fund in 1917 that was funded through war taxes. The Confederation worked with



municipalities and employers to support people who had become unemployed through no fault of their own. In addition, the Confederation subsidized existing unemployment funds, often set up by the unions, and alleviated the tax burden for private pension schemes.

The worsening social situation brought about a polarization in domestic politics as well as protests and strikes. These developments culminated in the National General Strike in November 1918. The Olten action committee, which coordinated the workers' movement, primarily demanded social policies, namely: women's right to vote, the 48-hour week, the safeguarding of food supply and the introduction of an old age and disability insurance which had been stalled at the political level since 1912.

**Literatur / Bibliographie / Bibliografia / References:** Tabin Jean-Pierre et al. (2010 [2008]), Temps d'assistance. L'assistance publique en Suisse romande de la fin du XIXe siècle à nos jours, Lausanne.

(12/2014)



## 1916-1924 Rising number of Pension Funds during the Interwar Years

### Behind the Scenes of the AHV Debates

**While the first drafts for the AHV (old age and survivors' insurance) had to overcome significant political hurdles, pension funds enjoyed an initial phase of expansion in the interwar years. During this period, pension provision became an important market for life insurers.**

Prior to 1914, there were only a limited number of pension funds outside the public sector and just a handful of companies granted their employees an old age pension. This changed after 1916, when the Confederation decided to exempt contributions to pension schemes from the war profit tax. This tax exemption led to the formation of a whole range of new pension funds, particularly in the machine-making and metal industry. The number of funds increased ten-fold (from around one hundred to over one thousand) between 1911 and 1930. However, this boom concealed some considerable differences among workers: in 1930, two thirds of public-sector workers were members of a pension plan, while this figure was only at ten percent for private-sector workers.

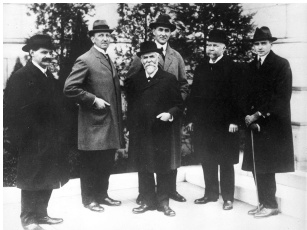
Beyond tax optimization, employers' pension schemes also played their part in soothing working relations after the National General Strike and strengthening employees' loyalty to their companies. The delays and obstacles in establishing the AHV can also explain this initial phase of expansion. From the interwar period on, the private provision lobby, which banded together in 1922 in the Swiss Association of Support Funds and Foundations for Retirement and Disability (SVUSAI), became an important actor in the pension debates.

The life insurers also held a strategic position in these debates. Drawing on their expertise in actuarial mathematics (the method for calculating insurance risks), they were able to advise the Confederation in the initial AHV projects. From the 1920s these companies also entered the pensions market, thanks to group contracts (for companies that wanted to offer pension benefits without having to run their own pension fund). Private pensions enjoyed considerable financial clout: at the start of the Second World War, pension reserves already amounted to more than a quarter of the gross domestic product.

**Literatur / Bibliographie / Bibliografia / References:** Leimgruber Matthieu (2008), Solidarity without the state? Business and the shaping of the Swiss welfare state,

1890–2000, Cambridge; Leimgruber Matthieu (2006), La politique sociale comme marché. Les assureurs vie et la structuration de la prévoyance vieillesse en Suisse (1890–1972), Studien und Quellen, 31, 109–139, Zürich.

(12/2014)



## 1919 Foundation of the ILO and the Washington Conference

### Social Security for the Promotion of International Peace

**After the First World War, the victorious powers founded the League of Nations in the hope of establishing a stable international peace. These efforts included promoting social fairness and social security. This was also the responsibility of the newly founded International Labour Organization (ILO).**

The International Labour Organization (ILO) was founded in 1919 on the basis of the Treaty of Versailles and in connection with the League of Nations. The ILO and its affiliated International Labour Office, still based in Geneva, took a leading role in international workers' protection and transnational social policy after the First World War. The ILO was founded on the notion that a stable peace among nations could only be achieved through the cooperation of employers, unions and the state. The International Association for Labour Legislation– the government-related precursor to the ILO – only afforded the workers and unions' movement a subordinate role. This changed with the ILO: all national delegations in this organization are comprised of two official delegates plus a representative of employees and employers respectively.

Before the ILO began its work, the first International Labour Conference took place in Washington. The conference passed twelve draft agreements, which stipulated the introduction of the 48-hour week, measures against unemployment and protection for women, mothers and youths in industry. These resolutions were particularly significant for Switzerland as they put the demand for financial maternity protection on the political agenda. While the Federal Council and Parliament rejected the ratification of the corresponding convention for financial reasons, they did pass other special protections for women. The Federal Social Insurance Office was nevertheless commissioned to review the integration of maternity protection in health insurance. Yet, the reform was not passed until the mid-1920s. Another legislative proposal suffered the same fate just before the outbreak of the Second World War. In general, Switzerland long delayed its ratification of ILO conventions until the Second World War. In most cases, these conventions broadened the scope of social security. Altogether, only three of the 15 agreements were adopted.

**Literatur / Bibliographie / Bibliografia / References:** Herren-Oesch Madeleine (2009), Internationale Organisationen seit 1865. Eine Globalgeschichte der internationalen Ordnung, Darmstadt; Wecker Regina, Studer Brigitte, Sutter Gaby (2001), Die ‚schutzbedürftige Frau‘. Zur Konstruktion von Geschlecht durch Mutterschaftsversicherung, Nachtarbeitsverbot und Sonderschutzgesetzgebung, Zürich; Kneubühler Helen Ursula (1982), Die Schweiz als Mitglied der Internationalen Arbeitsorganisation, Bern.

(12/2014)





## 1924 Federal Act on Unemployment Insurance

### Unemployment and Unemployment Funds: Subsidies rather than mandatory Insurance

**During the interwar period, the standing of unemployment insurance was similar to that of health insurance. The lack of obligation at the federal level resulted in uneven protection against unemployment. Only ten percent of the workforce was even insured. The federal act of 1924 did little to change this.**

The Federal Council and Parliament had already rejected a proposal to create unemployment insurance prior to the First World War. Mandatory insurance was also not stipulated by the 1924 federal act on the payment of contributions. Indeed, the Confederation merely increased contributions into existing public and private unemployment funds. The socio-political function of unemployment support was thus delegated to 61 funds in total – most of which were provided by unions and insured around 185,000 people in 1923.

This regulation only encompassed ten percent of the workforce and largely built on the practice of existing unemployment funds and the municipalities. In 1884, the Swiss Association of Typographers founded the first unemployment fund and other occupational sectors soon followed suit. After the turn of the century, several cantons began to subsidize these funds following the example set by the Belgian city of Gent. In turn, the Confederation promoted job placement from 1909. In terms of policy, however, Parliament and Federal Council put off an insurance solution as demanded by the working class. Due to an impending rise in unemployment figures, the municipalities, cantons and the Confederation finally decided to expand welfare for the unemployed in need as from 1917. Concurrently, the Confederation became involved in the system of the cantons based on the Gent model. Once the remaining crisis measures were lifted, this financial plan persisted and became law in 1924.

This law led to an upturn in unemployment funds, albeit modest. In 1936, 204 funds provided insurance for 552,000 people. Roughly 28 percent of the workforce was thus insured. After all, around half the cantons had by then declared the insurance as mandatory. In contrast, the union funds were somewhat weakened since the regulation of 1924 granted them lower contributions compared to those of public and parity funds. This, though, was so intended by the bourgeois majority in Parliament.

**Literatur / Bibliographie / Bibliografia / References:** Tabin Jean-Pierre, Togni Carola (2013), *L'assurance chômage en Suisse. Une socio-histoire (1924-1982)*, Lausanne.

(12/2014)

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## 1925 Constitutional Article for Old Age, Survivors' and Disability Insurance

### Laying the Foundation for the AHV

**In 1925, the electorate approved a constitutional article that enabled the Confederation to prepare an old age and survivors' insurance (AHV). The bill represented a precarious compromise rather than an extensive breakthrough. The constitutional article particularly left plenty of leeway with respect to the tricky**



### matter of funding.

On 6th December 1925, voters were called to the polling stations to decide on the AHV for the first time. Two thirds of voting men and 16½ cantons supported the constitutional basis for the introduction of compulsory AHV. The Confederation was also given the authority to introduce disability insurance at a later date. Following the Health and Accident Insurance Act of 1912 and the framework legislation on unemployment insurance in 1924, this represented the next step towards achieving social security that was no longer founded on welfare, but rather the individual legal entitlements of people insured.

Following the model of social insurance set by Bismarck, left-leaning circles within the bourgeoisie and sections of the workers' movement had called for the introduction of old age, survivors' and disability insurance (AHIV) already in the 1880s. They had done so, for instance, during the debate on the constitutional basis for the subsequent Health and Accident Insurance Act (KUVG). AHIV figured prominently on the parliamentary agenda in 1912, but discourse on the matter was delayed by the outbreak of war. By 1918, the basic principle behind the AHIV was uncontested. Even the bourgeois parties professed to an interest in the welfare state. They also hoped concessions to the left wing would alleviate tension after the National General Strike. The Federal Council presented its first draft AHIV bill in 1919.

