Switzerland Report
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Sustainable Governance Indicators 2018
Executive Summary

In the current review period, governance in Switzerland has shown considerable continuity with SGI 2017. By implication, the country’s strengths and shortcomings have remained unchanged. These strengths include the stability and quality of democracy, the efficient rule of law, an excellent system of public education and research, and a competent system of public transportation. The country has a high level of GDP per capita (one of the highest in the OECD) and accumulated wealth, and the natural environment remains ecologically sound. Social and economic policies are pragmatic, solution-oriented and heterodox. The Swiss government can be commended for maintaining a highly competitive economy, sustainable fiscal position, comparatively sustainable and generous welfare state, and moderate and stagnant income inequality. The flexible labor market has maintained full employment and high employment rates for both men and women. These policies have resulted in an absence of deep social divisions and marginalization (at least among Swiss citizens). As a result, citizens report a high level of life satisfaction and positive opinion of the national political system compared to neighboring countries.

Notwithstanding these successes, the shortcomings and challenges that existed a year ago persist, with some amplified to an extreme degree (see also “Key Challenges”):

(1) Most dramatic in this regard are the developments in relations with the European Union. With 54% of exports going to the European Union and 72% of imports coming from the European Union (2016), as well as a strong inflow of highly qualified labor from the European Union, Switzerland is far more dependent on the European Union than the European Union is on Switzerland. The relationship is based on bilateral treaties, many of which are conditional on each other. If one of the major treaties were to be terminated, other important treaties would automatically become null and void. In 2014, the Swiss electorate voted for a constitutional amendment establishing a cap on immigration. Such a cap is not compatible with bilateral treaties between Switzerland and the European Union. While many Swiss citizens and politicians expected the European Union to adapt existing treaties to the new constitutional amendment, the European Union rejected a renegotiation of existing treaties. As a result, implementing the amendment against the will of
the European Union would have entailed enormous economic risks. Most Swiss politicians have shown themselves unwilling to take such a risk, instead embarking on a strategy of, in effect, not implementing the amendment. In this context the Swiss People’s Party (already the strongest party in the country) is pursuing three projects which may further strain the relationship with the European Union. First, the party strongly opposes an institutional framework agreement between Switzerland and the European Union. Such an agreement would allow for a smooth revision of existing treaties and court-based adjudication of conflicts between the two trade partners. Second, the party has also submitted a new proposal for a constitutional amendment (the “self-determination initiative”), which will be decided upon in a popular vote between 2018 and 2020. If this proposal wins approval, international law and treaties would become subordinate to Swiss law. Third, in September 2017, the party announced that it would collect signatures for a new popular initiative, which is necessary to call a public vote. This initiative aims to force the government to terminate the current bilateral treaty on the free movement of labor between Switzerland and the European Union, which would automatically lead to the termination of other basic bilateral treaties.

(2) Closely connected to the issue of Europeanization (and globalization) is the polarization of Swiss politics, and the concomitant weakening of the system of consensus democracy and social partnership. This applies not only to institutional and behavioral indicators of consensus democracy, but also to deep-seated cultural patterns and indispensable elements of the elite socialization of the past, such as the willingness to compromise and interact respectfully with political opponents. The political system of Switzerland is converging toward the continental pattern of non-majoritarian politics.

(3) As in previous years, the system of direct democracy succeeds in giving citizens the feeling they have a say in government policies. This system is one of the major reasons why Swiss citizens are far more satisfied with the way democracy works in their country than their European neighbors. However, the system of direct democracy also demonstrates serious shortcomings. Among them is the likelihood that voters approve constitutional amendments which cannot be implemented for legal or economic grounds. A recent example is the initiative capping immigration, illustrating the tension between the myth of the people’s unconstrained sovereignty and the reality of a semi-sovereign political order where international law and economic interdependence severely limit democratic politics.

(4) Although the welfare state is sustainable and generous, the pension system must cope with demographic challenges. While increasing the age of retirement beyond 65 is not feasible given the constraints imposed by direct
democracy, there are possibilities for reforming the three-pillar pension system (basic pension, occupational pension and tax-deductible savings for retirement). A major reform was rejected in a popular vote in September 2017. Under considerable time pressure, politicians must work on a new adaptation of the pension system to demographic challenges.

(5) Another major political conflict relates to environmental and energy policies. In the aftermath of the catastrophe in Fukushima, the Swiss government opted for an exit from nuclear power. It has been difficult, however, to implement that decision. In its new energy strategy, the government opted for a long-term “soft” exit which allows all nuclear power stations to remain in operation for their lifespan. No new nuclear power stations will be licensed to operate, however. Following a left-green initiative that demanded a quicker and harsher exit from nuclear energy failed in a popular vote in November 2016, the government’s strategy was approved in May 2017.

(6) In the past, Swiss cantons have offered generous tax deals to foreign firms. This has provoked criticism from the OECD and European Union, leading to a reform proposal. Switzerland wants to keep these foreign companies in the country, since they make a substantial contribution to the public revenues of local and canton authorities. To achieve this, the government proposed to lower taxes for domestic firms in line with the effective tax rates enjoyed by foreign companies, thereby obviating the preferential tax treatment of foreign firms. As a consequence, general tax income would decrease. This is against the wishes of the political left, which generally would like to see a higher level of taxation, in particular on capital. In a popular vote in February 2017, the public rejected this reform. There were two major reasons for this rejection. First, a large share of citizens found the proposal too complex and given their uncertainty opted against it. Second, another share of voters found the proposal excessively biased in favor of “the rich” and large enterprises. Currently, the Ministry of Finance is developing a new reform proposal which is less generous toward large enterprises and contains compensation payments (increased child allowances) in order to win support from left-wing voters.

Citation:
Key Challenges

Switzerland faced ongoing, interrelated challenges at the close of the current review period. There is a disconnect between Swiss identity and reality: an enormous share of the population is comprised of foreign workers and other migrants. Policymakers are struggling to implement popular referenda by navigating between a “responsive” (implementing the people’s preferences) and “responsible” (furthering the people’s common good under conditions of constraint choices) reaction. They also have to reform the pension system, establish a tax regime for enterprises that is EU-compatible, and find sustainable solutions for the relationship between the European Union and Switzerland.

First, the country’s relationship with the European Union remains provisional and increasingly fragile. In the past, the realities of domestic politics made bilateral agreements the only practical solution as neither a policy of “going it alone” nor EU membership were feasible strategies. However, this bilateral solution is becoming increasingly untenable. While domestic conflicts about the future relationship between the European Union and Switzerland have not abated, solutions have to be found. The current strategy of muddling-through, currently successful, may become unsustainable in the future.

Second, minimizing internal political conflicts fueled by migration has grown more challenging. The share of foreigners within Switzerland’s population is among the highest in the world. Immigration has stimulated economic growth. To sustain the high economic growth rate, it remains essential that the country continue to recruit highly skilled labor. An extraordinarily high proportion of elite positions in the economy and higher education are staffed by foreign workers. Foreigners are also younger than the average Swiss citizen. Consequently, they contribute far more to the Swiss pension system than they receive. Hence, they subsidize the Swiss pension system and contribute significantly to its sustainability. Nonetheless, immigration has prompted considerable concerns among Swiss workers about housing prices, jobs and the use of infrastructure (e.g., roads and public transportation). Swiss workers constitute the base of the right-wing populist Swiss People’s Party (SVP). Today, the SVP is among the strongest populist parties in Europe in terms of
votes, representation in government and success in referenda. Notably, this political strength cannot be primarily attributed to xenophobia. At least in international comparison, Switzerland and some of the Nordic European democracies show a relatively low level of xenophobia. Even so, the SVP has been extremely successful in mobilizing xenophobic elements within the population.

This points to another challenge. In recent years, a growing number of popular initiatives have been approved by voters but implemented incompletely or not at all. This failure to implement constitutional amendments derived from popular initiatives is not entirely new. Historical examples of provisions left unimplemented include the prohibition on absinth (1908) and ban on gambling houses (1920 – 1921). Notwithstanding, these precedents are few and the exponents of these initiatives were not in the political center. By contrast, the number of successful initiatives has grown in recent years and their advocates (e.g., SVP and related organizations) are politically powerful. Several recent initiatives remain only partially implemented because full implementation would violate international law, international treaties or economic requirements. This has put the administration in a difficult position: full implementation would violate international or economic norms, but partial implementation gives rise to accusations among right-wing politicians that the “will of the people” is not respected. In order to mitigate the conflict between responsive and responsible government, political elites must effectively communicate that the Swiss nation is – as all Western nations – at best semi-sovereign and that there are strict limitations on what the public can decide upon. However, such a communication strategy would clash with the self-image of the Swiss, who are immensely proud of their (perceived) independence and sovereignty.

As in most other mature democracies, Switzerland’s pension system must cope with the challenges posed by an aging population. To date, the system has been sustainable and provides relatively generous pension payments. Nonetheless, without exceptionally strong productivity growth or a continuing inflow of young foreign labor, in the long run either the retirement age will need to be raised or the level of benefits reduced. After the failed pension reform, the government is under strong pressure to develop a new reform proposal that will gain the support of a majority of voters in a popular vote.
Policy Performance

I. Economic Policies

Economy

The Swiss economy is highly competitive, ranking again at the top in the World Economic Forum’s 2017 competitiveness assessment. The country’s economic policy regime combines a variety of mechanisms. Common denominators, however, are the practice of muddling-through as standard operating procedure and heterodoxy as the primary philosophy underlying economic policymaking.

For example, regulation of the labor market is very liberal, particularly with regard to hiring and firing. In contrast, government policies were quite illiberal and politicized with regard to the flow of foreign labor and with regard to farming in the past. The policymaking process previously emphasized the integration of employers and trade unions, with employers enjoying considerable influence ("liberal corporatism") and trade unions serving as junior partners. For trade unions, this corporatism made sense since it resulted in full employment (at least for Swiss citizens), high wages and generous employer-sponsored benefits. While this influence was strong in the past, in recent years the influence of both organized labor and capital has lessened.

Throughout the 20th century, Switzerland maintained a very protectionist policy regime, allowing for cartels and monopolies. The main beneficiaries were farmers, who were protected from global competition by high tariffs and strict non-tariff barriers, as well as small- and medium-sized businesses and service providers producing for the domestic market. Collusive pricing was tolerated, while competition between providers and producers was limited by the diversity of cantonal regulations.

This policy of protectionism has lessened considerably since the mid-2000s due to a deliberate strategy of market liberalization. At the same time, there
has been continuous pushback to this liberalization. For example, an amendment to the law on cartels failed. It would have reduced the influence of major economic actors within the competition agency’s governing board. Similarly, in farmers were successful in being spared from austerity measures; they continue to enjoy a comparatively high level of protection. In 2017, under pressure from the WTO, the government presented a plan to abolish subsidies for certain exported agricultural products. At the same time, the administration suggested new subsidies for the agricultural sector, which would compensate farmers for losses incurred due to the new WTO-compatible regulation.

