

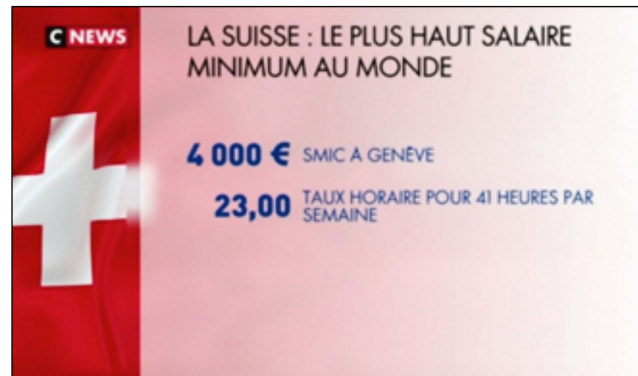
Cantonal initiative in Geneva

Minimum salary of CHF 4000: a risky "Genevoiserie"

It could trigger a snowball effect in other cantons and at the federal level.

by Rémy Delalande, political and economic affairs specialist

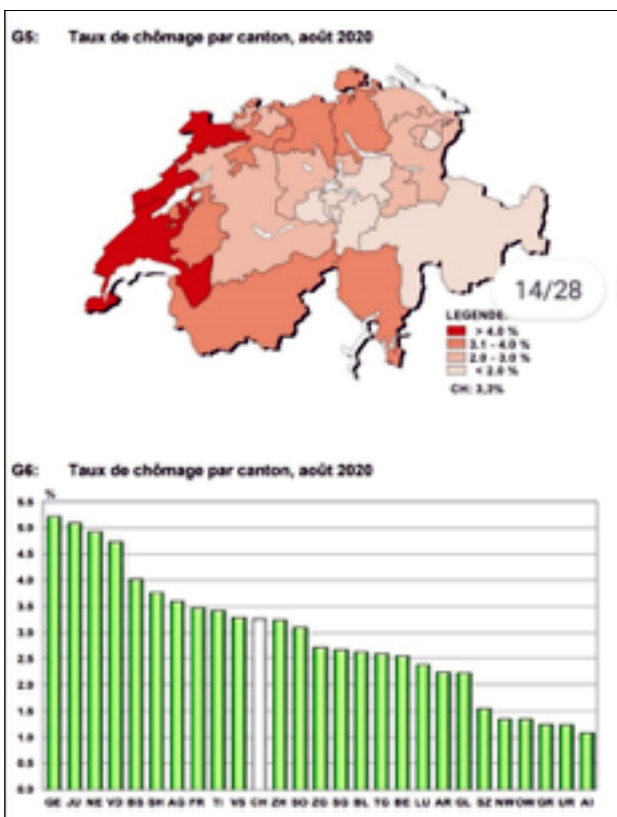
The Geneva minimum wage of 4,000 euros provoked the astonished outburst of laughter of Parisian journalists commenting it on the TV channel CNews (see illustration 1): No, this is not a Swiss joke but rather a "Genevoiserie". Whose fault is it? The failure to adapt collective bargaining agreements? The failure to address unregulated workers contracts? What are the risks of a spillover effect in other cantons or at the federal level?



A bogus Pyrrhus victory

The international media coverage of the cantonal popular initiative for a minimum hourly wage of 23 Swiss francs (or 4000 frs monthly) initiated by the trade unions and adopted by more than 58% of Geneva voters on September 27, 2020 was naturally welcomed by the mainstream media as a formidable sign of social progress, especially for women. But in reality, this may well reinforce the troublesome vacuum effect over the 100,000 French workers commuting every day to Geneva from the nearby

regions of Ain and Haute-Savoie (1/3 of all foreign cross-border commuters in Switzerland) and thus make the living of domestic workers even more precarious. This concerns particularly young unqualified apprentices and senior workers (aged 50 and over), no longer employable as they face fierce competition from cheaper and well-qualified cross-border labour. Mauro Poggia, Geneva Labour Minister warns that the average qualified salary in neighbouring France is 1500 euros, as his dire concerns over domestic workers' increased precariousness sound more like a helpless scream rather than a call for hope (see image below), knowing that the number of vacancies in Switzerland has already dropped by 27% this year.



According to the latest economic forecasts of the Swiss Secretariat for Economic Affairs (SECO), Swiss GDP is expected to fall by almost 7% in the current year, yet only half of that of France (-14%) where 86,000 catering jobs have already been lost and 30,000 more a yet to come. The current recession, the most severe since 1975, has led to the use of partial unemployment for about one million people in Switzerland. The Swiss unemployment rate, which reached 3.4% in May, is set to rise further (which does not include workers dropping out of unemployment benefits, those failing to register, and those on cantonal social welfare). It is therefore utopian to expect a rapid return to the previous rate of growth.