However, the drive for social policy reform did not last. In view of the post-war crisis, strengthening bourgeois interests called the funding model proposed by the Federal Council into question. Particular controversy surrounded the question of whether direct taxes should be increased to fund the AHIV – as envisaged in the draft initiative of 24th May 1925 by FDP National Councillor Christian Rothenberger. In an effort to prevent the project from being defeated, the Federal Council proposed – under the leadership of Edmund Schulthess – to forego disability insurance and purge the bill of controversial aspects. Parliament agreed to this compromise, though it intended to pursue disability insurance at a later date. The new Article 34quater stipulated few binding commitments with regard to funding, benefits or the organization of the new insurance scheme (now dubbed AHV). These matters would require further legislative clarification.

**Literatur / Bibliographie / Bibliografia / References:** Leimgruber Matthieu (2008), *Solidarity without the state? Business and the shaping of the Swiss welfare state, 1890–2000*, Cambridge; Pellegrini Luca (2006), *L'assurance vieillesse, survivants et invalidité : ses enjeux financiers entre 1918 et 1925*, *Studien und Quellen*, 31, 79–107; Lasserre André (1972), *L'institution de l'assurance-vieillesse et survivants (1889–1947)*, in R. Ruffieux (ed.), *La démocratie référendaire suisse au 20ème siècle*, 259–326, Fribourg.

(12/2014)

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## 1931 Defeat of the first AHV Bill

### Too centralist – too statist: Why the AHV failed at the Polls

**The first bill for a modest pension scheme drafted by Federal Councillor Edmund Schulthess', was defeated at the ballot in 1931. In response, the authorities put off any further attempts at a state pension scheme for the time being.**

On 6th December 1931, 60 percent of voters rejected the first AHV bill, which would have implemented the old age and survivors' insurance that had been approved in principle in 1925. The highbrow *Neue Zürcher Zeitung* referred to the outcome as a 'catastrophic



defeat' for the welfare state. Indeed, the rejected bill was rather modest in scope. It aimed to achieve merely a 'minimum level of welfare' – as the Federal Council put it. It stipulated mandatory insurance, standard pensions (200 francs per year upon reaching 66 years of age) and allowances for those in need. The contribution-based funding system was based on percentages of wages as well as duties on alcohol and tobacco. A decentralized structure comprising cantonal insurance funds was planned for the necessary organization. Under the bill, the cantons would have been authorized to set up supplementary insurance, provided there was no conflict with private occupational pension schemes. By 1931, five cantons already offered modest old age benefits.

Despite criticism from the Social Democratic Party concerning the minimal social welfare included in the bill and the rather cautious attitude prevalent in industry, the bill garnered the approval of all major parties and associations. However, the looming global economic crisis proved expedient for the opponents of the AHV who pushed anticentralist and antimodernist views. Just like in the rejection of Lex Forrer (1900), opponents of the bill formed a highly heterogeneous coalition: liberal conservatives from western Switzerland and representatives of the agricultural community stood against impending 'statism' and purportedly excessive insurance contributions, while Catholic conservatives considered state insurance a threat to individual responsibility and private welfare. Shortly before the vote, the referendum committee presented a welfare initiative that proposed an alternative to the AHV based on means tests. As a result of the defeated AHV bill, poverty relief remained a matter of municipal welfare until after the Second World War, except for cases covered by private or cantonal insurance.

**Literatur / Bibliographie / Bibliografia / References:** Leimgruber Matthieu (2008), *Solidarity without the state? Business and the shaping of the Swiss welfare state, 1890–2000*, Cambridge; Lengwiler Martin (2003), *Das Drei-Säulen-Konzept und seine Grenzen: private und berufliche Altersvorsorge in der Schweiz im 20. Jahrhundert*, *Zeitschrift für Unternehmensgeschichte*, 48, 29–47.

(12/2014)



## 1932-1937 The Welfare State in the Great Depression

### Social Security on the Defensive

**The Great Depression led to social plight in many areas of Switzerland. However, policymakers remained divided on a suitable response to the crisis. The cities were the first to act by expanding welfare. The Confederation only began to actively address unemployment at a later stage.**

The Great Depression posed a major challenge to the state. The crisis hit Switzerland relatively late due in part to the country's upturn in the second half of the 1920s. However, the economy did not recover until 1937. National income fell by almost 20 percent as a result of the crisis. In the winter of 1936, the unemployment rate spiked at seven percent of the workforce and was even higher in industrial regions. The burden on the population was further exacerbated by the deflationary economic policy pursued by the bourgeois parties and business associations. They held on to the gold parity of the Swiss franc, ran contradictory domestic and taxation policies, cut wages and only took selective action in the economy, for the benefit of the agricultural sector for example. The bourgeois parties battled against deficit spending as stipulated by the defeated 1935 «crisis initiative» proposed by the federation of trade unions.

The crisis and hesitant economic policy bore bitter consequences: the number of people in need of aid soared to almost 20 percent of the population. In Neuchâtel and other cities, the welfare budget doubled between 1929 and 1937. Elderly or people with disabilities who only had limited financial means were hit particularly hard. As they had done in the First World War and post-war periods, cities again set up soup kitchens, workers' shelters and emergency accommodation. Still less than a third of working men and a fifth of working women were insured against unemployment. The disbursements and membership figures of unemployment funds therefore soared during the crisis. At the end of 1931, the Confederation re-established support for jobseekers no longer entitled to benefits, which had been suspended in 1924. However, it left the major burden of unemployment aid to the cantons and municipalities. It was not until pressure came from the left-wing crisis initiative that the Confederation became involved in job creation. The effects of which, however, were not palpable until the devaluation of the Swiss franc in September 1936 and the gradual economic recovery.

**Literatur / Bibliographie / Bibliografia / References:** Müller Margrit, Woitek Ulrich (2012), Wohlstand, Wachstum und Konjunktur, in P. Halbeisen, M. Müller, B. Veyrasset (ed.), Wirtschaftsgeschichte der Schweiz im 19. Jahrhundert, 91–222, Basel; Tabin Jean-Pierre et al. (2010 [2008]), Temps d'assistance. L'assistance publique en Suisse romande de la fin du XIXe siècle à nos jours, Lausanne.

(12/2014)



## 1935 USA: The Social Security Act

### The American Model: Basic State Provision in a market-based context

**Prior to the Social Security Act, social insurance in the USA was rudimentary. The situation back then was similar to that in Switzerland. In response to the Great Depression, the US Congress passed a modest old age pension bill in 1935, which left sufficient room for the development of private forms of coverage.**

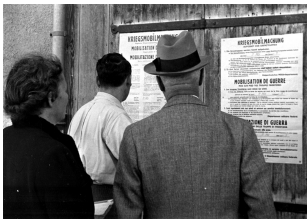
In 1935, the US Congress passed the Social Security Act (SSA), which marked the beginning of social security in the USA. Public welfare in the USA was considered to be rather rudimentary in the early 1930s. Apart from provisions for war veterans, only few states provided unemployment or old age insurance. A mere 15 percent of workers were insured by private pension funds. The SSA formed part of the New Deal with which President Franklin D. Roosevelt intended to tackle the consequences of the Great Depression (rising unemployment and mass poverty) and stimulate the economy and reform social order. In addition, he took a number of measures to counteract unemployment, stabilize the banking sector, and control prices and working conditions.

In 1935, the SSA encompassed old age insurance as well as allowances for federal aid programs; survivors' insurance was added in 1939 and disability insurance in 1955. Old Age Insurance (OAI) was based on a system of contributions, rendering funded reserves unnecessary. Following the Second World War, many pension schemes in numerous other countries followed this example. The OAI was financed by wage deductions, half of which were paid by employees and employers respectively. This was also intended to lead to the reconciliation of social classes. The SSA was implemented step by step: by 1937, insurance cards were issued and the administrative structure set up; the first pensions were distributed in 1940. However, the process of consolidation lasted up until 1949. Coverage was

gradually expanded to include more contributors. The SSA had no negative influence on the development of supplementary pension plans (occupational provision) as its benefits offered only covered basic needs – as was the case with the subsequent Swiss AHV.

**Literatur / Bibliographie / Bibliografia / References:** Leimgruber Matthieu (2008), *Solidarity without the state? Business and the shaping of the Swiss welfare state, 1890–2000*, Cambridge; Website Social Security Administration, Social Security History: [www.ssa.gov/history](http://www.ssa.gov/history).

(12/2014)



## 1939-1945 Social Policy during the Second World War

### In the Shadow of war: Change or Stagnation in Social Policy?

**Unlike the First World War, the Second World War triggered a drive for developing social security. This impetus was most evident in the introduction of the Income Compensation Insurance for Militia Soldiers (LVEO) and the foundation of the AHV after the war. Overall, however, socio-political change remained both modest and limited.**

At first glance, the Second World War brought about significant innovation in the development of Swiss social security. Between 1938 and 1944, the share of gross domestic product attributed to social expenditures rose from 4.7 to 6.9 percent – a level that would not be reached again until the mid-1950s. In contrast to the situation that had prevailed during the First World War, the Income Compensation Insurance for Militia Soldiers (LVEO) offered income support against war-related income-loss, made a significant contribution towards avoiding social conflict and increasing national solidarity. The EO formed the organizational and financial foundation for the old age and survivors' insurance (AHV), which represented a breakthrough for the principle of compulsory social insurance when it was introduced in 1947.