Between 1960 and 2005, Swiss real GDP growth rates have exceeded the average of the 23 advanced-democratic OECD nations in only nine of 44 years. Since 2005, Swiss economic growth rates have been above average – except in 2014 and 2015. Some economists have attributed the Swiss economy’s strong growth since about 2005 to its liberalizing reforms. Others note that most of the increase in domestic product is not due to higher productivity, but rather to the increasing volume of hours worked, which itself is at least partially a result of population growth (1% per year, mostly due to immigration). With very few exceptions, Switzerland’s current account balance has been positive since the 1970s, implying that exports exceed imports. Switzerland’s main export industries are the chemical, pharmaceutical and metal industries. A considerable share of recent economic growth is therefore export-driven, making Switzerland very dependent on export markets. The country’s increasingly rocky relationship with the European Union poses imminent dangers to the continued success of its export-oriented economy. However, Swiss economic growth is very robust. Although the Swiss franc appreciated considerably following the decision of the Swiss National Bank to abandon the peg to the euro in January 2015, while the effect on the national economy has been limited with few repercussions.

The government levies low taxes on both labor and capital, producing relatively small tax wedges. In addition, the state does not significantly intervene in the business cycle. Rather, it traditionally pursued a prudent and largely procyclical fiscal policy. In times of major economic challenges, such as in 2008 and 2009, fiscal stimulation packages have been implemented. However, for institutional and political reasons these packages have typically been very limited in size and proved difficult to implement swiftly. In fact, many of the resources contained in these fiscal programs have not been taken up by employers. Responsibility for price stability is left to the independent National Bank, which is tasked with maintaining price stability as a primary goal, and has the tools of monetary and interest-rate policy at its disposal.
Rather than actively influencing the structure of industry, the government has restricted itself to facilitating the modernization of industries by creating favorable conditions for economic activity. In the financial industry, Switzerland has improved its surveillance of banks and set prudential banking regulations since the onset of the “great recession” in 2008.

In general, decision makers have pursued a very pragmatic and heterodox economic policy and shown themselves willing to disregard liberal norms of policymaking if the need arises. This policy regime, which has been both liberal and protectionist, has come under pressure due to globalization and the increasing importance of international organizations such as the WTO. Given its reliance on the export of goods and services, Switzerland has had to acquiesce to liberalization.

Liberalization was accelerated by bilateral treaties with the European Union and practically all new economic policies have followed EU standards. As a consequence of globalization and Europeanization, most sectors increasingly liberalized, in particular in the period between the mid-1990s and 2005. Agriculture offers a major case in point, though Switzerland’s agriculture sector remains one of the most subsidized in Europe.

As a result of liberalization, one of the drivers of Switzerland’s postwar economic success – the complementarity of protected domestic-oriented industries and liberal export-oriented industries – has been weakened. The increase in tensions between the export- and domestic-oriented sectors have generally not resulted in open conflict. These developments have, however, increasingly undermined the country’s system of interest representation and the corporatist structure of interest intermediation. Interest organizations, in particular employers’ groups, have lost support and their members have increasingly turned to lobbying at the level of the individual firm.

Switzerland has not yet determined its long-term relationship with the European Union. In the current review period, the quest for politically and economically sustainable solutions became more pressing. Previous interventions entailed bilateral agreements with the European Union, which further liberalized the service and agriculture sectors. In addition, immigration policy has changed substantially. Switzerland has abstained from any further recruitment of foreign labor from outside the European Union, while liberalizing its immigration regime with EU countries. This policy has meant free movement of labor between Switzerland and the European Union, intensifying opposition to the recruitment of highly skilled employees from abroad.
This bilateral arrangement with the European Union faces major challenges. The European Union has requested new institutional structures to complement and support the bilateral relationship. It argues that the implementation and update of bilateral agreements has become too costly as a result of delays generated by domestic conflicts. Specifically, the European Union has insisted on the creation of independent authorities for the settlement of disputes as well as mechanisms for updating bilateral agreements without having to resort to full-scale renegotiations. As of fall 2017, no new institutional arrangements have been established and the domestic political opposition has gained strength. Given the country’s close integration with the EU market – accounting for 54% of Swiss exports and 72% of imports (2016) – Switzerland is highly dependent on a well-functioning relationship with this much larger economic partner. In contrast, the European Union is much less dependent on Switzerland.

Broadly perceived as a laggard in the development of its welfare state, Switzerland caught up in the postwar period. Today it has a mature and generous welfare state. In a time of demographic change, this welfare state will only remain sustainable through high rates of economic growth. It is far from clear whether these high rates of growth can be realized in the future, in particular if the inflow of foreign labor from and trade with the European Union is constrained.

Labor Markets

Swiss labor-market policy is largely a success story. Labor-market flexibility in terms of hiring and firing is very high, trade unions and their representatives or allies on the firm level have no legal ability to interfere with employers’ human-resources decisions (in contrast to Germany), and there is no minimum wage (Swiss voters rejected the establishment of a minimum wage in 2014).

Although the “golden age” of containing unemployment by managing the flow of labor from other countries is past, the achievements of Swiss labor-market policy remain remarkable. In September 2017, the unemployment rate stood at 3.0%. Youth unemployment (among 15 to 24 year olds) is only nominally above the overall unemployment rate (3.2% in September 2017). The share of long-term (i.e., more than 12 months) unemployed persons in total unemployment is only 17%. The employment ratio (the working population as a percentage of the working-age population) is the second highest in Europe (behind Iceland). In addition, the overall employment rate of women has increased dramatically in recent decades. In 2016, Switzerland had the highest female employment rate (75%) in the OECD. A recent report on the effects of the free movement of labor between the European Union and Switzerland...
found that in general strong immigration from the European Union did not endanger the employment prospects of domestic workers. Most EU immigrants are highly skilled with 57% having finished tertiary education (Observatorium zum Freizügigkeitsabkommen Schweiz-EU 2017).

Nevertheless, several major challenges are evident. The high employment rate is due to a particularly high share of part-time work. In 2016, about 11% of employed men and 45% of employed women worked part time (i.e., less than 30 hours a week). Only the Netherlands has a higher rate of female part-time employment. Unemployment rates are highest among low-skilled foreign workers. Also, there remains considerable wage inequality between men and women. A 2016 report by the Federal Statistical Office shows that the median wage of female workers is 87% of their male counterparts, with 60% of this difference due to objective aspects such as education.

Highly skilled workers from EU countries pose few challenges for Swiss labor-market policy, particularly since these employees are quite likely to return to their native country after a period of employment in Switzerland (Cueni and Sheldon 2011). In contrast, low-skilled foreign workers tend to stay in the country even if they become unemployed. Also, the employment rate among older workers is very high in international comparison.

Citation:


Taxes

The Swiss tax ratio is significantly below the OECD average, and tax rates, particularly for business, are moderate. Taxation policies are competitive and generate sufficient public revenues. Fiscal federalism (the responsibility of the municipalities, the cantons and the federation to cover their expenses with their own revenue) and Swiss citizens’ right to decide on fiscal legislation have led to a lean state with relatively low levels of public – sector employment so far. Nonetheless, it is important to note that due to the principle of federalism, tax rates can differ substantially between regions, as individual cantons and local communities have the power to set regional tax levels.
However, it should be noted that Switzerland’s apparently small government revenue as a percent of GDP can be attributed in part to the way in which the statistics are calculated. Contributions to the occupational pension system (the so-called second pillar) and the health insurance program – which are non-state organizations – are excluded from government revenue calculations. The share of government revenue as a percent of GDP would be about 10 percentage points higher if contributions to these two programs were included. This would bring Switzerland up to the OECD average in terms of public revenue.

Tax policy does not impede competitiveness. Switzerland ranks at the top of competitiveness indexes, and given its low level of taxation is highly attractive for corporate and personal taxpayers both domestically and internationally. Tax policy has contributed to an excellent balance between revenues and expenditures. Switzerland has very low public debt (29% of GDP in 2016) and a positive financial balance – that is, the government’s revenues exceed spending.

The country’s tax policy has come under pressure from the OECD and European Union because it treats domestic and international firms differently on the cantonal level. The federal government has responded to these pressures, introducing a reform of corporate-taxation policy. This reform should have prohibited Swiss cantons from taxing the profits of domestic and international firms differently (so-called ring fencing). These international firms make a substantial contribution to Swiss tax revenue. In order to keep these firms in Switzerland, the government’s proposal aimed to lower taxes on all firms, regardless of whether they are domestic or international. The reform does accept variation in cantonal tax rates. The Social Democrats have triggered a popular vote on this reform effort, which took place in February 2017 and which rejected the reform proposal. There were two major reasons for the no-vote. First, about a third of respondents said they felt insufficiently informed and were uncertain, and therefore opted against the reform. Second, another large share of voters thought that the reform was too biased in favor of large enterprises and “the rich.” The public’s rejection of the reform forced the government to find a new solution given pressure from international organizations. After February 2017, the government has developed a new reform, which includes many of the elements of the original draft, but with less generosity for foreign and domestic firms and – in order to increase the likelihood of winning a majority in the popular vote – additional child allowances.
Budgets

Budgetary policy in Switzerland is fiscally sustainable. Gross public debt (general government) rose from a low 29% of GDP in 1990 to a peak of 52% in 1998, but receded to 29% by 2016. Structurally adjusted budgets were balanced even during the crisis of 2008 and 2009. Since the turn of the century, the federal budget was always in the black or at least balanced, with the government spending less than it received – with the exception of 2002 – 2004. In all likelihood, this positive balance will be maintained over the coming years.

This fiscal sustainability is mainly due to the political decision to have a low tax load and a lean state. In addition, keeping the public deficit and debt low has been a major concern of politicians at all levels of the political system. Various rules and structures have been developed to avoid the dynamics of expanding budgets. For example, on the federal level, there is the constitutional debt brake (Article 126, Article 159): “The maximum of the total expenditures which may be budgeted shall be determined by the expected receipts, taking into account the economic situation.” Recently, the government announced its intention to relax one element of this debt brake. In August 2017, though, an expert commission warned against such a move. Direct democracy offers another effective means of keeping the budget within limits. In popular votes, people have proven reluctant (compared in particular to members of parliaments when elections are drawing near) to support the expansion of state tasks with a corresponding rise in taxes and/or public debt.

Notwithstanding a very favorable fiscal position, the Federal Council pursues moderate austerity programs. Even taking into account the fact that some individual cantonal and municipal governments do pursue unsustainable budgetary policies, the total (i.e., general government) budgetary policy achievement arguably puts Switzerland in the OECD’s top group in terms of fiscally sustainable national policies.

Research and Innovation

Switzerland’s achievement in terms of innovation is considerable. It spends 3% of its GDP (2013) on research. Standardized by the number of inhabitants, it is an international leader in patent applications, with strengths in health technologies and bio-technology. A total of 75% of research spending is corporate spending with the direct aim of economic innovation, an important factor in the country’s strong overall competitiveness. With a share of about
25%, public research funding plays a lesser role than in other European countries and depends on five main actors: the cantonal universities, the two federal institutes of technology, the National Science Foundation, the Federal Commission for Technology and Innovation, and the academies of sciences. These actors are independent of each other, but cooperate on the basis of complementarity and (although limited) competition. The various institutions are highly autonomous, and research policies and processes are driven by bottom-up operations. Thus, Swiss research policy is not centralized, but rather relies on a concept of decentralized innovation with periodic intervention by the federal government. The output of the research system is impressive. The Federal Institutes of Technology Zürich and Lausanne belong to the top-ranked universities in the world, and the universities of Basel, Bern, Geneva and Zürich regularly appear on the list of the 150 best universities worldwide.

