

Press release

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KOF-NZZ survey reveals that economists are in favour of ‘AHV 21’ reforms

In August, KOF and the *Neue Zürcher Zeitung* (NZZ) newspaper surveyed economists at Swiss universities on the country’s pension system and the upcoming vote on the ‘AHV 21’ reforms and received 133 responses. A clear majority of economists are (more or less) in favour of these reforms from an economic point of view. Raising the qualifying pension age is seen by more than half of survey respondents as the most important way of improving the financial situation of the AHV.

On 25 September this year the Swiss electorate will vote on the stabilisation of the country’s old-age and survivors’ insurance scheme (AHV 21). The qualifying age for men and women is to be set at 65, which is one year higher than currently applies to women. In addition, the transition from working life to retirement is to be made more flexible, and stronger incentives are to be provided to continue working past retirement age. Value added tax is to be raised by 0.4 percentage points to 8.1 per cent, and the additional revenue is to be allocated to the AHV. The survey conducted in August 2022 asked Swiss economists whether, from an economic point of view, these reforms made sense as an overall package (qualifying age, flexibility-enhancing measures and VAT increase). 81 per cent of the economists who responded rated the reforms as (fairly) positive, 9 per cent as neutral and 9 per cent as (fairly) negative.

In 2021 the AHV received about 73 per cent of its funding from contributions from insured individuals and employers, 20 per cent from subsidies from the Swiss government, 6 per cent from revenues from value added tax and 1 per cent from other revenues. The Swiss Federal Social Insurance Office (FSIO) forecasts that, in the absence of any reforms, the AHV’s expenditure will exceed its income from 2025 onwards. One reason for this is that the old-age dependency ratio – defined as the number of individuals aged 65 and over per 100 people aged between 20 and 64 – will rise from 32 to 46 in the next 25 years according to the FSIO’s moderate scenario. Given such a scenario, which measure should predominantly be taken to bring the AHV back into financial balance? 63 per cent of the economists surveyed believe that raising the statutory retirement age is the most appropriate measure. The second and third most frequently cited measures were to increase revenues by raising federal government contributions or VAT revenues (14 per cent) or by raising payroll contributions (12 per cent). Pension cuts, on the other hand, are less up for debate.

The old-age pension scheme in Switzerland is based on both the pay-as-you-go system (basis of the first pillar, AHV) and the funded system (basis of the second pillar, pension fund). 63 per cent of the economists surveyed think that the current weightings of these two elements are almost optimal. The prevailing view among the remaining economists is that the pension fund should be strengthened at the expense of the AHV.

Minimum conversion rate and retirement age to follow automatic mechanism

In the second pillar (pension fund) the minimum conversion rate determines how much of the money saved is paid out as a pension each year once the statutory retirement age is reached. In the compulsory part this rate is 6.8 per cent and can currently only be adjusted by law. A majority of 70 per cent of the economists would be in favour of the minimum conversion rate following an automatic mechanism that would take account of factors such as life expectancy and the technical interest rate.

The retirement age is also laid down in law. In order to change this, the Young Liberals of Switzerland have launched an initiative (currently pending before parliament) calling for the retirement age to be automatically adjusted in line with the life expectancy of the Swiss resident population over time. While 59 per cent of survey respondents would agree in principle to a rules-based adjustment, 41 per cent would prefer a statutory adjustment.

SNB distributions should not be allocated to the AHV

A further initiative concerning the AHV is currently at the signature-collection stage. The SNB initiative launched by the Swiss Trade Union Federation demands that if the Swiss National Bank (SNB) makes a large distributable profit, some of it should be allocated to the AHV stabilisation fund. The distributions currently allocated to the federal government and the cantons would remain unaffected. A majority of 63 per cent of survey respondents would reject this initiative for economic reasons. 30 per cent, on the other hand, see the initiative as beneficial and 7 per cent are indifferent.

The KOF-NZZ survey of economists covers topics relevant to economic policy in Switzerland and provides a means of making the views of academic economists visible to the public. KOF's media partner in the preparation and interpretation of this survey of economists is the *Neue Zürcher Zeitung* (NZZ) newspaper. In August, KOF and the NZZ conducted a survey of the Swiss pension system and the 'AHV 21' reforms. 906 economists were contacted and responses were received from 133 economists at 17 institutions.

Further information on the KOF-NZZ survey of economists and a graphic representation of the results are available here:

<https://kof.ethz.ch/umfragen/oekonomenumfragen/oekonomenumfragen.html>

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