Despite these developments, socio-political change remained modest both during and after the Second World War. The social expenditure ratio thus declined after the war and only began to rise again in 1949. Social welfare was only expanded within the frame of the AHV, which meant extremely low pensions and plenty of room for occupational provision managed by employers. For instance, there was still no mandatory health or unemployment insurance. Though the constitutional groundwork for maternity insurance and family allowances was laid in 1945, its introduction was delayed by decades. There was also major continuity with respect to organization: Centralization proceeded sluggishly and key social policy fields remained based on decentralized structures (such as equalization funds and private insurance) or on the principle of voluntarism (health insurance and occupational provision).

**Literatur / Bibliographie / Bibliografia / References:** Leimgruber Matthieu, Lengwiler Martin (ed.) (2009), *Umbruch an der ‚inneren Front‘. Krieg und Sozialpolitik in der Schweiz 1938–1948*, Zürich.

(12/2014)



## 1939/1940 Introduction of the Wage and Income Compensation Scheme

### Income security for Soldiers in Active Service

**Following military mobilization in the summer of 1939, the Confederation swiftly took measures to provide income support for soldiers. It introduced an efficient system of compensation for loss of earnings that enjoyed tremendous popular support. This became a model for the AHV after the war ended.**

At the outbreak of the Second World War, the top priority was to ensure the financial protection of soldiers and their families. During the First World War, the lack of a safety net had been a key factor in exacerbating social tensions as soldiers serving in the military had no access to income other than their military pay. After the war, the state was under no obligation to compensate soldiers for their loss of earnings. The private sector had different regulations depending on the industry and employee category. On 20th December 1939, the Federal Council therefore decided to introduce a system for compensating income loss. This was expanded in 1940 into the Income Compensation Insurance for Militia Soldiers (LVEO), which also covered the self-employed. The insurance was financed by contributions from employers and employees (two percent of earnings each) as well as subsidies from the Confederation and the cantons. It protected up to 90 percent of the income of married soldiers. However, the benefits for unmarried soldiers remained modest. The Confederation left much leeway to employers to manage the LVEO with the equalization funds set up by business associations. At this point, the Central Compensation Fund (ZAF) was the only federal institution involved and was mainly responsible for balancing the accounts of each of the funds.

After accident insurance, the LVEO constituted the second compulsory social insurance branch in Switzerland. It quickly gained substantial popularity. It was soon treated as a model for the AHV. However, the LVEO provided no protection from loss of earnings and poverty. Its relatively generous scope was also aimed at reducing incentives for married women to enter employment. The LVEO thus made a substantial contribution to the stabilization of bourgeois gender roles and family values.

By 1947, the LVEO had paid out a total of 1.64 billion francs. At the same time, the ZAF surpluses rose to 1.165 billion francs. Most of these funds were to be used as seed money for the AHV in 1947, which greatly increased the likelihood of the new social welfare system being implemented. After the war, LVEO financing relied on capital reserves and federal contributions until its reorganization in 1958/1961.

**Literatur / Bibliographie / Bibliografia / References:** Leimgruber Matthieu (2009), Schutz für Soldaten nicht für Mütter. Lohnausfallentschädigung für Dienstleitende und Sozialversicherungen in der Schweiz, in M. Leimgruber, M. Lengwiler (ed.), Umbruch an der ‚inneren Front‘. Krieg und Sozialpolitik in der Schweiz 1938–1948, 75–99, Zürich.

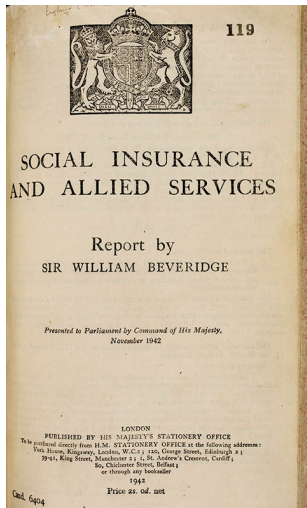
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## 1942 United Kingdom: Beveridge Report

### 'From the Cradle to the Grave': the Beveridge Model for





## Comprehensive Social Provision

**Towards the end of the Second World War, plans for the post-war order were debated in many countries. The programmatic Beveridge Report is a prominent case in point. It outlined a model of social welfare that encompassed all risks. The reaction in Switzerland was largely critical.**

The Report to Parliament on Social Insurance and Allied Services was published in the United Kingdom in November 1942. Shortly after the Battle of El Alamein – the first major victory of the Allies against the German Wehrmacht – this document constituted an important propaganda tool. Over 600,000 copies were distributed. The author, economist and welfare state expert William Henry Beveridge, had investigated social insurance systems on behalf of the British Government. He outlined a model of social security in which all citizens paid a weekly contribution into a national insurance scheme and, in return, were protected against risks to one's livelihood such as illness, disability or unemployment. Beveridge argued that it was the duty of the state to stand by its citizens from the cradle to the grave and to combat the five 'giant evils': plight, illness, ignorance, squalor and idleness. Beveridge's proposals for expanding and consolidating social welfare into a comprehensive public insurance system based on a national spread of risk were incorporated into reform programs by the Labour government which took over Churchill's coalition government in the summer of 1945. The social insurance schemes were expanded and gaps in the welfare system closed in just a short period of time. The National Health Service commenced its work in 1948. These reforms were embedded in extensive planning and nationalization programs.

The welfare model put forward by Beveridge was also met with great interest in Switzerland. However, discourse quickly became dominated by an emphasis on national differences. This was reflected by the Bohren Report of the Federal Social Insurance Office (BSV) published in May 1943 which concluded that the Beveridge plan was neither compatible with Switzerland's federalist state system, nor with the involvement of non-state stakeholders – not to mention the financial requirements such a plan would entail. Discussion regarding the expansion of social security, which also took place in Switzerland in 1942, thus remained limited to certain fields of social provision, especially the AHV and family protection.

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(12/2014)

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## 1945 Adoption of the Family Protection Article

### Family Policy under Conservative Values

**Family policy issues enjoyed broad support during the Second World War. Family protection was even considered an alternative to the AHV in conservative Catholic circles. A large majority of the Swiss electorate therefore supported the family protection article in the popular vote of 1945. It prescribed the establishment of**





### maternity insurance and family allowances.

On 25th November 1945, voters accepted a counterproposal of the Federal Council and Parliament for the popular initiative 'For the Family'. The new Article 34quinquies enshrined family protection in the federal constitution and gave the Confederation the authority to create legislation in the area of family compensation funds, to introduce maternity insurance and to support the construction of housing and estates for the benefit of families. In contrast, the withdrawn initiative would have explicitly declared the family as the 'foundation of state and society' and demanded the Confederation to base its economic and social policy completely on the needs of families. It also involved the formation of compensation funds offering family or child allowances.

By launching the popular initiative 'For the Family', the Catholic Conservative Party entered the debate on post-war order with a socio-political draft based closely on Catholic social doctrine. Since their focus was placed on the 'natural unit' of the family and traditional gender roles, the initiative claimed to offer an alternative to the AHV advocated by the Socialists and the FDP. However, in view of falling birth rates and rising divorce rates, the notion of protecting the family gained momentum far beyond Catholics in the 1930s – such as in the Family Protection Commission of the Swiss Philanthropic Society (SGG), which included female representatives from the Union of Swiss Women's Associations. Also, numerous family compensation funds had already been created before the end of the war.

The socio-political postulates accepted in January 1945 subsequently remained subordinate concerns of the welfare state. The family compensation funds were to a large extent regulated either on a private or cantonal level. It was not until 2006 that a federal act laid the groundwork for harmonization. Attempts to introduce maternity benefits failed in 1984, 1987 and 1999. A solution finally emerged in 2004 as part of the income compensation scheme.

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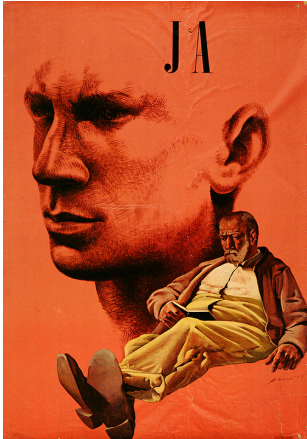
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## 1947 Introduction of Old Age and Survivors' Insurance (AHV)

### AHV: The Cornerstone of Social Security

In his 1944 New Year's address, the President of the Confederation Walther Stampfli effectively announced the prompt foundation of a state old age pension. Three years later, on 6th July 1947, the electorate passed the AHV Act; the first pension benefits were disbursed in early 1948. The AHV quickly became the symbol of the Swiss welfare state.

On 6th July 1947, the electorate voted in favor of introducing the AHV. On the same day,



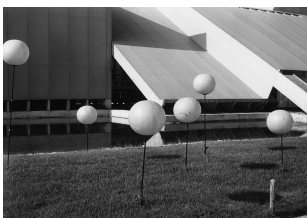
voters also accepted to revise the economic articles of the federal constitution that gave the Confederation the right to intervene in the economy in the overall interest of the country. It also enshrined the involvement of economic associations. Both resolutions laid the groundwork for basic compromise in the post-war period.

The new welfare system stipulated a retirement age of 65 years for both men and women. It offered old age, widows' and orphans' pensions to be funded through contributions by employees and employers, subsidies from the Confederation and cantons. The pensions were so modest that they did not compete with private provision (basic AHV pension: 40 to 125 francs per month for an average monthly industrial wage of 745 francs). Income-tested pensions were provided for the generation that had already reached retirement. In terms of organization, the AHV adopted the decentralized system of the associations and cantonal compensation funds that had been established with the Income Compensation Insurance for Militia Soldiers (LVEO).