Some deficits persist, however, such as coordination among universities and the new universities of applied sciences as well as the weakness in social science and humanities research relative to that conducted in the natural sciences and technologically. In 2016, the federal government defined its research and innovation goals for the coming four years: increased support for (1) continuing education in vocational training, (2) young academics, (3) training in medicine and (4) innovation. The resources for education, research and innovation should grow by 2% annually.

**Global Financial System**

Switzerland is one of the world’s most significant financial markets. Swiss banks such as UBS and Credit Suisse are global financial players. The post-2007 global crisis and the economic problems of UBS in Switzerland – which forced the Swiss government to intervene massively in order to avoid bankruptcy of this major bank in 2008 – triggered banking reforms within Switzerland. The federal government, bankers and international organizations such as the OECD claim that Swiss private and public actors have been active on the global level in reforming the international banking system, in particular in interaction with the regulatory bodies in the United Kingdom, the United States and the European Union.

After the financial crisis of 2007 and 2008, the government introduced measures to deal with the problem of banks being “too big to fail.” Though it remains unclear whether these new rules and institutions will be sufficient in the event of a major crisis, the Swiss approach numbers among the most sound and prudent systems of regulation worldwide.
II. Social Policies

Education

Switzerland’s education system is strongly influenced by the country’s federal and decentralized structure, as education policy falls under the jurisdiction of the cantons and municipalities. The system provides a high-quality education. The university system performs very well, as is the case in many other small and open European countries. Vocational training is very solid and seems to be one of the most important factors in the low levels of unemployment, particularly among younger people. The permeability of vocational and tertiary education has improved as compared to other countries. The number of students enrolled at universities, universities of applied sciences and colleges of education increased by 73% between 2000 and 2017. The share of female students increased from 39% in 1990 to 51% in 2017. While, the number of students at universities increased by 50% and the number of students at universities of applied sciences tripled between 2000 and 2017.

While women and – with some exceptions – persons from peripheral regions have equal access to higher education, the Swiss education system continues to discriminate at all levels against students from families with low social status. There is no empirical evidence that the education system discriminates against foreigners born in the country. Their lower success rates can be explained as a special case of discrimination against students from families with low social status.

Since 1998, Switzerland has institutionalized a system of universities of applied sciences. Students with vocational training can acquire a diploma to enter these universities either during their training or in a special course lasting one year after they have finished their apprenticeship.

There is, however, a federal particularity in higher education. Cantons such as Geneva, Basel-City and Ticino have followed international trends favoring general qualification for university entrance, while others, especially in the German-speaking parts of the country, have focused on a split system of university and vocational education. Thus, in the canton of Ticino, 50% of all 19 to 21 year olds acquire the matura secondary-school exit diploma, allowing them to go on to university or a university of applied sciences; in the cantons of Geneva and Neuchatel this figure is 45%, while in the canton of Obwalden only 23% gain direct access to a university or university of applied sciences.
(2016). However, the effect of this “federal” discrimination is somewhat reduced by permeability within the school and university systems.

The vocational-training system also offers considerable career prospects. In particular men with vocational training have similarly high employment rates over the course of their work life as men with tertiary education. However, there is a significant difference in earnings. At the age of 50, the median annual earnings of a male academic is about CHF 125,000, in contrast to about CHF 80,000 for a male worker with vocational training. Since 2014, when the public voted for the initiative opposing mass immigration with the intention of capping immigration from EU countries, the government has tried to strengthen vocational and higher vocational training programs. The aim was to increase the number of highly skilled workers. The underlying assumption was that with more highly skilled Swiss workers, the inflow of European labor could be reduced.

Resource allocation within the educational system appears to be very efficient. In general, the quality of the Swiss education system is outstanding. However, given the strong impact of parents’ social status on access to higher education, there are questions about overall equity in terms of access.

Citation:
dievolkswirtschaft.ch/de/2016/11/korber-oesch-11-2016

Social Inclusion

In contrast to many Western European countries such as Germany, Switzerland has recorded no major increase of income inequality over the past 20 years. The country has largely been successful at preventing poverty. This is due to an effective system of social assistance, in particular with regard to older generations. It is rare to fall into poverty after retirement. The main social-insurance programs regulated on the federal level (addressing sickness, unemployment, accidents and old age) work effectively, are comparatively sustainable and provide a generous level of benefits. Social assistance is means-tested, consequently some stigma is attached to its receipt.

Life satisfaction is very high, income inequality is moderate and stagnant, the share of working poor in the population is small and gender inequality has been reduced substantially in recent years. Nonetheless, some problems and tensions relating to social inclusion are evident.

First, the transition to a knowledge-based service economy entails new social risks. These will be faced most by workers unable to cope with the challenges
of this new economy. These vulnerable workers include young people who lack either the cognitive or psychological resources to obtain sufficient training and begin a career, single mothers who are unable to finish vocational training, highly skilled female employees who cannot reconcile work and family, and persons (typically women) who must care for elderly relatives. Like most continental welfare states, Switzerland has not sufficiently reformed the welfare system to address the challenges of a service-based economy. There is, however, considerable variance between local communities in the degree to which they address these challenges.

Second, tensions between Swiss citizens and foreigners over the benefits provided by the welfare state, as well as their financing, are increasing. In 2017, the unemployment rate of foreign workers (representing 31% of the workforce) was 2.3 times higher than the unemployment rate of Swiss workers. The share of recipients of social assistance was 2.2% for Swiss nationals and 6.2% for foreign nationals (2015). The share of social assistance recipients varies strongly by nation. It is highest among non-EU citizens. On average, EU/Efta citizens have almost the same share as Swiss citizens, while Germans have a lower social assistance share than Swiss nationals. It should be noted that unemployment and poverty is most pronounced among low-skilled workers, where immigrants are over-represented. At the same time, highly skilled foreign employees subsidize a Swiss welfare state that benefits low-skilled foreign workers and middle-class Swiss workers (BSV 2015).

Also, some native workers view the growing population of foreign workers as burdening infrastructure (e.g., railways and highways), increasing competition on the housing market, and tightening competition for highly paid and desirable jobs. This state of affairs has fueled a number of conflicts, sparking tensions and frustration on all sides. To date, there has been no constructive discussion and search for solutions within Swiss society, a process that could include the termination of the mythology attached to sovereign Swiss citizenship. Instead, right-wing populism is on the rise, with the right-wing populist Swiss People’s Party (SVP) becoming the strongest political force in the country.

Citation:
Health

Health care in Switzerland is said to be qualitatively excellent. According to the OECD, its health system is among the best in the OECD. Mandatory health insurance ensures that the total population is covered. However, care is expensive. Health insurance premiums (at constant prices) have nearly doubled over the past twenty years. Cost efficiency is a potential problem, in particular with regard to the organization of hospitals. Life expectancy is very high, life expectancy at birth is 81 years for males and 85 years for females. As of 2015, a 65-year-old male could expect to live for another 19 years on average, while a woman of the same age could look forward to another 22 years. This is more than one additional year compared to Germany and Austria, the same as in Italy and one year less than in France. Obviously, the health care system is important in this respect but is not the only explanatory variable. Differences may also be due to the country’s socioeconomic resources, natural environment or other variables.

Health insurance is managed according to a very liberal formula. Premiums for health insurance do not depend on income, and premiums do not take into account the number of family members. Hence, insurance must be bought for each member of the family, although premiums are reduced for children. In recent years, this liberal model has been modified through the provision of subsidies for low-wage earners and their families. These subsidies vary by canton, and policy change is frequent. For example, the canton of Bern reduced subsidies in recent years. More recently, however, a popular vote forced the cantonal administration to reestablish the former system of subsidies. In general, health care reforms have not been particularly successful in terms of improving efficiency or controlling the structural rise in health expenditures. In 2016, health expenditure was equal to 12% of GDP, compared to 17% in the United States, 11% in Germany and France, and 9% in Italy.

Health care insurance is provided by a large number of competing mutual funds (non-profit insurance programs), all of which are required to offer the same benefits. Hence, there is no competition in the area of benefits, but only in the field of premiums, which is largely a function of administrative costs and membership structure. Considerable discussion has focused on whether this competitive market structure should be replaced by a single insurance company. In 2014, the people decided in a popular vote to retain present system. Currently, a number of attempts to curb the large increase in health expenditures are meeting stiff resistance from vested interests, such as doctors, hospitals or health-insurance funds.
Even given these problems, the quality and inclusiveness of Swiss health care has shown itself to be outstanding, and there is no reason to expect any major change in this respect in the coming years. There remains, however, some concern about the centralization of medical services and sufficiency of medical coverage in marginal regions.

Families

In international comparison, Swiss family policy has done relatively little to enable women to enter the workforce. Policies to reconcile work and family lag very much behind other comparable modern societies. Overall spending for family benefits is low in international comparison and Switzerland ranks very low with regard to length of paid maternity and parental leave as well as enrollment of children between 3 and 5 in formal pre-primary education. One major exception is the strong increase in enrollment of children 0 to 2 years of age: from 16% in 2008 to 38% in 2015.

A January 2009 federal law providing subsidy payments to families has done little to change the country’s ranking in international comparison nor has it changed the substantial variation between cantons, one of the most salient characteristics of Swiss family policy. The new federal law defines minimum child and education benefits, but cantons may add a variable amount to this basic federal benefit level.

In general, Swiss family policy has a clearly conservative outlook with a strong liberal undertone. It is mildly supportive of the traditional family: there are some tax deductions and a period of parental leave offered to mothers (but not to fathers) as well as a very limited number of childcare facilities. Sufficient signatures have been collected for a vote on parental leave for fathers. However, at the time of writing, it is doubtful whether the initiative will gain the necessary majority in a popular vote to succeed. There are substantial variations on the cantonal and municipal level (see Stutz et al., 2017). The canton of Ticino has a very generous family policy aimed at helping mothers reconcile work and family; other cantons (and their municipalities) frequently fail to offer any substantial help (e.g., childcare facilities) on a broad scale. Differences and reform dynamics are particularly pronounced between municipalities with regard to external childcare. Local communities with minimalistic family policies co-exist with municipalities, which strongly facilitate the reconciliation of work and family for young mothers.

Likewise, tax policies providing incentives either to stay at home or reenter the labor market vary from canton to canton. However, taking the median canton
and municipality, the portrait of a liberal-conservative family policy applies. Policies tend to create incentives for young mothers to stay at home during the first years of their children’s lives. Afterward, mothers are provided with reasonable opportunity to find employment; however, these are in most cases part-time jobs. This allows mothers to care for their children, while also having some limited employment. Taking part-time jobs usually reduces the ability to have a sustained career as compared to the opportunities offered by full-time employment (Bundesrat 2017, BfS 2017). Hence, the system works in the sense that it mobilizes women within the labor market, but without giving them opportunities for income and career advancement equal to those afforded to men – with considerable regional variation.

Citation:
These reports are accessible via:
https://www.admin.ch/gov/de/start/dokumentation/medienmitteilungen.msg-id-66484.html

Pensions

The Swiss pension system is based on three pillars, each with its own logic of financing and redistribution. The underlying concept is that pension income should not fall below the subsistence level, and should provide 60% of average pre-retirement income. The first pillar guarantees a basic income. The minimum benefit level for a couple as of 2015 was CHF 28,200 (about €24,500) per year, while the maximum benefit was CHF 42,300 (about €36,800). Employers and employees finance this through contributions. It is a pay-as-you-go system, and is highly redistributive, since the maximum benefit level for couples (provided to high-income earners) is just 1.5 times that of the minimum benefit level, while contributions are proportional to income.

