



Swiss to vote on the introduction of a universal “basic income” on 5 June 2016

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Swiss voters will be asked in a binding referendum if they want to introduce an unconditional basic income that should allow leading a decent life. The vote will take place on 5 June 2016. Both the Federal government and parliament recommend a “NO” vote. It seems highly unlikely that the proposal will be adopted.

Description

The Swiss political system allows citizens to make proposals for constitutional changes by means of “popular initiatives”. If supported by 100,000 signatures, proposals are then voted upon in a national referendum. The result is binding.

In 2013, the Swiss section of the Basic Income Earth Network (BIEN) submitted a popular initiative for introducing an “unconditional basic income” that should “allow the whole population to lead a decent life and to participate in public life”. The proposed constitutional article also states that the amount of the basic income as well as its financing would be regulated by ordinary law.

This means that crucial questions such as how much the basic income will be worth, how it will be financed and which ministry will be responsible for it still need to be sorted out in case of a “YES” vote. The proponents of the basic income have provided some indications with regard to what the scheme could look like and how much it would cost. They assumed that each adult would receive CHF 2,500 per month (around EUR 2,270), while children would be entitled to CHF 625 per month (EUR 570). On this basis, the total yearly cost of the basic income would be CHF 208 bn (EUR 187 bn), i.e. just over a third of the country’s Gross Domestic Product (GDP).

The proponents claim that this amount could be partly financed by savings in the various social programmes, which will become redundant (CHF 62 bn, i.e. EUR 56 bn). They also claim that an amount of CHF 128 bn (EUR 115 bn) would not need to be financed by new resources, because it would be paid to individuals who already have incomes equal or in excess of the suggested basic income. This would leave CHF 18bn (EUR 16 bn) to be financed, which, in their view, is manageable. (Initiative Revenu de base inconditionnel, 2016)

This simulation is challenged by the employers’ association “Economiesuisse”, which argues that the proponents of the basic income have not considered its macro-economic impact. According to this association, a basic income at the level envisaged by the proponents will reduce labour supply and impact negatively on the country’s ability to create wealth. The association has developed a model predicting a 17% drop in GDP as a result of the introduction of a basic income at the planned level. With a smaller economy, it claims, the effort needed to finance this basic income will be substantial: an increase of income tax rates from 30% to 40% and an increase in the VAT rate from the current 8% to some 50-55%. These tax rates, always according to the association, will further depress the economy, leading most likely to a further shrinking (not simulated),

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resulting, for example, from the fact that producers will leave the country (Economiesuisse 2012).

As is standard procedure for popular initiatives, the Federal government and parliament have taken a position on the issue. The government recommends a “NO” vote. Its main argument is that the introduction of a basic income would transform dramatically the economy, with consequences that are very difficult to predict, and that the risks involved in such an operation are too great (Conseil fédéral 2014).

Parliament voted on the proposal in December 2015, and issued a “NO” vote recommendation as well. In the lower chamber of parliament, the initiative was rejected by 157 parliamentarians against 19 (and 16 abstentions). The proposal was supported by the Greens and by part of the Socialist party only.

The date of the referendum, 5 June 2016, was announced on 27 January 2016. Over the next weeks and months, we can expect the unfolding of a national debate on the issue.

Outlook & Commentary

The popular initiative for the introduction of an unconditional basic income is formulated in rather vague terms. For instance, in the proposed constitutional article, there is no mention of the amount that would be paid to each person. The proponents see the adoption of the constitutional article as a first step of a long democratic process that will lead to the adoption of a real unconditional basic income around

the year 2050 (Müller and Straub 2012).

So far, however, the debate has focused on the possible impact of a basic income at the level mentioned by the proponents. At CHF 2,500 (EUR 2,270) per adult and CHF 625 (EUR 570) per child, the basic income would be substantial. A family of four would receive an income equal to about 110-120% of an average wage. It is difficult to imagine that such a scheme would not impact on labour supply. The impact could be particularly strong on unskilled, physically and psychologically demanding jobs.

The adoption of a basic income at the planned level would also be problematic from the point of view of migration policy. Would the basic income be paid to all those who are legally resident in the country? In this case, Switzerland would need to impose strong barriers to entry, which would be problematic, because of the population ageing and drop in labour supply that would result from the adoption of a basic income. Alternatively, if migrants will not have access to the basic income, there is a risk that a two-class society could develop. Either prospect seems far away from the humanistic concerns of the proponents. The proposed constitutional article does not specify how this problem will be solved, and makes reference to the notion of “the whole population”.

Direct democracy has traditionally worked against the establishment of new social policies, including much more moderate ones. As a result, it is extremely unlikely that a majority of Swiss voters will say “YES” on 5 June 2016.

Further reading

Conseil fédéral (Swiss federal government) (2014): Message concernant l’initiative populaire “Pour un revenu de base inconditionnel” [Message concerning the popular initiative “For a basic unconditional income”], Berne.

Economiesuisse (2012): Revenu de base inconditionnel? Malheureusement non [Basic unconditional income? Unfortunately not], Geneva, Economiesuisse, Dossier politique No. 21.

Initiative Revenu de base inconditionnel (2016) [Basic unconditional income initiative], <http://initiative-revengrbase.ch/revenu-de-base-inconditionnel/>.

Müller, C. and Straub, D. (2012): Die Befreiung der Schweiz, Zurich: Limmat Verlag.

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