The AHV was created as a direct result of the political change that had also reached Switzerland in 1942/1943. The victory of the Allied Powers seemed inevitable by then and new socio-political options opened up with the Beveridge Report. In 1942, a popular initiative supported by the left wing and the FDP demanded that the LVEO should be converted into the AHV. After initial hesitation, the Federal Council set up an expert commission at the beginning of 1944 and presented a bill to Parliament two years later. Drawing on its legal powers, in October 1945 the Federal Council also met a demand made by the Federation of trade unions and provisionally redirected LVEO surpluses into old age provision. Parliament later confirmed this decision and thus solved the funding problem concerning the AHV. The AHV act enjoyed the support of an overwhelming parliamentary majority. Nevertheless, as had been the case with the AHV proposal of 1931, a coalition of Liberals from western Switzerland Catholic Conservatives and business representatives launched a referendum. This time, though, over 80 percent of the electorate delivered a sweeping endorsement of the AHV.

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(12/2014)



## 1948-1990 Overview: The Development of Social Security after the Second World War

### Expansion and Consolidation of the Welfare State

**The Swiss welfare state remained weak and fragmented until the Second World War. A phase of gradual improvement began only with the introduction of the AHV in 1948. Despite new social insurance provision, benefits continued to pale in comparison with schemes in other countries for a long time.**

Social insurance remained relatively underdeveloped until the Second World War. Real socio-political change only came after the outbreak of war. In 1931, a first attempt to

introduce the public AHV had failed due to federalist concerns regarding centralized public institutions. Conversely, private provision enjoyed an upswing in the interwar period.

The decades following 1945 were characterized by the successive introduction of new insurance branches and mandatory schemes: the AHV (1948), disability insurance (IV, 1960), income-tested supplementary benefits (EL, 1966), unemployment insurance (ALV, 1976) and occupational old age provision (BVG, 1985). There were also reforms in social assistance. Between 1950 and 1990, the social expenditure ratio (a quotient comparing social insurance expenditures with the gross domestic product) also rose significantly. This ratio provides insight into the relative importance of social insurance expenditures in relation to economic activity. The ratio stood at ten percent in 1950; in 1973 it had reached 15 percent and 21 percent by 1990.

Initially, the welfare state was developed against the backdrop of post-war prosperity with high growth rates, rising wages, full employment and expanding government activity. This growth period faltered in the mid-1970s, while the period leading up to 1990 was characterized by fluctuating economic performance. It was during these decades that growing concern about the further expansion of the welfare state took hold among bourgeois parties, as well as business and small employers' associations. Consolidation and selective reforms to the existing welfare system thus came to the fore.

Despite the singular period of expansion, social security in Switzerland remained patchy for a long time. Compared to other industrialized countries, the social expenditure ratio remained rather low until 1990. Well until the 1970s, social insurance schemes remained minimal, for example in the domain of unemployment. There was still no mandatory health insurance; the introduction of maternity insurance and family allowances was delayed for decades, although they had been approved in principle in 1945.

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(12/2015)



## 1949 Rejection of the revised Tuberculosis Act

### Stalled Development for Health Insurance

**While the AHV symbolized for progress after the Second World War, other social insurance bills failed. A proposal for modest tuberculosis insurance was rejected at the ballot. Issues such as a national obligation for health insurance thus remained off the agenda for the foreseeable future.**

On 22nd May 1949, a majority of voters rejected an amendment to the Tuberculosis Act of 1928. The proposal by the Federal Council and Parliament primarily proposed periodic check-ups for the population on the basis of newly developed screening technology. It enabled the quick and reliable identification of the infected, but not yet ill people – often referred to as carriers or spreaders at the time. Political opposition that led to a referendum and derailed the proposal was not only directed against the forced medical exams and the costs involved, but also against the fact that the proposal would have introduced mandatory health insurance for low-income social groups.

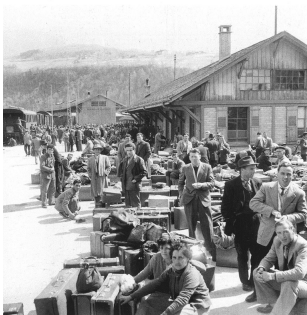
Health insurers had previously offered voluntary tuberculosis insurance in addition to

general health insurance. This practice was supported by contributions from the Confederation. In 1946, three quarters of health insurance policyholders benefited from this form of supplementary insurance. This amounted to less than half of the overall population. The rejected proposal was based on the premise that infected people unable to afford treatment could pose a threat to the health of others. The proposed compulsory insurance would have therefore served first and foremost as prophylaxis.

During the referendum campaign, the controversial question remained as to whether the Confederation sought to introduce compulsory health insurance through the back door in tandem with the amended Tuberculosis Act. The proposal suffered a resounding defeat at the ballot with 75 percent of the electorate saying no. The Confederation and administration interpreted the result as a rejection of compulsory health insurance in general.

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(12/2014)



## 1950-1975 Social Insurance and Labour Migration

### The Welfare State during the Growth Decades

**The number of foreign nationals in Switzerland rose sharply from 1950 due to the increased labor demand. This also had an effect on social insurance.**

The postwar economic boom would not have been possible without the mass immigration of foreign workers. In 1950, 285,000 foreign nationals were present in Switzerland; twenty years later this number had soared to 1,080,000 (an increase from 6.1 to 17.2 percent of the population). A large portion of immigrants initially came from Italy, followed by other countries in southern Europe, such as Spain, Portugal and Yugoslavia. Residence permits were usually issued for a limited duration, meaning that the majority of foreign workers had to leave Switzerland for a while after less than one year - a mechanism that became known as the rotation principle. Permanent residence and the admission of family dependents became easier only from the 1960s onwards. However, immigration policy tightened against the backdrop of increasingly xenophobic sentiment, as manifested in the Schwarzenbach popular initiative against 'foreign infiltration' (Überfremdung). In response, the Confederation took measures to stabilize the proportion of foreign residents, for instance by prescribing quotas and contingents for individual companies and countries of origin.

Social insurance was also affected by the recruitment of foreign workers. In 1929, Switzerland had acceded to a convention of the International Labour Organization (ILO), which sought to prevent discrimination in accident insurance. Foreign workers began paying into the AHV from the very beginning, without necessarily being able to claim

benefits later. Switzerland also entered into bilateral social insurance agreements with a number of countries governing the provision of benefits abroad in particular. For instance, the 1949, 1951 and 1962 agreements with Italy facilitated the transfer of old age survivor's insurance (AHV) and disability insurance (IV) to Italy and prescribed mandatory health insurance for Italian workers. However, discrimination persisted and affected many seasonal and short-term residents. This was especially the case with voluntary insurance schemes. Seasonal workers were thus afforded no protection against unemployment and had limited access to occupational old age provision.

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(12/2014)



## 1952 ILO Convention on Minimum Standards in Social Security

### Internationalization of Social Law

**In 1952, the International Labour Conference passed a convention on minimum standards in social security. The convention was considered a milestone in international social law. However, Switzerland only ratified the convention in 1977.**

In 1952, the Swiss delegates to the 35th International Labour Conference in Geneva approved Convention 102 on minimum standards in social security. The International Labour Conference constituted the main body of the International Labour Organization (ILO) founded in 1919. Following the dissolution of the League of Nations, the ILO became a special organization of the United Nations (UN) in 1945. The tripartite allocation of national delegations consisting of representatives of government, employees and employers was retained for the regular conferences. Although Switzerland was not a member of the UN at the time, it remained a member of the ILO in 1945.

The ILO was based on the concept that the cooperation of employers, unions and the state formed an essential prerequisite for a lasting peace in industrial relations. It was therefore committed to harmonizing the social policies of member states. Efforts to define minimum standards for social security began in 1948. Convention 102 was passed in June 1952. It stipulated standards for nine insurance domains (medical provision, old age, disability and maternity protection etc.). Adherence to these standards was examined according to statistical criteria (such as regarding the number of people entitled to benefits and the level of the benefits).

Though the Confederation delegates agreed to the convention, its ratification proved problematic for Switzerland. The Federal Council maintained that the country only fulfilled the requirements in the area of accident insurance. Disability insurance had not yet been introduced and AHV pensions were set too low. The Federal Council, however, denied that this meant there was insufficient 'social protection' in the country. In fact, it argued the 'new international instrument' failed to take into account the 'specific circumstances of Switzerland'. It was not until 1977 that Switzerland finally ratified the first parts of Convention 102, with the exception of the section governing daily sickness allowance – which remains to this day beyond the scope of Swiss social insurance law. Ratification was

therefore delayed until after the establishment of disability insurance (IV) in 1960, the important reforms of old age provision in 1972 and the implementation of family allowances at the cantonal level.

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(12/2014)



## 1957 Adenauer's Pension Reform in Germany

### Expansion of Social Security in Europe

**The Federal Republic of Germany passed a pension reform in 1957. It linked old age pensions to economic development and inflation. This reform became a topic for debate in other countries including Switzerland.**

Chancellor Adenauer himself initiated the pension reform of 1957. According to official proclamations, it sought to establish a new 'intergenerational contract' and trigger a process of integration in the young republic. The reform was also aimed at solving the problems caused by the transfer of former social insurance practices into the post-war order.