The second pillar is a funded system financed through contributions by employers and employees. Contributions and benefits are proportional to income. Employees whose income from the first pillar already covers about 60% of their wage income are not entitled to this system. Many pension programs, particularly in the public sector, are very generous, and provide pension incomes (first and second pillars combined) that exceed 60% of previous income.

The third pillar takes the form of personal tax-deductible savings of up to CHF 6,768 (about €5,900) per year. This system benefits high-income groups, since they can afford to put aside these sums and have the highest returns on these savings given the tax advantages.
Demographic changes will present major challenges to the first pillar over time. Provided there is no major change in GDP or productivity growth rates, the ability to sustain this pillar will be strained unless the average age of retirement (currently 65 for men and 64 for women) is increased or benefit levels fall. However, given the solid basis of the pension system overall, Switzerland faces less pressure than many other European countries to adapt to demographic change. Switzerland has tried to modernize its system at a relatively early stage. In September 2017, an ambitious reform proposal of the government failed in a popular vote – as many other reform projects in this field have failed over the last 20 years. At the time of writing, the government is trying to find the necessary majorities for a new reform project, which in all likelihood will be less ambitious and comprehensive. In this regard, some lessons can be learned from previous referenda on pensions: there are no majorities for substantial retrenchment, in particular with regard to an increase in the age of retirement. Likewise, there are no majorities to increase the generosity of the system if this endangers its financial sustainability. Consequently, any successful reform must consist of various components which compensate losers in order to win a majority of voters. However, these compensations need to be carefully calculated.

With regard to poverty prevention, the pension system is highly efficient. Every citizen can claim additional payments if he or she is not entitled to the first pillar’s minimum pension. The system as a whole has a high degree of intergenerational equity, as it rests on three different pillars, and only the first pillar is based on intergenerational payments.

Financial sustainability will be a potential problem over time, but remains stronger than in comparable countries such as Germany.

Integration

For many years, Swiss integration policy was predicated on the perception that foreigners were “guest workers,” whose limited stay meant that broad efforts to encourage integration were unnecessary. As many foreign workers gained access to unlimited work permits between the mid-1970s and the mid-1990s, the policy approach grew inappropriate over time. Accordingly, a number of efforts to improve integration have been made, starting as early as kindergarten. Nonetheless, integration policy cannot broadly be called a success in Switzerland, particularly given the very high share of migrants in the population (accounting for about one-quarter of the country’s residents). Yet if the lack of a coherent federal integration policy is undisputable, this does not mean that integration policy is failing as a whole. Many local
authorities are doing a good and sometimes innovative job of integration, especially for second-generation migrants.

According to OECD statistics, second-generation migrants in Switzerland perform better in school and are better integrated into the labor market than in other European countries. This is not to say that immigrants have equal opportunities in all respects. If immigrant unemployment rates and dependence on social aid are above the national average, this is due to the fact that the share of low-skilled workers with a correspondingly higher risk of unemployment is also above average among immigrants. But the lack of a coherent integration policy may add to the problems, and social discrimination is not limited to the labor market. Within the housing market, for instance, some groups of immigrants may find it comparatively difficult to rent apartments.

With regard to naturalization, 43,000 foreigners were granted Swiss citizenship in 2016. Calculating the number of naturalizations as a share of all migrants actually living in the country, the Swiss rate of naturalization is very low in comparison with other Western democracies. In 2016, about 2% of resident foreigners acquired Swiss citizenship. Only some of the new democracies in Central and Eastern Europe and a few Western democracies (e.g., Austria and Germany) have similar or lower naturalization rates. The naturalization procedure is burdensome. As naturalization in Switzerland is a bottom-up process that starts at the level of the commune, considerable regional differences are evident, with some communes and cantons pursuing a liberal naturalization policy, and others acting more restrictively. These regional differences show up also in the issue of political rights. A few cantons and communes grant political-participation rights to foreigners, even though the federal government does not. Thus, with regard to integration, naturalization and legislation on political rights, we find a bottom-up approach rather than federal standards.

In Switzerland, as in all modern societies, some segments of society suffer from globalization and, in particular, from the free movement of labor. These “globalization losers” have particularly likely to hold xenophobic attitudes – to insist on “my country first”-positions – and, consequently, to vote for right-populist parties. The Swiss Peoples Party is the political party with the strongest electoral support. It has been particularly successful in mobilizing these segments of society. Therefore, on the one hand there, is limited prospect for a more generous and liberal integration policy in the near term given the strength of integration-averse political actors and citizens. On the other hand, as a comparative analysis of European Social Survey data shows, Switzerland belongs to the least xenophobic societies in Western Europe, together with the
Nordic countries; for example, the country is much less xenophobic than Austria, the United Kingdom and France.

**Safe Living**

Switzerland has improved its internal security through its integration into the European Schengen/Dublin regime. However, the country’s participation remains domestically controversial, as right-wing populist actors have accused center-left politicians of cooperating in an inefficient European security network.

With the de-facto break-down of the Schengen and Dublin rules in 2015, Switzerland resorted to more systematic controls at its borders. Having already had a comparatively high asylum-seekers-to-population ratio before the refugee crisis of 2015 and 2016, Switzerland was largely spared from the dramatic refugee influx observed in Germany, Denmark and Hungary. In 2017, there were only 14,000 new asylum seekers, as compared to 40,000 in 2015 during the refugee crisis and 23,000 in 2013 (i.e., the year before the wave of asylum seekers to Europe).

Internal security policy has developed as a collaborative policy field, in which various international and national governmental actors interact with private organizations. Given the country’s comparatively low crime rates, and the public confidence shown in the police and the justice system, internal security policy can be deemed a success.

On a general note, safe living conditions are strongly supported politically even if this entails substantial costs. For example, in 2016 three popular referenda were approved related to security: a decision on an additional tunnel across the Alps (Gotthard) increasing road safety at the cost of the environment, a decision on the competences of the intelligence service related to combating terrorism at the cost of individual privacy rights, and a decision on a long-term nuclear power phase out at the cost of the environment. Likewise in 2017, the public supported a Federal Decree on Food Security which many observers considered to be superfluous. There are, however, limitations to the quest for safety: on a decision to expel criminals of foreign origin (adopted in 2010), voters supported an alternative in 2016 that respects international law and human rights. Hence, safety is not desired at all costs. Nonetheless, safe living conditions are an important motivator of political behavior among citizens.
Global Inequalities

The Swiss government has increased its development-aid contributions since 2000. Currently Switzerland’s contributions are above average when compared to other mature democracies. The Swiss government has set the goal of spending 0.5% of its GDP on development aid in the long run and achieved that in recent years. In 2016, 0.54% of GNI was spent on development aid, excluding the costs of asylum it was 0.43%. Sustainable agriculture, decentralized governance, poverty reduction and vocational training are core issues driving Swiss development cooperation (SDC). In the countries where it supports projects or aid distribution, SDC has a good reputation for maintaining independence from home industrial interests and for making long-term commitments. Nevertheless, it is a small donor with limited impact. SDC is well embedded within international development agencies, and coordinates its activities with their agendas on issues such as poverty reduction, climate change and sustainable economic development. To a certain degree, SDC’s activities differ from general patterns of Swiss foreign policy, which is more conventional. Foreign policy is mainly trade oriented, supporting policies of market liberalization through international agencies like the WTO. In this context, development cooperation policies have become controversial. Whereas the SVP criticizes development cooperation as ineffective and calls for SDC budget cuts, the policy network of Swiss private development-aid agencies advocate a shift in policy that involves the mitigation of north-south inequalities by revising trade arrangements that disadvantage developing countries.

III. Environmental Policies

Environment

In this area, the most remarkable developments in recent years have been made through the integration of environmental protection and sustainability issues into a wide range of areas that both directly and indirectly concern environmental policy per se. Following the OECD’s strategy of green growth, Switzerland has launched several studies aimed at reconciling the goals of sustainability and economic development. Furthermore, Switzerland has in recent years developed a number of cross-sectoral strategies focusing on issues including sustainability, biodiversity, climate-change adaptation and forest
management. New guidelines for integrated water management were published in 2011, taking into consideration the use and protection of natural water sources.

In 2011, the federal government decided to phase out the use of nuclear power over the course of the next several decades. In 2016, the “Energy Strategy 2050” was adopted by parliament and won a majority in a popular vote in May 2017. It aims to significantly develop energy efficiency and exploit the potential of water power as well as other renewable energies (e.g., solar, wind, geothermal and biomass). There will be no permits for the construction of new nuclear power stations or any fundamental changes to existing nuclear power stations. However, existing nuclear power stations may stay in operation for as long as they are deemed safe. A more radical initiative was rejected in a popular vote on 27 November 2016. It would have led to the shutdown of existing nuclear power plants in the near future. Three out of the five nuclear power plants would have been closed down by 2017.

Switzerland invests considerable sums in the area of environmental protection. For example, there are about 8,000 jobs related to protection of the environment at the federal level (500), the cantons (1,500) and the municipalities (6,000) combined. Public spending on environmental protection totaled 2.5% of total public expenditure in 2012. A new article (Article 84.2) was added to the constitution in 1994, stating: “Transalpine freight in border-to-border transit shall be transported by rail. The federal government shall take the necessary measures. Exceptions shall be permitted only if they are inevitable. They shall be specified by statute.” This article has not yet been effectively implemented, but the country has made enormous investments in improved railway infrastructure, particularly with regard to transalpine freight.

In certain regards, the ecological challenges facing Swiss policymakers have been much less demanding than in other countries. Switzerland never developed significant smokestack industries, and industrialization took place as a decentralized process. Thus, Switzerland has no regions with large concentrations of industries with significant emissions. Nonetheless, the country’s record is mixed in terms of environmental policy overall, as demonstrated by the following factors:

• Switzerland is ranked very highly internationally in terms of controlling water pollution and has implemented significant environmental-protection measures as a part of its water-infrastructure planning.

• Air quality has improved over the past 25 years, but ozone and other threshold values are frequently exceeded, and legislation for more ambitious
norms on CO2 reduction has suffered setbacks.

• Switzerland recently updated its national climate-change mitigation policy. A broad mix of voluntary, regulatory and market-based instruments are expected to produce a reduction in emissions through 2020.

• Considerable success has been achieved in the area of waste-management policy, especially with respect to hazardous waste. Furthermore, Switzerland’s recycling rate is one of the highest worldwide.

• Little progress has been made with respect to controlling noise pollution, as 25% to 30% of the population remains exposed to high levels of noise from road and rail traffic.

• Soil protection has improved.

• Average to high levels of success have been achieved in the area of chemical-management policy.

• Policies seeking to prevent the release of hazardous materials into the environment have been very successful.

• There has been little success in terms of nature conservation and protection. The number of animal and plant species that have become extinct or are at the risk of extinction continues to rise.

• In Europe, Switzerland has the lowest share of conservation areas for sustaining bio-diversity.