The massive spill over of laid off French workers on foreign labour markets will therefore have serious consequences, knowing that more Swiss are unemployed (55%) than their foreign coun-

terparts (CH). The border cantons are particularly affected, with cross-border workers now coming from further regions afar. Unfortunately, the Swiss Senate rejected a parliamentary motion by Senator Thomas Minder to reduce domestic unemployment in times of economic crisis related to Covid-19.

**Weakening of the "Rhine model"
of collective bargaining towards
a French-style trade union confrontation**

Questioned by the Swiss TV Broadcast the day after the vote, Mauro Poggia, in charge of Geneva's labour market, did not hide the fact that the implementation of the minimum wage as of next month will not be easy, as the popular initiative (legally) takes precedence over collective bargaining agreements in place. A short adaptation period will be granted so that business owners can bring themselves into compliance. Talks have already begun to determine the basis of the collective agreements that will have to be amended, but it will not be easy. This is therefore nothing less than a stab in the back of the collective bargaining agreements, and contractors will not be able to derogate from it under any circumstances, yet with a few existing exceptions for students, trainees and in particular for solidarity jobs.

Mauro Poggia already warns that some entrepreneurs will not be able to survive because their finances do not allow them to do so. Will the Geneva canton have to make up the difference or will there be forced lay-offs or reductions in working hours? It is still too early to say. Since SME finances are not unlimited, it seems obvious that wages and staffing will not be increased, contrary to what unions and voters believe. Fines for non-compliance with the minimum wage next year could be as high as 30,000 francs. It is (sadly) noticeable that Geneva takes no time implementing successful popular initiatives of the left, and does nothing for those of the right, such as limiting immigration or deporting foreign criminals, which have been barely implemented.

On the employers' side, there is much disappointment, all the more so because wages in Geneva are the highest in Switzerland, which itself ranks second in the world. 90% of Geneva's employees already have wages equivalent to or higher than those demanded by trade union initiators. Experiences with minimum wages in other countries show that a single minimum wage dictated by the state quickly becomes THE reference

Schweiz:	-8,2
Deutschland:	-10,1
Frankreich:	-13,8
Portugal:	-14,1
Italien:	-17,7
Spanien:	-18,5

wage. From then on, it pulls all wages down. Why would an employer pay more than the minimum wage? How can a vulnerable employee negotiate for a higher wage? In a changing and challenging labour market, the minimum wage paradoxically becomes an additional weakening factor for employees who are the least able to defend their working conditions. The most fragile sectors and employees will be most at risk if a minimum wage is introduced, with an increased risk of undeclared work. Employers in difficult sectors will not be able to afford to pay this minimum wage, and it is the very small businesses that will be the most affected by such a measure: bakeries, local shops, artisans, all those who make our city more lively and offer us local services.

**Is a domino effect foreseeable
in Switzerland and in the other cantons?**

The idea of trade unions and left-wing lobbies to introduce a minimum wage in Switzerland is not new. Fortunately, it had been dismissed by more than 76% of Swiss voters on May 18, 2014. At the cantonal level, Geneva becomes the fourth Swiss canton after Neuchâtel, Jura and Ticino (from 2021) to introduce a minimum wage. The canton of Vaud, for its part, had rejected it by 51% in 2011. Similar trade union initiatives are planned in other cantons, notably in Basel-City, where a cantonal popular initiative was lodged on 20 February 2019 with 4500 signatures. Its cantonal cabinet is working on a counter-proposal to defeat it.

**September 27, 2020 – a black Sunday
for collective bargaining agreements**

The fact that paternity leave was accepted by more than 60% of voters is also bad news for both the economy and employees. This result, which is contrary to the spirit of the collective bargaining agreements, is only the result of an unbelievable U-turn by the Swiss cabinet and a part of the liberal-conservative MPs, who de

facto backed the initiative of the left, while being initially against it. As the Swiss Union of Arts and Crafts (USAM) rightly points out, the supporters of the project have kept quiet about the fact that the overall costs of this new social insurance will be well over 230 million francs, representing the direct costs of paternity leave. A regulatory impact analysis carried out (by the Basel-based consulting firm BSS) on behalf of the federal government showed that indirect costs of additional day leave are two to four times higher than the direct costs. For the economy and SMEs in par-

ticular, this is by no means "bearable", contrary to what Swiss Social Insurances Minister Alain Berset told the press. Paternity leave is in fact nothing more than a gimmick that will put a strain on the loss of earnings allowances (APG) and salary contributions, whereas a more coherent organization of working hours would have been more consistent. With this convenient trick, the question of the heavy burden of family expenses and taxes, which goes well beyond two weeks, is avoided. What about the self-employed and craftsmen: nobody really cares about them.