Despite various attempts at comprehensive basic provision in line with the Beveridge plan, Bismarck's system of social insurance that was differentiated benefits among categories of policyholders was retained after the Second World War. Following currency reform in 1948, the system was selectively adjusted to include the reintroduction of certain elements of self-administration and the granting of pension supplements. Soon, however, survivor, widow and orphan pensions could no longer keep pace with the rising wages of the post-war boom. In 1955, a report indicated that old age pensions only covered 30 percent of the average wage and many pensioners were living on the breadline.

Adenauer pushed through the pension reform despite opposition from his finance and economy ministers, who were particularly fearful of increasing inflation. On the one hand, the reform included a shift from funded to pay-as-you-go pensions, a system similar to the one introduced for the Swiss old age and survivors' insurance (AHV) in 1947. Consequently, social insurance disbursed pension benefits financed by payroll contributions paid by future pension recipients rather than by the investment returns of pension reserves. Moreover, the reform provided for 'dynamic pensions' that were to be continually adjusted according to general price and wage indices. For German pensioners, this entailed an immediate pension increase of 60 to 70 percent. This enabled them to receive a share of the postwar 'economic miracle'.

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(12/2014)



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## 1959 Introduction of Disability Insurance

### Disability: Insurance and Re-integration into the Labour Force instead of Assistance Benefits

**At the end of the 1950s, the time was ripe for the introduction of disability insurance. Although modest in scope, it closed a significant gap in the social security system. It was dedicated to an innovative principle: ‘re-integration before benefits’.**

Parliament passed the Disability Insurance Act (IV) in June 1959. Until then, only a portion of workers were affiliated to accident insurance, or were members of pension funds or cantonal insurance schemes that covered them against the risk of disability. In 1925, the establishment of disability insurance was deferred – allegedly to enable a swifter implementation of old age and survivors’ insurance. Consequently, the Confederation only provided modest contributions to institutions dedicated to people with disabilities and charitable organizations such as Pro Infirmis. Many people with disabilities were therefore dependent on social welfare or charity. Disability insurance returned to the political agenda at the beginning of the 1950s. Several parliamentary proposals and two popular initiatives launched by the Swiss Workers Party and the Social Democratic Party also called for its introduction. In 1955 the Federal Council set up an expert commission and published a bill in the autumn of 1958. The bill was swiftly passed by Parliament, allowing the Disability Insurance Act to enter into force on 1st January 1960 without having to face a referendum campaign.

The AHV (old age and survivors’ insurance) served as a blueprint for disability insurance. Its pay-as-you-go system and benefits were adopted directly for the IV. Consequently, the first disability insurance pensions remained far below the subsistence level. From the very beginning, the Disability Insurance Act had at its core the principle of ‘re-integration instead of benefits’: The insurance not only offered cash benefits, but also provided for medical and occupational measures such as vocational guidance or job placement, as well as special educational measures and the provision of assistive devices like wheelchairs or hearing aids. In contrast to British and German legislation, the Disability Insurance Act did not impose quotas on private firms for employing people with disabilities; at the end of the 1950s, the ongoing shortage of labor was expected to create sufficient incentives.

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(12/2014)

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## 1960-1975 From Poor Relief to Modern Social Welfare

### Social Casework and the Social Subsistence Level: Modernization of Social Welfare





**Many cantons reformed social welfare after 1960. The idea now was to help people help themselves. Models for the reforms – including social casework – largely came from the USA.**

The proportion of men and women dependent on welfare fell considerably from 1960 onwards. This was a result of the introduction of old age and survivors' insurance (1948) and disability insurance (1960) – not to mention full employment and wage growth during the postwar boom. The burden faced by communal welfare offices in particular was greatly reduced. At the same time, social workers increasingly encountered difficult social situations. Poverty in welfare society of abundance society was often interpreted as a sign of individual adaptation difficulties.

By the mid-1970s, most cantons had revised their poor relief laws, some of which dated back to the 19th century. To some extent, the new laws reflected the method of social casework developed in the USA. According to this method, individual case investigations, the preparation of tailored support plans and the promotion of independence took the place of control and disciplinary measures. From this point on, the language of social work shifted towards 'clients' and 'consultations'. Simultaneously, the number of placements in labor institutions dropped substantially, while cash support replaced payment in kind. Welfare benefits now sought to guarantee a social subsistence level which also included expenses for cultural activities and a modest daily allowance.

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(12/2014)



## 1964 Partial Revision of the Health and Accident Insurance Act

### Health Insurance as Pawn between Interest Groups

**The expansion of the healthcare system also produced a significant rise in healthcare costs in the 1950s and 1960s. In response, the Health and Accident Insurance Act was revised in 1964. The act became the pawn of various interest groups. Reform remained selective; no significant leap was made.**

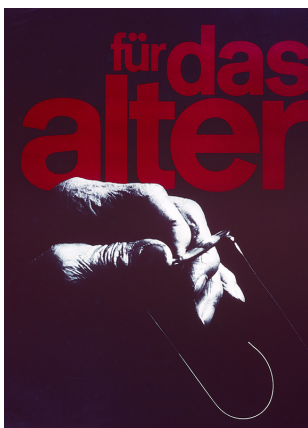
Reforms in health insurance had lingered and remained complex since the introduction of the Health and Accident Insurance Act of 1911 (KUVG). The number of people with health insurance steadily rose after the Second World War. The share of policyholders in the population increased from 48 percent in 1945 to 89 percent by 1970 – not least thanks to mandatory insurance laws introduced at the cantonal level. The Federal Council and the administration considered the rejection of the tuberculosis bill of 1949 as a veto against compulsory insurance. Hesitant efforts to partially revise the KUVG began in the mid-1950s and were limited to selective reforms that did not call into question the tenets of the almost fifty-year-old policy stalemate.

The 1964 revision that entered into force without facing a referendum made it easier to

contract health insurance and increased both benefits and subsidies to existing health funds. Even though it did not contain any substantial reforms, the revision had been preceded by decades of political deadlock. In light of medical progress and the expanding healthcare market, health insurance increasingly became the pawn of well-organized and influential interest groups, especially health funds, doctors and the pharmaceutical industry but also new health professions such as chiropractors. In the case of the 1964 revision, it was primarily medical doctors who were able to negotiate what they considered favorable conditions, such as fee grading according to patient incomes and the conditions of settling fees.

**Literatur / Bibliographie / Bibliografia / References:** Alber Jens, Bernardi-Schenkluhn Brigitte (1992), Westeuropäische Gesundheitssysteme im Vergleich: Bundesrepublik Deutschland, Schweiz, Frankreich, Italien, Grossbritannien, Frankfurt; Sommer Jürg (1978), Das Ringen um die soziale Sicherheit in der Schweiz. Eine politisch-ökonomische Analyse der Ursprünge, Entwicklungen und Perspektiven sozialer Sicherung im Widerstreit zwischen Gruppeninteressen und volkswirtschaftlicher Tragbarkeit, Diessenhofen.

(12/2014)



## 1965 Introduction of Supplementary Benefits for the AHV/IV

### Progress Towards Securing Subsistence Levels in Old Age Provision

**AHV and IV pensions fell far short of the breadline in 1960. Many pensioners continued to suffer from poverty. Supplementary benefits were introduced in 1965 to address this problem. These assistance measures also reduced the pressure to further expand state old age insurance.**

In the mid-1960s, approximately 200,000 AHV (old age and survivors' insurance) and IV (disability insurance) pensioners lived below the subsistence level. They received neither occupational provision benefits nor owned assets of their own, and were dependent on welfare or relatives. Parliament approved the introduction of supplementary benefits (EL) on 19th March 1965 in order to help secure a regular minimum income for these people. EL benefits aimed at compensating the difference between a defined minimum income (for example 3,000 francs per year for a single person) and the effective (pension) income. In contrast to social assistance, pensioners were legally entitled to EL supplementary benefits. However, it was left to the cantons to decide whether they wished to introduce AHV/IV supplementary benefits and accept federal subsidies to partially cover their expenditures. The supplementary benefits were funded exclusively by contributions from the Confederation and cantons, rather than by payroll contributions.

The supplementary benefits followed the sixth AHV reform (1964) that had introduced a largely inflation-motivated pension increase of 30 percent. Initially, there were calls for much higher pensions backed by two popular initiatives launched in 1962 by the magazine 'Der Beobachter' and the left. With the support of business and insurance representatives, the Federal Council and Parliament finally decided that the AHV should retain a 'basic insurance character' and that an expansion of the welfare system should not compete against occupational and private provision. These conceptions thus essentially anticipated the future three-pillar concept. However, the Federal Council argued that in order to compensate for the low level of AHV pensions (and contributions), basic insurance ought to be supplemented by 'a system of specially arranged means-related benefits that

guarantee subsistence for the most socially deprived part of the population'. Although they were initially conceived as a temporary solution, the EL supplementary benefits remained a permanent fixture over the course of the following decades. Above all, they gained ever-increasing importance for the purpose of covering rising costs linked to long-term care in old age.

**Literatur / Bibliographie / Bibliografia / References:** Leimgruber Matthieu (2008), *Solidarity without the state? Business and the shaping of the Swiss welfare state, 1890–2000*, Cambridge.