The 2015 national election led to a loss of power for the green-left parties in parliament, weakening those actors who most fervently have supported environmental protection. In recent referenda, voters have preferred excellent motorways, such as an additional tunnel in the Gotthard-region, over environmental preservation. A major challenge for environmental policies in Switzerland remains the adequate and bona fide implementation of federal rules by cantonal and municipal institutions.
Global Environmental Protection

Global environmental policy is high among Switzerland’s foreign-policy priorities, and the country has played a significant role in designing and advancing global environmental-protection regimes. However, as a small country, Switzerland has limited independent influence. The European Union has taken a leading role in this area. Thus, Switzerland’s impact depends in large part upon efficient collaboration with the European Union.
Quality of Democracy

Electoral Processes

There are no doubts that Switzerland’s formal procedures correspond closely to the democratic ideal. However, some challenges have emerged due to the country’s small size, its strong dependence on other countries, the opportunities to free ride in the international and particularly European communities, and the extremely large share of immigrant workers.

With regard to active and passive voting rights, there is the obvious challenge that in 2016 25% of the total population and 31% of the country’s civilian workforce held foreign citizenship, a much higher share than in other countries. Furthermore, the rules governing naturalization are rather strict, making the acquisition of Swiss citizenship costly, time-consuming and even insulting for applicants. Thus, the strict rules governing naturalization and the sheer size of the foreign population transform the “quantitative” problem of every modern democracy (that some adult inhabitants face discrimination on grounds of their nationality) into a qualitative problem: If more than a quarter of the social product is produced by foreigners, and if almost a quarter of the voting-age population is not entitled to vote or to run for public office, the legitimacy of parliament and government to rule on behalf of the total population (which is hugely more than the citizen base) is arguably called into question. Others argue, however, that while the economy is globalized, democracy functions only on the basis of a national society that identifies itself in terms of citizenship. This includes the (constitutional) right to define who is eligible for citizenship. According to this view, migration certainly creates new problems, in that the “demos” and the resident population do not coincide.

To date, Switzerland has dealt with these problems somewhat slowly and hesitantly. For example, some notable liberalizing changes were adopted with regard to naturalization (e.g., costs have been substantially reduced) and with regard to passive voting rights in some cantons and local communities.

Candidates and parties may purchase political advertising in the print media. The only restriction to equal access by candidates and parties to these media outlets relates to resources. In this regard, there is a lack of transparency as political parties and candidates are not required to disclose who is supporting
them. In 2017, the Social Democratic Party collected a sufficient number of signatures to force a vote on a constitutional “transparency” article, which will be held in the next few years. The initiative would require that political parties name donors that give more than CHF 10,000. Likewise, if a person spends CHF 100,000 or more on an electoral or a popular campaign, they must name all donors who gave at least CHF 10,000.

Political advertising on television or other broadcast media is not allowed. In this regard, all candidates and parties have equal access, in the sense that none is able to buy political advertising on broadcast media.

Media organizations give a fair and balanced opportunity to political actors to present their views and programs, insofar as this does not become simple advertisement. Right-wing politicians sometimes complain that journalists give center-left politicians better access. There is little hard evidence that such a bias exists to any substantial extent. On the other hand, representatives of the Swiss People’s Party have successfully used their economic resources to control quality papers, such as the Basler Zeitung and they have tried to get a handle on the country’s leading newspaper, the Neue Zürcher Zeitung.

Formal procedures and rules in the area of voting and registration rights are those of a model democracy. However, there are at least two problems.

The first relates to the proportional voting system for elections. Small parties from small electoral districts successfully claimed before the Federal Court that they have effectively no chance of winning one of the very few seats allotted to these districts. The court then ruled that every citizen must have the same influence on elections. Therefore, the size of districts must be designed in such a way that there are at least 10 seats at stake, thus giving small political parties a real chance to win a seat. Several cantons affected by the ruling reorganized their electoral system and districts accordingly. However, the court’s decision is not very coherent. It forces the cantons to guarantee that voters within a canton will have an equal degree of influence, but accepts that federalism leads to much more significant inequalities of influence at the national level.

This leads to the second challenge. It is certainly true that the decentralized federal structure of Switzerland as a multicultural country gives some citizens much more electoral influence than others. This is particularly true of representation within the Council of States (Ständerat), the country’s second parliamentary chamber (which is modeled after the U.S. Senate). Each canton is entitled to two representatives. The Council of States has the same power as the National Council (Nationalrat), while the size of cantons varies by as much
as a factor of 36. This means that a citizen of the canton of Zürich, which has 36 times more inhabitants than the canton of Uri, has considerably less political power than one of Uri. This overrepresentation of small cantons has real effect within the bicameral parliament’s legislative process. Historically, these strongly protected minority rights are traceable to the denominational conflicts of the 19th century. However, one can argue that this denominational definition of minority status no longer holds importance. This would mean that the strong overrepresentation of small cantons should somehow be modified. So far, all parliamentary initiatives aiming at such a reform have failed.

Switzerland does not finance parties with public money on the federal level. In return, there are no constraints applied to party fundraising. There is some financing of parties on the cantonal level in Geneva and Fribourg.

National parties won recognition only in the constitutional revision of 1999 and there remains a deep-seated aversion to public financing. In consequence, there is little to no public scrutiny of party activities, since no public money is at stake. However, a considerable portion of political parties’ revenues comes from the subsidies given to party factions in the national parliament or through reimbursement for services; these together amount in some cases to 30% of total party income. Another important source of income is the attendance fee granted to members of parliament, which can be considered a form of party financing.

Since 2011, the Council of Europe’s Group of States Against Corruption (GRECO) has argued that Switzerland’s system of party donations lacks transparency. The attempt by Social Democratic Minister of Justice Simonetta Sommaruga to draft a law on political party financing failed due to political opposition. The government has insisted on maintaining the current rules. In 2017, GRECO regretted “that the federal authorities are maintaining their position of not legislating on the transparency of party and campaign funding” (GRECO 2017:5).

In 2017, the required number of signatures for a vote on a popular initiative for transparency have been collected. It would lead to a new constitutional article, stipulating that political parties must name any donors who donate at least CHF 10,000. Similarly, if a person spends more than CHF 100,000 on a federal election or a popular campaign, they must inform the Federal Chancellery and name any donors who gave at least CHF 10,000.

Citation:
Switzerland uses forms of direct democracy to a larger extent than does any other mature democracy. Direct-democratic practices are intensively employed on all levels, from the local to the national. On the local and state (cantonal) levels, rules and practices vary considerably by region. This mode of decision-making has many advantages, particularly if it is institutionally and culturally embedded in such a way as to hinder the development of a tyranny of the majority and populist mobilization. In particular, the system is connected with a high level of satisfaction, creating strong citizen identification with the political system and offering many incentives for politicians to behave in a consensual way.

However, along with these laudable characteristics, there are some qualifications and criticisms that should not be overlooked:

- Citizens in a direct democracy are not necessarily better informed or politically more interested than those of representative democracies at the same level of economic and social development. Switzerland provides little evidence that direct democracy educates citizens to be better democrats. However, research indicates that voters are willing and able to search and process information, and are open to substantial arguments beyond mere heuristics when making their decision.

- About 95% of all political decisions at the federal level are taken in parliament without subsequent direct-democratic decision-making. However, the most important and controversial issues are dealt with in public votes.

- Participation rates in direct-democratic votes are usually very low (typically between 40% and 50%) and socially biased. Well-to-do citizens participate at disproportionate levels.

- Voting is frequently driven by cue-taking, rather than by well-informed individual decision-making. This is not to say that citizens are simply victims of slogans or propaganda; in most cases they distinguish between information of high and low reliability during campaigns. However, recent popular votes indicate severe problems with regard to public knowledge and access to information. For example, the vote on the tax reform in 2017 was strongly influenced by a “when in doubt vote no” heuristic: citizens who felt uncertain and insufficiently informed voted no (VOTO 2017). Likewise, the initiative to exit nuclear power was rejected in November 2016 because two-thirds of voters assumed that within the following two years 50% of electricity production would have to be substituted by alternative sources. Although a majority of citizens support exiting nuclear energy, they feared that a swift exit could endanger the security of Switzerland’s energy supply. However, this fear
has been proven misplaced. Only 15% of energy production needed to be substituted within a two-year period. If informed correctly, the public would likely have voted for exiting nuclear energy. Hence a lack of information and knowledge led to an outcome from a popular vote that contradicts citizens’ preferences (Rinscheid and Wüstenhagen 2016).

• The most prominent instrument of Swiss direct democracy, the referendum, serves to impede reform and adaptation. It has a strong status-quo bias. One observer has argued that the referendum has the function of a conservative upper house. For example, the delayed development of the Swiss welfare state or the belated enfranchisement of women are mainly due to the institution of direct democracy.

• Direct democracy creates incentives for politicians to compromise. This is a unique component of the Swiss political system: the threat of direct-democratic voting is meant to foster compromise in the pre-parliamentary stage and in parliament.

• Particularly in the recent past, direct democracy has created potential conflicts with human rights and international treaties.

• Direct democracy has been successfully used for populist mobilization, in particular recently. A telling example is a February 2014 initiative which led to a new constitutional amendment capping migration. This amendment cannot be reconciled with Switzerland’s bilateral agreement with the European Union on the free movement of labor. Swiss citizens are in favor both of a cap on migration and continued good relations with the European Union. While political elites promised voters that the European Union would renegotiate the terms of this agreement, the European Union stated from the beginning that it would not renegotiate. As a result, the government and parliament have had to muddle through by not implementing the constitutional amendment.

• Frequently, popular initiatives approved by the people and the cantons are only partly implemented through parliamentary legislation.

Citation:

Access to Information

Public- and private-sector media corporations are free from government influence. This is enshrined in the Swiss constitution. Although the federal government chooses the chairperson and some board members of the quasi-public non-profit radio and television organization, it exercises no influence over the organization’s daily reporting or journalistic work.

The most important electronic media organizations in Switzerland in terms of coverage and intensity of citizen use are publicly owned. Private-sector television stations play only a small role in the country’s media landscape. These are largely regional stations. A number of foreign radio and television stations can be received in Switzerland, contributing to the country’s media plurality. The country has a high number of privately owned newspapers, with a highly decentralized system of regional concentration. However, a strong tendency toward centralization has weakened the regional newspaper market. This has been amplified by the strong growth of free papers for commuters such as 20 Minuten in the morning and Blick am Abend in the evening (similar publications exist in the French-speaking part of Switzerland). These have tended to crowd out readership of traditional newspapers, which have collectively suffered from a decline in readership of 23% (on a circulation basis) between 1990 and 2014. In addition, a trend toward concentration has affected formerly independent newspapers such as Bund and Berner Zeitung. In 1980, 290 newspapers existed in Switzerland; in 2014, this number shrank to 181, a reduction of 38%, a process that continued over the following three years. As with other small nations, Switzerland enjoys a relatively diversified ownership structure, but over time there has been a very strong process of centralization and concentration.

There will be a popular vote on a proposal for a constitutional article in March 2018. The proposed article would prohibit the federal government from subsidizing or running broadcasting and TV stations. This would imply the abandonment of public radio and TV.

Swiss authorities pursue very open strategies of information release. For example, the website of the federal administration offers access to major sources of political information.