(12/2015)



## 1972 A Major Crossroad: People's Pensions or the Three-Pillar Principle?

### The Three-Pillar Principle Becomes Enshrined in the Federal Constitution

**In 1972, voters had a choice between two models of pension provision: either the conversion of the AHV into a «people's pensions» or a moderate expansion of state old age provision as part of a three pillar model. The electorate opted for the latter proposal.**

On 3rd December 1972, voters were faced with a major decision regarding pension provision. In the context of this vote, 75 percent of the electorate was in favor of enshrining the three-pillar principle in the federal constitution and introducing mandatory affiliation to occupational old age provision. At the same time, voters rejected the Swiss Workers Party popular initiative 'for a people's pension'. The Swiss Workers Party initiative intended to expand the old age and survivors' insurance (AHV). The state public pension was to cover at least 60 percent of income and guarantee an annual pension of at least 6,000 francs. The minimum AHV pension for single persons amounted to 2,640 francs at that time, while the average wage was around 23,000 francs per year. This would have essentially entailed the end of public and private sector occupational pension plans. According to the initiative, these were to be 'integrated' into the new insurance system. On the other hand, a counterproposal – put forward not only by the bourgeois parties, economic associations and private insurers, but also supported by the Social Democratic Party (SP) and the trade unions – advocated a combination of a subsistence-level AHV (first pillar), compulsory occupational pensions (second pillar) and voluntary private provision (third pillar). In addition, this proposal was made palatable by the announcement of the eighth AHV revision set to immediately double existing old age pensions.

The voters therefore facilitated a breakthrough for a 'Swiss solution' to pension provision. This solution was based on minimal state pension provision and left plenty of room for private provision. While the number of people with occupational provision had risen steeply from 15 percent of workers in 1941 to 45 percent in 1966, the Federal Council first spoke of 'three forms' of old age provision in 1963, adopting a concept developed by life insurers. However, it was only in response to two popular initiatives demanding the expansion of the AHV, launched respectively by the Swiss Workers Party as well as by the Socialist Party (this particular initiative was withdrawn), that a majority favored a mandatory second pillar of old age provision.

**Literatur / Bibliographie / Bibliografia / References:** Leimgruber Matthieu (2008),

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(12/2014)



## 1974 Reform Deadlock in Health Insurance

### Failed Attempt to Revise Health and Accident Insurance

At the onset of the 1970s, several proposals called for a fundamental reform to health insurance – not least due to cost increases, unresolved funding issues and a lack of mandatory coverage. Yet, voters rejected two reform proposals in 1974. The status quo persisted, as did the structural problems in health insurance.

Health insurance returned at the top of the political agenda in the 1970s. The idea of mandatory insurance coverage was once again a hotly debated topic. This question had been put on the backburner after the rejected tuberculosis bill (1949). The first partial revision of the Health and Accident Insurance Act of 1964 had also been limited to a few adjustments. Debate on reform began at the end of the 1960s due to rapidly growing healthcare costs. As it had been the case in 1964, political parties, trade unions and employers were not the only forces that structured the debate. Above all, it was health funds, medical associations and the pharmaceutical industry that sought to compete with the Federal Council, Parliament and the Federal Social Insurance Office in order to make their voices heard. These complex discussions centered around two fundamental questions: should Switzerland declare health and accident insurance mandatory as other countries did and as the left had been demanding for a long time? Moreover, how should benefits be financed in the future? At the time, the option of financing benefits through payroll contributions was put forward on the table.

On 8th December 1974, voters were asked to choose between three alternatives. First, a popular initiative by the Social Democratic Party called for comprehensive mandatory health insurance (including nursing care, maternity and accident insurance) that was to be funded in part by payroll contributions. Second, a parliamentary counter project backed by the bourgeois parties, business associations, health funds and doctors which did not include an obligation for health care insurance. It did, however, envision a mandatory insurance for inpatient healthcare that would be financed by payroll contributions. As a reference to the 1972 meeting place for experts' commission that had devised this solution, the parliamentary project was dubbed the "Flims Model". Voters then had a third possibility: they could reject both proposals and opt in favor of maintaining the status quo. After a hard-fought referendum campaign, the majority of voters decided to oppose both new options, and thus maintained the status quo. This brought about yet another failed attempt – after 1900 and 1949 – at introducing a (partially) mandatory health insurance. Yet, if the yes votes for both proposals were added together, a majority had indeed wanted to reform health insurance.

**Literatur / Bibliographie / Bibliografia / References:** Alber Jens, Bernardi-Schenkluhn Brigitte (1992), Westeuropäische Gesundheitssysteme im Vergleich: Bundesrepublik Deutschland, Schweiz, Frankreich, Italien, Grossbritannien, Frankfurt; Sommer Jürg (1978), Das Ringen um die soziale Sicherheit in der Schweiz. Eine politisch-ökonomische Analyse der Ursprünge, Entwicklungen und Perspektiven sozialer Sicherung im Widerstreit zwischen Gruppeninteressen und volkswirtschaftlicher Tragbarkeit, Diessenhofen.



## **1975-1979 End of the Economic Boom: From Expansion to Consolidation**

### **Social Security During the Economic Crisis**

**The recession of 1974/1975 brought almost thirty years of economic growth to an end. A general sense of crisis spread as a result. Nationwide compulsory unemployment insurance was introduced in 1976 to address the crisis. This was accompanied by controversies over the growing costs of social security.**

In 1974/1975, Switzerland slid into a two-year recession that necessitated socio-political intervention. It also called into question the further expansion of social security. The beginning of the recession in the mid-1970s was marked by the collapse of the Bretton Woods currency system (March 1973) and the oil crisis (autumn 1973). By 1977 the gross national product had fallen by five to seven percent. As a result, incomes were under pressure and employment conditions insecure. Despite the limited availability of unemployment insurance, the return migration of foreign workers contributed to keep official unemployment figures low despite job cuts. However, labor disputes and tensions over income distribution rose. On the one hand, left-wing parties and trade unions demanded counter-cyclical economic policy. On the other, bourgeois parties called for 'sound downsizing' in the economy, tax reductions and deregulation.

The end of the boom years also had an impact on social security. The restructuring of unemployment insurance in 1976 concerned a measure that became necessary due to the slump in employment. The costs of disability insurance rose, while the tense situation on the labor market also made it more difficult for people with disabilities to integrate wage work. In 1976, the Federal Department of Home Affairs appointed a working group to review the organization of disability insurance. Although the group presented proposals for administrative improvements, no solution to contain long-term cost increases was forthcoming. The situation concerning old age and survivors' insurance also changed considerably. Since the 8<sup>th</sup> AHV revision in 1972 still represented a further expansion of social security, Parliament refused the indexing of pensions to price and wages proposed by the Federal Council in 1974, thereby deferring the whole proposal. It was not to be introduced until 1979. Instead, Parliament passed a number of cost-cutting and emergency measures that were intended to provide short-term relief to the federal budget. This resulted in interrogations regarding the general sustainability of social security and the long-term consolidation of social welfare became the focus of political debate.

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## 1975 Freedom of Establishment for Citizens Receiving Welfare Benefits

### Introduction of the Residential Principle in Social Welfare

Until the 1970s, it was still possible for impoverished citizens to be expelled from their place of residence and returned to their municipality of origin. This practice was finally abolished in 1975. All impoverished people could now enjoy their full right of establishment.

On 7<sup>th</sup> December 1975, voters took the opportunity to get rid of an outdated practice. The shift to the residential principle for social welfare was approved by 76 percent of the voters: this meant that Swiss citizens in need of assistance could now enjoy their full right of establishment.

Although the federal constitution of 1874 guaranteed the right of residence in general terms, it made an exception for Swiss citizens who required social support. If the home canton was not prepared to pay for this support, the canton of residence was able to deny residency rights to the impoverished and order their repatriation to their home municipality. Cantonal expulsions were also permissible for policing reasons, namely for former convicts.

In 1916, a number of cantons had already attempted to facilitate welfare support at the residence of the beneficiaries by signing a concordat. However, repatriations still occurred in the 1960s, as did penalties for failing to comply with these expulsion notices. It was not until 1964 that all cantons had joined the concordat stipulating residential support. The new arrangement of 1975 stipulated an obligation for residential assistance and became enshrined in legislation two years later. The 1977 Federal Act on Responsibility for Supporting the Impoverished therefore marked a significant point in the history of Swiss poor relief and social welfare, where the principle of support according to the municipality of origin (Heimatort) had always played an important role before. The new law, however, also enabled the cantons of residence to reclaim the costs for support provided during a period of ten years from the cantons of origin. This reimbursement duty was cut to two years in 1990. It was completely abolished in 2013.

**Literatur / Bibliographie / Bibliografia / References:** Matter Sonja (2011), Das Wohnort- und Heimatortprinzip in der Fürsorge vor 1975, in J. Mooser, S. Wenger (ed.), Armut und Fürsorge in Basel, 239–248, Basel; Kreis Georg (2011), 1975 – Das endliche Ende der Heimschaffungen in der Fürsorge, in J. Mooser, S. Wenger (ed.), Armut und Fürsorge in Basel, 249–259, Basel.

(12/2014)



## 1976 Introduction of Compulsory Unemployment Insurance

### The Reorganization of Unemployment Insurance in Response to the Economic Crisis

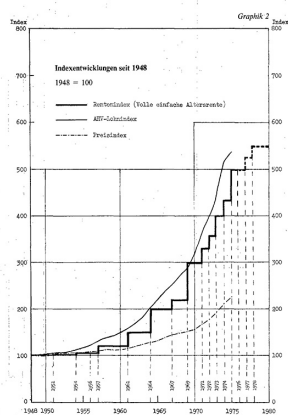
In response to the recession of 1974/1975 Switzerland introduced a nationwide obligation for unemployment insurance. However, its implementation was a long drawn-out affair. A definitive solution was only fully implemented in 1984.

In contrast to most European countries, Switzerland did not have compulsory unemployment insurance until 1976. The federal unemployment act of 1951 had retained the subsidized system introduced in 1924. The proportion of people covered by unemployment insurance even declined during the boom years. In 1974, less than a fifth of workers benefited from such coverage. It was only the pressure of the recession that brought about fundamental changes, and these were implemented very quickly compared to other socio-political reforms.

Around 300,000 jobs were cut in Switzerland in 1975/1976 alone; two thirds of which were offset by the return migration of foreign workers when authorities decided not to renew their residence permits. These job cuts also hit many women. The limited prevalence of unemployment insurance and the return migration of foreign workers did, however, keep official unemployment figures low. On 13th June 1976, voters passed a new constitutional article that set the framework for future unemployment insurance: affiliation would be mandatory for all workers who were not self-employed, financing by payroll contributions and decentralized administration. Just a few months later, the Federal Council passed a transitional unemployment regulation that was applied until a relevant law entered into force. Those affected by unemployment were entitled to 150 daily allowances covering 70-80 percent of lost income. The Federal Act on Compulsory Unemployment Insurance and Insolvency Compensation was passed in 1982 and became effective on 1st January 1984. The legislation raised the number of daily allowances to 180. It also provided benefits for partial unemployment situations, loss of employment because of bad weather and insolvency compensations, measures to promote integration in the labor market and control measures against benefits fraud.

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(12/2014)



## 1979 Adjustment of AHV Pensions to Wage and Price Trends

### Addressing Inflation: Introduction of Indexed AHV Pensions

During the years of economic growth, high inflation reduced the value of AHV pensions and forced politicians to adjust pension amounts at irregular intervals. The 9<sup>th</sup> AHV revision of 1979 provided a new system: Pensions were now automatically adjusted to annual wage and price trends.

During the boom of the 1960s and early 1970s, inflation rates of up to ten percent resulted in the continued devaluation of AHV and IV pensions. According to the 1972 revision of the Federal Constitution (Art. 34quater), pensions had to be regularly adjusted for inflation. This was the only way to ensure the constitutional aim of subsistence-level pensions. Until 1972, each and every pension adjustment had required a separate parliamentary approval. The 9<sup>th</sup> AHV revision gave the Federal Council the authority to carry out these adjustments independently every two years, although this interval could be shortened or extended depending on the economic situation.

Various modes of calculation were discussed in the run up to the 9<sup>th</sup> AHV revision. After



1974, discussions on pension adjustments became embroiled in the whirl of arguments surrounding the consolidation of the AHV. The first draft (1973) enabled the Federal Council to flexibly adjust pensions to inflation or wage development depending on economic conditions. At the time, this favorable model for pensioners was referred to as 'Volldynamisierung' or 'automatic indexing'. However, the adjustment mechanism that entered legislation in 1979 followed the more conservative method of 'proportional indexing'. A composite index was – and still is – applied. The index equates to the mean from the wage index of the former Federal Office for Industry, Trade and Labour (BIGA, now: State Secretariat for Economic Affairs, Seco) and the national consumer prices index. Wage and price trends are therefore both taken into account equally.

**Literatur / Bibliographie / Bibliografia / References:** Leimgruber Matthieu (2008), *Solidarity without the state? Business and the shaping of the Swiss welfare state, 1890–2000*, Cambridge; Ischer Philipp (2006), *Ausbau oder Konsolidierung? Der politische Diskurs der 1970er Jahre in der Schweiz im Bereich der AHV*, Studien und Quellen, 31, 141–166.

(12/2014)



## 1984 Extended Accident Insurance Coverage

### Competition for Suva: Revision of Accident Insurance

**The state accident insurance was revised for the first time in 1984. The insurance coverage was then extended to all employees. Suva also faced new competition from the insurance market. Private insurers could thus participate in the mandatory accident insurance.**

The Accident Insurance Act (UVG) stipulated a mandatory occupational and non-occupational accident insurance for all employees who worked at least 12 hours per week. According to the Health and Accident Insurance Act of 1911, this insurance obligation was limited to important sectors, particularly industry. In 1974, voters rejected a mandatory accident insurance as well as two health insurance proposals. By the mid-1970s, around two thirds of employees were insured with Suva. Cantonal schemes and collective bargaining contracts subjected additional workers to the insurance obligation in addition to accident insurance schemes provided by firms or on a voluntary basis. Altogether, approximately 95 percent of workers would have been insured against the consequences of accidents at this time. However, the benefits insured workers could expect varied from scheme to scheme. The unemployed had the option of being insured by a health fund, although this provided inferior coverage. The employed, especially people with family commitments, therefore received preferential treatment over the unemployed.

Voluntary insurance, which also covered the self-employed, was considered as the domain of private insurance companies. The new Accident Insurance Act of 1984 stipulated that private insurers – with the addition of sickness funds – were allowed to provide accident insurance. This did not, however, apply to sectors with high occupational risks that, by law, remained insured through Suva. In any case, private insurers had to provide the same benefits as Suva. The legal administration of accident insurance was also regulated homogenously.

The limited deregulation of the accident insurance market meant increased competition for Suva. This was especially the case in view of the structural changes in the economy that led to fewer workers in industry – who were traditionally insured with Suva. In 1985, Suva

therefore drew up a new mission statement that emphasized customer focus and the necessity of new ‘market penetration strategies’.

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(12/2014)

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## 1985 Expansion of Occupational Pensions and Implementation of the Three-Pillar Principle

### Implementation with Hurdles: Mandatory Old-Age Occupational Provision

In 1972, the three-pillar principle of pension provision became enshrined in the constitution, declaring occupational provision mandatory. The article was only implemented in 1985. Pension funds were also reformed, though to a much more modest extent than originally intended.

The aim of occupational provision was to secure a ‘regular standard of living’. In any case, this was the statement that figured in the federal constitution in 1972 alongside mandatory affiliation to occupational pensions. Conversely, the AHV was restricted to securing subsistence-level income as part of the three-pillar principle.

The Federal Council and Parliament initially planned to pass a law on occupational provision in 1974. However, the Act on Occupational, Old Age, Survivors’ and Disability Provision (BVG) only entered into force in 1985. Due to the recession of the mid-1970s and the early 1980s as well as the growing conservative criticism of state welfare, the solution turned out much ‘slimmer’ than announced: in contrast to the pay-as-you-go AHV, the BVG was based on funded financing. However, resources were also drawn from proportionally allocated wage contributions. Existing pension funds continued their operations, but were subjected to legal regulation. A benefit structure more favorable to policyholders failed in the legislative process; according to this plan, pensions would have been allocated according to pre-defined targets (or “defined benefits” in contrast to pensions where benefits could vary according to contributions). Furthermore, the idea of indexing occupational pensions to price and wage trends could not find a political majority. Moreover, the BVG excluded the unemployed and part-time workers – the majority of which were women – as well as low-income workers from the insurance obligation. On the other hand, the option of supplementing provision by means of tax-exempt individual savings accounts and insurance schemes (the «third pillar») was implemented without any major controversies.

In anticipation of the new regulations, the share of workers with occupational provision had already sharply increased before the BVG entered into force, reaching 62 percent of workers in 1984. The value of assets managed by pension funds soared too, amounting to 37 billion francs in 1970 (41 percent of gross national product) and had jumped to 167 billion francs by 1987 (74 percent). In 2011, the pension funds managed assets worth over 600 billion francs.

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(12/2014)



## 1990-2000 Growing Criticism of the Welfare State in the Economic Downturn

### Deregulation, Market Forces and Restructuring: Welfare Debates since the 1990s

The trend towards political polarization that occurred in the 1990s became particularly apparent in social policy. Calls for deregulation, restructuring and dismantling of social security became increasingly loud. However, voters rejected both risky reform projects and substantial cuts to benefits.

The 1990s were a turbulent time for social security. The end of the Cold War led to an increasing fragility of the basic consensus between the social groups that had shaped Swiss politics since the Second World War. As a result, political forces became polarized. Disagreement was exacerbated by slow growth and higher unemployment rates brought about by the recession of 1991 to 1995. This particularly affected the field of social security, which remained a highly contested area of policy.

On the one hand, the crisis had a direct impact on the social welfare system; unemployment and disability insurance in particular slipped into the red. On the other hand, social welfare institutions came under increasing pressure from the business community and the middle-right parties. There were calls for deregulation. Arguing from demographic change, they questioned the long-term financial viability of the social welfare institutions and fought against increasing the contribution rates in order not to jeopardise the competitiveness of the economy, and to maintain profit margins. In 1994, for example, the director of the employers' association, Peter Hasler, called for a moratorium on the further expansion of social welfare. Leading exponents of the middle-right parties followed suit and called for a reduction in social expenditures. The business leaders around ABB president David de Pury, went a step further, issuing a "white book" in 1995. They called for overhauling pensions so as to guarantee only a minimal livelihood, with means-tested provisions for needy cases. However, the debates did not only revolve around the financial viability of social welfare institutions. Since the 1990s, right-wing and conservative circles have repeatedly criticised the allegedly widespread "misuse" of social benefits.