Article 16 of the constitution, dealing with the issue of freedom of opinion and information, states that: “(1) The freedom of opinion and information is guaranteed; (2) Every person has the right to form, express and disseminate opinions freely; (3) Every person has the right to receive information freely, to gather it from generally accessible sources and to disseminate it.”
The Federal Law on the Principle of Administrative Transparency (Loi sur la Transparence, LTrans) was approved in December 2004 and took force in July 2006. The law gives any person the right to consult official documents and obtain information from authorities. The authorities must respond within 20 days. If a request is refused, a citizen can seek redress from the Federal Delegate for Data Protection. However, this law’s coverage is limited, applying to federal public bodies, other organizations and persons who make decisions under the Administrative Procedures Act, and parliamentary services. The Suisse National Bank and the Federal Commission on Banks are exempted. The law also does not apply to official documents concerning civil or criminal law processes, documents relating to foreign policy, or political party dossiers relating to administrative disputes. Consumer organizations have argued that the law contains too many exceptions.

Given these qualifications, it is noteworthy that this law has gained some influence, since the Federal Supreme Court has interpreted it in a liberal way.

**Civil Rights and Political Liberties**

Civil rights are guaranteed by the constitution. However, the country does not have a classic Constitutional Court able to monitor the conformity of federal laws with the constitution outside the context of a particular case. Federal laws are binding for the federal courts. In contrast, the Federal Supreme Court in Lausanne monitors the conformity of federal regulations and cantonal laws with the constitution. With respect to basic civil rights, the European Court of Human Rights complements the Swiss Federal Supreme Court.

In December 2012, a parliamentary attempt to give the Federal Supreme Court the right to abstain from applying federal law if the federal law was incompatible with the constitution failed. The main argument was that in a direct democracy, the Constitutional Court should not be authorized to declare federal laws void as a whole. Thus, Switzerland, for different reasons but in a manner similar to the Scandinavian countries, the Netherlands and Great Britain, does not possess a comprehensive judicial power of constitutional review.

In international comparison, the country’s record of guaranteeing human rights is outstanding. However, conflicts between human rights and direct democracy have emerged, particularly in recent years. One such concern was represented by the successful 2004 popular initiative for the life imprisonment of particularly dangerous criminal offenders without any opportunity for re-examination. This conflicts with the European Convention for the Protection of Human Rights and Fundamental Freedoms. This convention guarantees
periodic reviews in which the necessity for continued imprisonment can be evaluated.

Likewise, there have been conflicts between popular votes on naturalization and the call by foreign-born individuals for fair and transparent treatment, and the opportunity to appeal naturalization decisions. Some observers have argued that the current naturalization procedure fails to conform to the standard of human rights set out in the constitution. The Federal Supreme Court decided in 2003 that naturalization procedures previously established by popular vote were unconstitutional, since they violated constitutional norms of non-discrimination and the right to a lawful legal procedure.

The ban on the construction of minarets, approved in a popular vote in 2009, represents a particularly problematic decision. The basic claim of proponents was that minarets signify the potential aggression and power claims of Islam, which need to be suppressed as a strategy for keeping the peace. However, it is evident that the popular initiative was clearly aimed against Islam and the Islamization of Europe. Legal scholars tend to argue that the decision violates the freedom of worship and the non-discrimination rule.

The major underlying problem is the claim by many political actors that the people have an unrestricted right to decide any matter through popular vote. This conflicts with the basic rule of any liberal democracy that there are limitations to the will of the majority, such as human rights standards and protections for minorities. Switzerland’s public debate on the limits to majority rule (through popular vote) shows little cognizance of these traditional limitations to majoritarian rule. This has become very obvious in recent debates over the conflicts between international law and Swiss citizens’ decision-making rights in popular votes. Although anxiety over the ebbing of popular sovereignty extends beyond conservatives, this latter group in particular feels uneasy with the internationalization of law and some recent interpretations of human rights that have been made by professional lawyers. In the right-populist and conservative view, the internationalization of law and international court decisions against the results of Swiss referenda contradict Switzerland’s legislative culture, which is characterized by the principle of subsidiarity and guided by the idea that popular decisions have the highest degree of legitimacy. Consequently, in the summer of 2016, the country’s strongest political party, the Swiss People’s Party, had collected a sufficient number of signatures for an initiative that aims at giving federal law precedence over international law; this initiative will be decided upon in the near future.

Switzerland is in many ways a role model for the exercise and protection of political liberties. However, the November 2009 adoption of a ban on
constructing new minarets must be considered a serious political signal against the right to freely worship, even if, in practice, the law means little for the free exercise of religion. Before the decision, there were only four minarets in Switzerland.

In Switzerland, constitutional law and a consociational political system ensure the autonomy, freedom from discrimination and rights to political participation of Swiss linguistic, ethnic and religious minorities. Article 8 of the country’s constitution states: “Nobody shall suffer discrimination, particularly on grounds of origin, race, sex, age, language, social position, lifestyle, philosophical or political convictions, or because of a corporal or mental disability. Men and women have equal rights.”

Nonetheless, a number of problems with regard to discrimination exist. The sheer size of the foreign population and its contribution to the wealth of the nation brings up the question of whether withholding political rights such as voting from this population might be regarded as an indefensible variety of discrimination. However, Switzerland’s conception of non-citizen voting rights is similar to that of other Western democracies, and undoubtedly protects the civil and human rights of foreigners without any discrimination. The Swiss People’s Party, currently the strongest party in the country, has repeatedly resorted to openly xenophobic discourse. Although gender-based discrimination is illegal, women continue to face considerable economic and social discrimination with regard to wage equality and equal career opportunities.

Social discrimination in higher education persists, as it does not attract political attention. Children with weak socioeconomic backgrounds have considerably lower chances of gaining access to higher education, and little progress has been made in the last decades.

Rule of Law

Switzerland’s federal government and administration act predictably. This predictability is partially reduced by the very pragmatic administrative culture at the cantonal and local levels. The country’s division into small administrative districts, the tradition of decentralized local government and a partially non-professional administration system (“Milizverwaltung,” militia administration, referencing the non-professional army) provide for a substantial amount of leeway in Switzerland’s public administration activity. The pragmatic administrative culture ensures flexibility and efficiency on the one hand, but reduces legal certainty on the other.

The Swiss judicial system is guided by professional norms without political interference. The judicial system is based on professional training, though a
mixture of lay and professionally trained judges serve at the local level in many cantons. Decisions by these judges are subject to review by higher professional courts. The Swiss judicial system varies substantially between cantons. This is due to Swiss federalism, which gives cantons great leeway in cantonal lawmaking and hence also in cantonal administration of justice. This also includes variations in the rules and examinations with regard to lawyers’ admission to the bar.

The judges of the Federal Supreme Court are elected for a period of six years in a joint session of both chambers of parliament, with approval requiring a majority of those voting. A parliamentary commission prepares the elections by screening the candidates. Unwritten rules stipulate a nearly proportional representation of the political parties then in parliament. By tradition, judges voluntarily pay part of their salary to the political party to which they are affiliated. This is considered a tax on their salary, which they would not have without the support of their party. In 2017, a committee of the Council of Europe criticized this arrangement and recommended: “the system should be backed up by safeguards to ensure the quality and objectivity of the recruitment of federal judges. Once judges have been elected it is important to sever the ties with the political powers by doing away with the practice whereby judges pay part of their salary to their party.” (GRECO 2017:4)

Another unwritten rule demands representation of the various linguistic regions. There is no special majority requirement.

Citation:

Corruption in Switzerland is rare according to international rankings. Indeed, Switzerland is consistently rated as being among the most successful countries with respect to corruption prevention. It is governed by the rule of law, offers high wages to public officials, and is based on a decentralized democracy with parties that efficiently control and audit public officials.

However, there are opportunities and incentives for political and societal elites to abuse their position for private interests. This is due to the country’s small size and the correspondingly small number of persons interacting in elite positions; to the culture of amicable agreement; and to the very pragmatic problem-solving culture. In addition, holders of elite positions know that they are highly likely to meet again in the future (and probably in different roles). This creates opportunities for the creation of broad informal networks, a reluctance to engage in close mutual surveillance and incentives for the non-observance of formal rules.
Given the considerable overlap between economic and political elites, critics such as the Swiss office of Transparency International have pointed to processes in which politicians’ economic interests may influence their decisions in parliament.
Governance

I. Executive Capacity

Strategic Capacity

Strategic planning is not given significant weight in Switzerland. It is further rendered difficult by the fact that the country has a quasi-presidential political system (meaning the government cannot be voted out of office by the parliament) with a collegial government, a strong non-professional element, a consociational decision-making structure, a strong corporatist relationship between a weak federal state and outside interest organizations, and considerable uncertainty deriving from the system of direct democracy.

The Swiss government is not strictly speaking a parliamentary government, and does not have a policy agenda comparable to a “normal” parliamentary government. Furthermore, all seven members of the government have equal rights and powers; there is no prime minister. The president of the government is primus inter pares. He or she is not leader of the government in the sense of a prime minister.

Strategic planning is the task of the Federal Chancellery, the central coordinating body of the Federal Administration. With the new chancellor, Walter Turnheer, elected in 2016, strategic planning has been given more weight as part of the new public management model implemented in the Federal Administration. In 2018, an overall strategic outlook of Swiss policymaking will be published.

In the Swiss political system, the drafting of bills takes place primarily within extra-parliamentary and parliamentary committees. As of November 2017, 119 of these extra-parliamentary committee existed, with government-selected members that included academics, representatives of interest groups and parties, individuals with particular expertise and other such experts. While there are multiple criteria for selecting members, the government seeks a balanced representation of language groups, political parties and ideologies...
and other societal interests. Academics are selected on the basis of academic profile, but their allegiance to political parties or other societal interests may also be taken into account.

Thus, while expert commissions and their members do have a dominant influence on governmental decision-making, the influence of academics per se is much more limited than is the influence of the politically constituted groups as a whole. In addition, the share of academics on these commissions is rather limited, amounting to about 11% of all seats. However, the combined total of academics and high-level federal and canton civil servants (who usually have academic training) accounts for about half of all commission seats.

In Switzerland, public policies are regularly assessed by evaluators who have had academic training. According to a recent study (Pleger et al. 2016), about 50% of these evaluators felt influenced or pressured by stakeholders; about the same level as in the United States, but considerably less than in Germany and the United Kingdom (about 80%). This finding underscores the importance of evaluations for policymaking. A large-scale cooperative research project concluded that policy evaluations not only play an important role for policymaking in the executive-administrative nexus but also contribute to decision-making in parliament and to a lesser degree in direct-democratic decision-making (Sager et al. 2017; Sager 2017).

Citation:


**Interministerial Coordination**

The Swiss political system does not have a prime minister or a prime minister’s office. The government is a collegial body. However, there are several instruments of interministerial coordination and various mechanisms by which ministries’ draft bills are evaluated. Departments engage in a formal process of consultation when drafting proposals, the Department of Justice provides legal evaluations of draft bills, and the Federal Chancellery and Federal Council provide political coordination.

Due to the double role of the Federal Council as a collegial unit with the task
of producing widely acceptable proposals, and individual federal councilors as heads of departments with the task of satisfying their parties’ programs and their department policies, coordination becomes more difficult with the increasing political polarization between government parties.

There is no prime minister in Switzerland. The Federal Chancellery manages and prepares the agenda of the Federal Council, and can return items and postpone consideration of political issues if they are deemed to conflict with other policies.

Switzerland’s government consists of only seven ministries, each of which has a broad area of competency and is responsible for a large variety of issues. There are no line ministries. However, there are federal offices and institutions connected to the various ministries. These work closely with the minister responsible for their group. Since ministers must achieve a large majority on the Federal Council in order to win success for a proposal, there is strong coordination between offices. Indeed, political coordination among the high ranks of the administration can be rather intense, although the limited capacity and time of the Federal Council members, as well as their diverging interests, create practical bottlenecks.

Not surprisingly, given the small number of ministries, there are no cabinet committees in Switzerland’s political system. However, there is considerable coordination, delegation and communication at the lower level of the federal government. Every minister is in a sense already a “ministerial committee,” representing the coordination of a large number of cooperating departmental units.

The federal government deliberates behind closed doors, and minutes of these meetings are not public. A leading expert on government decision processes has estimated that in most decision-making processes, “either the preliminary procedure or the co-reporting procedure leads to an agreement.” The preliminary procedure consists of interministerial consultations at the level of the federal departments. After the departments have been consulted, the co-reporting procedure begins. The Federal Chancellery leads the process by submitting the proposal under consideration as prepared by the ministry responsible to all other ministries. These then have the opportunity to submit a report or express an opinion. A process of discussion and coordination ensues, designed to eliminate all or most differences before the proposal is discussed by the Federal Council.

Two instruments, the large and the small co-reporting procedures, are specifically designed to coordinate policy proposals between the ministries. These processes invite the ministries to take positions on political issues. The co-reporting procedure is largely a process of negative coordination, which highlights incompatibilities with other policies but does not systematically
scrutinize the potential for synergy.

Given the small size of the federal administration and the country’s tradition of informal coordination, there is a continuing presence of strong and effective informal coordination. Informal coordination not only takes place among administrative units in the seven departments, but also between the respective administrations at the different federal levels (Mavrot and Sager 2017).

Citation:

**Evidence-based Instruments**

There is no formal institution responsible for ex-ante impact assessment in Switzerland. Article 170 of the constitution states that “(t)he federal parliament shall ensure that the efficacy of measures taken by the confederation is evaluated.” In some ministries such as the Department of Economic Affairs, individual units occasionally perform ex-ante impact assessments. Furthermore, ex-ante evaluations by the administration always include checks for consistency with existing law (performed by the Department of Justice), compatibility with EU regulations, and if necessary, analyze budget implications, probable administrative costs and personnel requirements. Ex-post evaluations have also been strongly developed; however, it is unclear whether the results of these analyses have any substantial effect on implementation.

In a recent study, the authors argue that “the meager impact and success of the RIA is due to its institutional context, namely Swiss semi-direct referendum democracy. Direct democratic involvement and the division of power in the course of consensual government are both great barriers for effective policy appraisal” (Sager/Rissi 2011).

Beyond these processes, functional equivalents of impact assessments do exist. First, expert commissions that draft or suggest laws also evaluate alternatives, while examining the potential impacts, benefits and problems associated with proposed solutions. Second, and probably more important, is the so-called consultation procedure derived from Article 147 of the constitution. This article stipulates that “the cantons, the political parties and the interested circles shall be heard in the course of the preparation of important legislation and other projects of substantial impact, and on important international treaties.” As a consequence, all those who are affected by a planned law have a constitutional right to give their opinion as to its pros and cons.

From a comparative perspective, Switzerland was a relative latecomer to
performance-management policies, as were Germany and Austria. It was only in 2011 that the federal administration decided to implement some form of performance management on a consistent basis.

In 2016, a report by the Federal Audit Office criticized RIA praxis in Switzerland arguing that it did not fully comply with the formal requirements for RIA (EFK 2016). This critique led to a political debate about whether the Federal Administration had deliberately misinformed the parliament. In the course of this debate, the widespread neglect of RIA by politicians was largely ignored (Sager 2017).

Citation:


While stakeholder participation in regulatory impact assessment (RIA) procedures is a particularly strong point in Switzerland, communications processes vary between regions and policy fields. For in-depth RIA, an extended version of standard RIA, Rissi and Sager (2013) shave how procedural assessments used to be the most prominent form of RIA utilization in Switzerland. RIA are often outsourced to independent research companies, though this does not affect utilization. In the course of the debate about the Federal Audit Office report on the quality of RIA, an independent Regulation Assessment Unit was demanded by some politicians. However, the proposal is yet to be made concrete.

Citation:

The government conducts effective sustainability checks within the framework of RIA. Given the decentralized political and administrative system of Switzerland, however, they are only used in few departments.

The Federal Office for Spatial Development uses the Sustainability Impact Assessment (Nachhaltigkeitsbeurteilung NHB) and the Federal Office for the Environment uses the Economic Impact Assessment (Volkswirtschaftliche Beurteilung VOB). There is no social impact assessment at the federal level.
Societal Consultation

Within Switzerland’s corporatist system there are numerous pre-parliamentary procedures and committees focused on consultation with various societal groups. These instruments are designed to prevent government proposals from failing in parliament or in referenda, and to offer solutions that benefit all parties. However, research shows that the degree of corporatist integration has declined in recent years. This is in part attributable to the growing intensity of conflicts between the social partners, as well to the influence of EU integration and internationalization. In addition, lobbying and pluralist pressure-group politics have gained in importance. If judged from a comparative perspective, the level of corporatist integration remains very high in Switzerland, but from a historical perspective it is low. In any case, direct democracy offers interest groups major influence by threatening to trigger a referendum. This offers strong incentives for political elites to incorporate major interest groups in policy development.

Policy Communication

Switzerland’s government acts as a collegial body. All members of the government have to defend the government’s decisions, irrespective of their own opinion. However, in the 2003 to 2007 period, when the Swiss People’s Party’s (SVP) Christoph Blocher participated in government, communication was less coherent than before and afterward, and the country’s politics moved in a more populist, aggressive and confrontational direction. Although the current government is much more consistent in its public statements, coherence has not yet returned to the level reached in the 1970s through the 1990s. The new government elected by parliament in December 2015 includes two SVP members who will have little incentive to increase communication coherence. The following factors have contributed to this decline in the coherence of government policy communications:

- the structure of the collegiate body itself, which makes it difficult to speak with one voice in the mass media age;
- political polarization, even among the members of the broad coalition government;
- the systematic distortion of the Federal Council’s communication leaks on the part of some aggressive media outlets; and
- the Federal Council’s lack of authority or capacity to punish and deter communication leaks, and its inability to manage its communication policy effectively.
Implementation

The Swiss polity contains many different potential veto points, including political parties, cantons that have veto power in the second chamber, and interest groups with the power to trigger a referendum. Thus, the government must hammer out compromises carefully when drafting legislation. This is done in the pre-parliamentary stage of legislation. Once a bill is introduced into parliament, many of the necessary compromises have already been reached. For this reason, a substantial number of bills are passed in parliament without being modified.

Government in Switzerland is not (primarily) party-driven. Ministers are expected to work together as a collegium, and to abstain from any politics or policies that benefit their party or themselves as individual politicians. In general, this worked quite well so long as all members of government felt bound by the rules of collegiality. In recent years, due to growing political polarization and an attack on consociational politics by the right-populist party, there have been some deviations from this course. However, even in periods of polarized politics, the Swiss government and its policy implementation is much less driven by the interests of individual politicians or parties than is typically the case for parliamentary governments. In the current review period, ministerial compliance and cooperation were much more pronounced than between 2003 and 2007.

In the Swiss federal system, implementation is first the task of the cantons and even the municipalities. Implementation therefore must be seen as a multilevel process. Implementation varies among the cantons, and is determined by political party government composition, policy pressures and bureaucratic preferences at the cantonal level (Sager and Thomann 2016).

Citation:

Switzerland’s government features neither a prime minister’s office nor line ministries, but does offer functional equivalents. Given the rule of collegiality and the consociational decision-making style, as well as the high level of cooperation at lower levels of the federal administration, there is little leeway for significant deviation from the government line. Monitoring is built into the cooperative process of policy formulation and implementation.

Switzerland’s governance system offers considerable flexibility in implementing decisions. The central administration is very small; this does not prevent bureaucratic drift, but in all likelihood the opportunities for such drift are much smaller than in huge administrations.
A number of factors mitigate for close coordination between the federal government and the federal administration. The country’s direct democracy means that citizens have the ability to limit the maneuvering room of both government and administration. In the collegial governmental system, coordination is essential to success, and government and administration alike depend on efficient collaboration given the reality of parliamentary control. There is little evidence of an administrative class that acts on its own; moreover, administrative elites perceive themselves to be politically neutral.

Furthermore, Switzerland’s system is not characterized by a unitary federalism such as in Germany. Rather, it resembles the federalism of the United States. This implies that cantons have considerable responsibility for implementing policy, while the federal state has a subsidiary role. According to Article 3 of the constitution: “The cantons are sovereign insofar as their sovereignty is not limited by the federal constitution; they shall exercise all rights which are not transferred to the confederation.” Even in areas in which the federal state has tasks and powers, such as social insurance, environmental protection or zoning, implementation is carried out by the cantonal and sometimes municipal administrations. These bodies have considerable flexibility in performing their work, and implementation of federal guidelines frequently varies substantially between cantons. Zoning policy has offered examples in which the same federal regulation has led to opposite outcomes in different cantons. In addition, much implementation is carried out by interest organizations though the corporatist channel.

A 2016 study by Fritz Sager and Eva Thomann on cantonal asylum policies showed that implementation was mainly dependent on the extent of the problem, politicization and partisan power distribution in the respective canton as well as the previous policy. This analysis allows for many different constellations, which can explain the large variation in cantonal implementation of federal laws.

Citation:

In Switzerland, cantons and municipalities levy most of the country’s tax revenues. They determine local tax rates and decide how tax revenues will be distributed. Between 2004 and 2007, Switzerland passed a rather successful reform of its financial federalism, which has now taken effect. The basic idea was to establish a clear division of tasks between the federation and the cantons, and create transparency with regard to the flow of resources between
the federal state and the cantons. In this reform, the basic principle of fiscal equivalence was strengthened. This means that communes, cantons and the federation each are responsible for the funding of their own tasks, and for the balance of their own budgets. The fiscal equalization scheme has been retained, as it is necessary to reduce certain geographical, economic and social disparities, but the danger of providing badly aligned incentives through earmarked subsidies is eliminated through the use of grants. Funds thus continue to flow vertically (from the federal state to the cantons and vice versa) as well as horizontally (between communes and cantons). Nonetheless, it remains to be seen whether the new fiscal equalization scheme will help cantons that have serious problems in fulfilling their tasks or in meeting their goals due to their small size, lack of resources, or other reasons. In any case, there is a divide between those cantons that pay more and those receiving payments.

Municipalities and cantons have a high degree of autonomy, while the federation has only a subsidiary role. The central government has little opportunity to counter decisions made by cantonal parliaments or governments. Municipal discretion in policymaking is a constitutional norm. Article 50 of the constitution states: “(1) The autonomy of the municipalities is guaranteed within the limits fixed by cantonal law. (2) In its activity, the confederation shall take into account the possible consequences for the municipalities. (3) In particular, it shall take into account the special situation of cities, agglomerations and mountainous regions.” The municipalities and cantons make use of their competences to the maximum extent possible.