The left wing and the trade unions, as well as centrist political forces, regarded this white paper as an open provocation. They warned of an increasing loss of social solidarity and put their hopes in finding new funding sources. In 1994, Federal Councillor Ruth Dreifuss even felt compelled to issue an open letter to counter public speculation that the AHV was on the verge of collapsing. Referenda on the revised Labour Act (1996) and on the urgent federal decree on financing unemployment insurance (1997) were test cases for a deregulated social policy that did not strike a balance of interests. In these cases the voters were not prepared to accept a reduction in benefits: All the proposals were rejected at the ballot box.

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(05/2020)



## 1994 Compulsory Insurance, Expansion of Benefits and Cost Monitoring

### A Century Old Project Within Reach: The Overhaul of the Health Insurance Act

**The introduction of mandatory health insurance had been on the political agenda since 1900. Following a number of proposals, the issue was finally and for the first time implemented in the revised Health Insurance Act. This Act included a certain degree of premium standardization, an expanded catalogue of benefits as well as cost-cutting measures.**

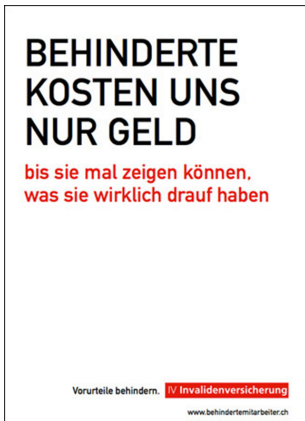
On 4th December 1994, voters accepted the completely overhauled Health Insurance Act (KVG) – which is valid to this day. The new law was the first to include a general obligation for health insurance. It enabled of the insured to switch from a health fund provider to another, stipulated equal premiums for men and women, and eradicated premiums differentiated by age. The catalogue of benefits was somewhat expanded (for instance in hospital care) as well as standardized. The system of subsidies to health funds that had applied since 1911 was replaced with a system of individual premium reductions aimed at benefitting single persons and families with low incomes. However, mandatory daily sickness allowance insurance was not accepted; this would have covered loss of income due to illness.

The complete revision was a complicated and drawn-out affair. After the 1987 failure of a partial revision, the Federal Council decided to get to work on a fundamental set of reforms. The proposal was presented to Parliament in 1992. The reform was further complicated by the range of stakeholders involved (parties, cantons, health funds, doctors, hospitals and the pharmaceutical industry) which all held different interests. A popular initiative launched by the health insurance association called for an increase in subsidies to existing health funds, while an initiative by the Social Democratic Party advocated income-related premiums. Both initiatives were rejected in 1992 and 1994 respectively. At the same time, the pressure for reform intensified due to the disproportionate rise (relative to gross domestic product) in healthcare costs and health fund premiums. Between 1985 and 1990 alone, healthcare costs per person rose by 42 percent. On average, premiums had increased ten-fold between 1965 and 1990; they had therefore increased much more sharply than household incomes. At the beginning of the 1990s, the Federal Council and Parliament thus took a number of measures to cut costs and increase burden sharing between policyholders. The Health Insurance Act provided for a temporally limited compensation of risk between the funds as well as instruments to encourage competition, health prevention measures and cost controls (including by means of price and tariff controls, cost transparency and cost sharing). Costs and premiums continued to increase, leading to renewed proposals for reform in more recent years – all which have so far failed.

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(12/2014)



## 1995-2009 Reintegration by Activation: Reforms in Unemployment and Disability Insurance

### Cost cutting and Greater Personal Responsibility

**In the 1990s, the term ‘Aktivierung’ or ‘Activation’ became the main idea behind new social policy. The unemployed and people with disabilities were to gain greater personal responsibility through active social policy measures. The hope to save costs was thus combined with a contribution to restructuring unemployment and disability insurance.**

The notion of activation began to shape discourse on social security in the 1990s. For scholars the concept even represented a paradigm shift in social policy. The idea behind activation is to transfer responsibility for (re)integration into the labor market to the recipients of welfare benefits. Social welfare systems aimed to only support and encourage individual efforts to find work. Self-activation therefore became a condition for state support. Proponents of active social policy measures argued this would enable savings and increased welfare efficiency. Critics, however, claimed the activation paradigm simply ignores the structural causes of individual economic difficulties. In addition, talking about personal responsibility was a cover up for dismantling of social benefits.

At the beginning of the 1990s, the unemployment rate in Switzerland rose considerably. In this context, the notion of activation gained new meaning. The revised Unemployment Insurance Act of 1995 expanded labor market measures, such as courses, motivational seminars or employment schemes. The new regional employment offices sought to support benefits recipients' efforts in finding a new job. Concurrently, the number of daily allowances was reduced. Measures for occupational integration also gained impetus in social welfare, although the appeal to personal responsibility was also linked to new sanctioning options. Similar approaches had a long history in disability insurance (IV). The fifth IV revision (2006) further strengthened the (classic) principle of ‘reintegration before pension’ in order to reduce both the growing number of new pensions and social expenditure deficits. A range of early detection and early intervention measures – such as case management or coaching – as well as support programs were designed to enable people with disabilities to retain their jobs or find new employment without having to live on benefits.

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(12/2014)





## 2004 Introduction of Maternity Benefits

### Partial Implementation of an Old Postulate

**Maternity insurance had been a topic of debate since the 1920s and a constitutional obligation since 1945. However, funding concerns proved hard to dispel. In fact, the breakthrough did not come until 2004, when it was decided that maternity benefits would be financed as part of the military income compensation scheme.**

The popular referendum of 26th September 2004 failed to introduce a maternity insurance that would provide benefits for all mothers. Instead, the solution that emerged was limited to income compensation. Maternity insurance had been a topic of debate since the 1920s. Though the constitutional foundation had been laid in 1945, many attempts to implement the concept in legislation failed – be it as part of health insurance (1987) or by means of a popular initiative (1984). The 1991 women's strike, calling for the implementation of the equality article, once again drew attention to maternity insurance. With the election of Social Democrat Ruth Dreifuss to the Federal Council, the project gained a champion at the highest level.

A renewed push for a solution that would be funded through value added tax returns was rejected in a 1999 referendum. The bill provided for a 14-week maternity allowance for gainfully employed mothers and a one-time basic benefit available to all gainfully employed and non-working mothers. Right-wing parties and business associations, questioning the financial feasibility of the scheme, launched a referendum. Differences between western Switzerland (in favor) and German-speaking Switzerland (in opposition) as well as between cities and rural areas, as well as between generations and different educational backgrounds played a major role here. However, the response to the referendum outcome showed that the issue had gained wide support nevertheless. The canton of Geneva even introduced its own cantonal maternity insurance in 2001.

Representatives from all parties in the Federal Council prepared a compromise at the federal level that found majority backing despite another referendum campaign launched by the Swiss People's Party (SVP) in September 2004. Many voters who had rejected the proposal in 1999 now came out in support. The maternity compensation was set up as part of the income compensation scheme into which employed women had paid contributions since 1940. Just like the income compensation scheme, it was funded exclusively by payroll contributions. It guaranteed 80 percent of the last income for a period of 14 weeks. In contrast to previous proposals, however, only women gainfully employed prior to childbirth were eligible for benefits.

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## 2006 Harmonization of Family Allowances

### Family Policy as Part of Social Security

**Family allowances were nothing new. However, they varied in amount depending on the canton and employment branch. This lack of coordination continued for a long time. It was only the Family Allowance Act of 2006 that brought standardization. Minimum allowances per child were now set.**

On 24th March 2006, Parliament passed a Family Allowance Act. Since it entered into force in 2009, all employed as well as unemployed people with children have been entitled to a family allowance. The minimum levels of existing allowances were also standardized. The self-employed became eligible in 2013, thereby fulfilling the principle of 'one child – one allowance'. The family allowance amounts to at least 200 francs per child per month until they reach the age of 20 or 250 francs if the child is participating in a training/education programme. The Family Allowance Act is organized analogous to the family compensation funds. Funding is provided by the cantons, which collect employer contributions for this purpose.

Just like in the case of the maternity insurance introduced in 2004, the Family Allowance Act is based on a provision that was enshrined in the federal constitution in 1945. A federal law on family allowances, however, was only introduced for agriculture at that time. By paying family allowances to agricultural workers and farmers, politicians in 1952 hoped to reduce rural migration to the cities. By the turn of the century, however, all cantons had introduced family allowances that, on average, amounted to 184 francs per child in 2004. In 2004, there were 115 public and private family compensation funds. Plans were therefore drafted at federal level to harmonize cantonal allowances in the early 1990s. These plans did not gain traction until the trade union Travail.Suisse launched a popular initiative for fair child allowances in 2003. It proposed a substantial increase in allowances to 450 francs but was withdrawn in favor of the official counter project.

As was the case with the future Family Allowance Act, the initiative coincided with increased activism in family policy. Families were increasingly recognized as being at risk of poverty. Many cantons therefore began to provide financial support to families with low incomes. At the same time, the Confederation launched an impulse programme to expand day care in 2003. Since 2000, there have also been discussions about expanding supplementary benefits (EL) to families – a model thus far practiced in only a few cantons.

**Literatur / Bibliographie / Bibliografia / References:** Année politique Suisse / Schweizerische Politik, 2000–2006; Parlamentarische Initiative Leistungen für die Familie. Zusatzbericht der Kommission für soziale Sicherheit und Gesundheit des Nationalrates, 8. September 2004, Bundesblatt, 2004, 6887–6926.

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