The Swiss political system is one of the most decentralized systems in the world. Cantons and municipalities enjoy very substantial autonomy. Within the scope of their quite significant competencies, it is up to the cantons and municipalities to decide what public services they want to offer, to what extent and at what level of quality. Therefore, there are no national standards for public services except with regard to those limited parts of the administration that implement federal law. However, all public services have to comply with the rule of the law and the human rights set out in the constitution. A comparatively small number of issues (i.e., social policies) are decided at the federal level, and are thus subject to national standards. In these cases, federal laws are implemented by cantonal administrations, which have to follow national norms.

Multilateral agreements between some or all cantons (“Konkordate”) for common standards of public services can be seen as a functional equivalent to national policy standards.
Adaptability

Switzerland directly implements international treaties which today account for about half of the federal legislation. Whenever Switzerland agrees to cooperate with other countries or international organizations, it attempts to meet all the requirements of the agreement, including implementation of the necessary administrative reforms.

With regard to the European Union, however, the adaptation is idiosyncratic. On the one hand, the government cannot develop institutional mechanisms with Brussels, as most Swiss do not want to join the European Union and have expressed in several referenda their skepticism toward the European Union. On the other hand, adaptations to EU law reach beyond these treaties and comprise also large parts of (domestic) economic law. The strategy of bilateral treaties has been placed in jeopardy following the passage of the popular initiative capping mass immigration. The parliament solved the problem by paying lip-service to the constitutional amendment while drafting an implementation law that does not correspond to the wording and the spirit of the popular decision (“implementation light”). Moreover, there are serious concerns as to whether the “strategy of bilaterals” is sufficient or sustainable. Conflicts between the European Union and Switzerland have escalated since 2012, with the European Union demanding that institutional solutions be developed to address the bilateral system’s weaknesses. Specifically, the European Union has called for self-executing rules enabling bilateral treaties to be updated as well as independent institutions for the settlement of conflicts arising from the bilateral treaties. Switzerland has opposed these proposals. There is strong domestic opposition against any such institutional framework agreement, while the European Union is not willing to continue the previous case-by-case updating of bilateral agreements nor the limited adjudication of conflicts by a joint committee of the European Union and Switzerland. In addition, the uncertainty regarding the implementation of a constitutional rule capping immigration – which violates treaties between the European Union and Switzerland – prevented a swift development of new institutional rules. After the “implementation light,” by fall 2017 the relationship between the European Union and Switzerland seems to have strengthened or at least become more cordial. With regard to the new institutional framework, the newly elected foreign minister pleased right-wing politicians with the announcement that the government would press the “reset” button, while leaving open what that may mean. In any case, this new institutional agreement will meet strong opposition and the leader of the right-populist party has already declared that this would be the battle of his life.
Switzerland is a fairly active member of the United Nations, the IMF, the Organization for Security and Cooperation in Europe (OSCE), the Council of Europe and most of the other important international organizations. Swiss foreign economic policy works actively to defend the interests of its export-oriented economy, as for instance in the context of the WTO.

The policy of neutrality and the objective of safeguarding national autonomy set clear limits to the country’s international engagement in the past, however, and direct democracy further reduced the scope of action in international affairs. During the growing polarization witnessed in Swiss politics over the past 20 years, together with the associated decline in consociational patterns of behavior, right-wing politicians have emphasized the notion of a small, neutral and independent nation-state surviving on the basis of smart strategies in a potentially hostile environment. Large portions of the population support these ideas. Popular skepticism toward European integration has mounted over the course of the last years. Nonetheless, it would be wrong to repeat the cliché of Switzerland as a solitary lone wolf, as there have been various attempts to contribute to international cooperative ventures. However, the country concentrates its efforts in areas where it can realistically have some influence, such as economic matters or technical organizations dealing with issues such as transport, ecology or development. This said, there is a clear gap between the government’s stated goals in terms of international cooperation and the resources – institutional or otherwise – that it has at its disposal for these tasks.

Organizational Reform

Self-monitoring takes place as a part of the political process, which includes a large number of private and public actors. It is not institutionalized outside the context of the evaluation of policies (as by implication, policy evaluation leads indirectly to the monitoring of the institutional framework for these policies). Evaluation activity in Switzerland is high and evaluations form an important part in political life in Switzerland (Sager et al. 2017).

The federal government has sought to improve its institutional arrangements through the adoption of new administrative techniques (specifically, new public management practices) and a number of other organizational changes. However, whenever the central government has sought to engage in substantial change through institutional reform (e.g., through reorganization of the Federal Council and the collegiate system), it has met with resistance on
the part of the public and the cantons, which do not want more resources or powers to go to the federal level. This has limited the range of feasible institutional reforms.

While the basic structures of federalism and direct democracy are very robust, and direct democracy provides incentives for political parties to cooperate within the context of power-sharing structures, lower-level government structures are subject to constant change. Recent examples of such change have affected parliamentary practices, fiscal federalism and the judicial system, canton- and communal-level electoral systems, communal organization and public management. Nevertheless, one of the most important reforms, the reorganization of the Federal Council and its collegiate system, has failed despite several attempts. While the Federal Council is not prone to institutional reforms, the administrative body undertakes reforms quite frequently, not least as a substitute for a lack of government reforms.

II. Executive Accountability

Citizens’ Participatory Competence

There is some debate as to whether citizens are well informed in Switzerland. One of the first studies on the issue, based on surveys conducted after popular votes, found that only one out of six voters had a high level of policy knowledge. Studies based on larger data sets and relating to more recent data have showed that about 50% of citizens have good knowledge on public policy issues (i.e., they know the issue at hand and can provide reasons for their decisions). A recent study concluded that roughly equal shares of the citizenry lack civic competences, have medium competence and have a high level of competence. The voting behavior in the tax reform of 2017 showed the power of “no-heuristics.” In cases where the public feel insufficiently informed they vote against change. Three-quarters of respondents said they had difficulties understanding the proposal (which was of eminent importance to the economy) and a third of those who voted “no” explained their vote by their lack of knowledge (VOTO 2017, Kriesi 2005b). Another important explanatory variable for public knowledge of the content of a bill, participation and voting behavior is the intensity of the campaign around a given issue.

Another recent study found that just 42% of Swiss citizens knew how many parties were in the government (which at the time of the survey had not
changed during the previous five decades). Moreover, 36% knew how many signatures were needed to trigger a referendum, and about 45% knew the number of EU member states.

In a 2007 comparative study titled “Citizenship and Involvement in Europe,” Swiss citizens scored at the same level as their counterparts in the Netherlands, Denmark and Norway with regard to the importance attributed to politics and interest in politics in general. These four countries demonstrated the highest scores among the 11 countries under study. In another recent study on political interest and sophistication, Switzerland ranked in sixth place (behind Denmark, the Netherlands, Sweden, Norway and Germany) among the 21 European countries examined in the European Social Survey. An analysis in 2005 showed that citizens are relatively well informed and rational when making decisions in direct-democratic votes (Kriesi 2005a). Either they consider arguments and counterarguments, or rely on reasonable heuristics. One of these heuristics is the “no-heuristic” (i.e., when the public are in doubt they tend to vote against the respective proposal). Thus, in general it seems fair to say that Swiss citizens are as well informed about policies as citizens in other mature and wealthy democracies.

There are, however, limitations to this cue-taking as an effective means of political decision-making. For example, since 2014 a large share of citizens believe claims by right-populist politicians that the European Union is so invested in Switzerland, that it must renegotiate the bilateral agreements to allow for the constitutional amendment limiting immigration. Based on this argument, a majority of citizens supported the new constitutional amendment. From the very beginning, however, the European Union made clear that it would not enter negotiations over the free movement of labor. Hence, limited political knowledge on the part of citizens, common to all democracies, and ideological contentions by political elites, used as reliable cues by knowledge-poor citizens, may lead to political cul-de-sac situations in a direct democracy.

Citation:


Legislative Actors’ Resources

The Swiss parliament is not broadly professionalized. Officially, it is still a militia parliament, meaning that legislators serve alongside their regular jobs. However, this is far from reality. Almost 90% of members use more than a third of their working time for their political roles. Legislators’ incomes have also been increased over time. On average, the various components of remuneration total more than CHF 100,000 annually (about €85,000). However, legislators do not have personal staffs, and the parliamentary services division offers only very limited research services, though legislators do have access to the parliamentary library. Thus, in comparative perspective, member of parliament resources are very limited.

Parliamentary committees, as well as members of parliament, have access to government documents and receive copies of these promptly upon request. Legislators have also electronic access to the majority of government documents.

Parliamentary committees can summon ministers for hearings. Formally, this request is not binding. However, for political reasons, ministers typically respond to these requests, and answer the committees’ questions.

Parliamentary committees are free to invite experts to provide testimony at hearings.

The Swiss government has only seven ministries, and all attempts to enlarge this number has failed due to political opposition within parliament. Hence, most of the seven ministries have responsibility for many more issue areas than in other democracies. Both the first and the second parliamentary chambers have nine committees dealing with legislation and two committees with oversight functions (such as the Finance Committee, which supervises the confederation’s financial management). Four other committees have additional tasks (such as the Drafting Committee, which checks the wording of bills and legal texts before final votes). Thus, the task areas of the parliamentary committees do not correspond closely to the task areas of the ministries. Nonetheless, this does not indicate that the committees are not able to monitor the ministries.

Switzerland’s Audit Office is an independent and autonomous body. It supports the Federal Assembly and the Federal Council through the production of analyses and reports. The chairman of the Audit Office is elected by the Federal Council; this election has to be confirmed by the Federal Assembly. In administrative terms, the Audit Office falls under the authority of the Department of Finance.

There is no ombuds office at the federal level in Switzerland. Some cantonal administrations do have an ombuds office, however.
Media

Radio and TV programs are of high quality in Switzerland. With very few exceptions, radio reports are reliable and analyses performed on an independent basis in a professional way. Some television programs are trending toward infotainment and the personalization of politics.

Parties and Interest Associations

Party decisions and party lists are formally produced at conventions of party members or delegates. A 1999 analysis of local party organizations found that Swiss parties – with the exception of the Green party – prioritized party leaders’ strategic capabilities over membership participation. This tendency has increased in recent years.

However, these oligarchic tendencies are arguably not the primary problem with regard to inclusion in Swiss parties. The decline in party membership and party identification – particularly in the case of the Radical and Christian Democratic parties – along with the low level of party resources, may be even greater problems since party decisions are being made by an increasingly shrinking active party membership base.

Employers’ organizations and trade unions in Switzerland are pragmatic and avoid rigidly ideological stances. Of course, the major interest organizations do have their ideologies, but this does not prevent them from entering rational discussions with other organizations and political parties. Furthermore, interest organizations in general have access to more substantial professional resources and often have a better-informed view of problems than do political parties. Thus, despite the defense of their own interests, associations often provide better policy proposals than do parties.

The influence of employers’ organizations has declined as single firms or small groups have elected to engage in their own lobbying activities. Internal differences have also split these organizations.

Noneconomic interest groups are very heterogeneous in Switzerland. Some, such as environmental groups, undertake cooperative efforts with academic bodies, offer reasonable proposals and feature considerable capacity for political mobilization.
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