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Poverty in Switzerland

Results from 2007 to 2012

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Poverty in Switzerland

According to the latest findings of the Federal Statistical Office (FSO), 590,000 people in Switzerland were affected by income poverty in 2012. 130,000 of these were employed. Some 1.19 million people were at risk of poverty, and around 280,000 people showed an income-related deprivation in at least three out of nine areas of life. According to all concepts used, lone parents, persons with a low level of education and persons in households with a low level of participation in the employment market are particularly affected.

As usual in poverty research, different concepts are used to determine poverty. The absolute poverty concept ("poverty") is based on a poverty threshold amounting to the social subsistence level. This is supplemented by the international standard concept of relative poverty ("at-risk-of-poverty"). Another European indicator for measuring material deprivation is also used to record non-monetary aspects of poverty. The three approaches to collecting statistics on poverty are explained in detail in the individual sections.

In each case, particular attention is paid to the **employed population**, i.e. persons aged 18 or over who were mainly employed or self-employed by their own assessment in the year before the survey. Both full-time and part-time jobs are considered in these figures.

Poverty (absolute concept)

The **poverty rate** is based on an "absolute" threshold: people are considered as poor if they do not have the financial means to buy goods and services that are necessary for a socially integrated life. A poverty rate defined in this way is suitable as a socio-political target value as financial support for poor people or households is directly translated into a measurable reduction of poverty. The poverty line used is based on the guidelines issued by the Swiss Conference for Social Welfare (SKOS) which are widely used in Switzerland as the assessment basis for social assistance. It consists of a fixed amount to cover living expenses, individual housing costs as well as CHF 100 per month per person aged 16 or over for additional expenses.

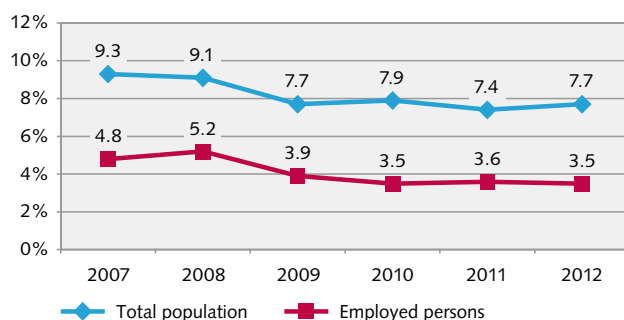
In the case of 7.7% of the population, the disposable household income¹ in 2012 was below the absolute poverty line. This means that every 13th person in Switzerland was affected by income poverty. This corresponds to approximately 590,000 persons. Compared to the previous year (7.4%), the poverty rate has not changed considerably. However, since the start of data collection in 2007, poverty in Switzerland has decreased by 1.6 percentage points. During the same period, the poverty rate among employed persons fell by 1.3 percentage points from 4.8% to 3.5% (see G 1).

¹ The disposable household income is calculated by subtracting compulsory expenditure from the gross household income. Compulsory expenditure includes social insurance contributions, taxes, basic health insurance premiums, alimony and other maintenance payments. The gross household income includes all income from all of the members of a private household (income from employment and self-employment, pensions and social transfers, income from property etc.). Any assets, however, are not included in the income.

The poverty rate reacted with some delay to the positive development on the employment market and the good economic situation in the years prior to 2009. The recession in 2009 and the temporary rise in employment that came with it, however, had no lasting influence on the trend in income poverty in Switzerland.

Evolution of the poverty rate, total population and employed persons, 2007–2012

G 1



Employed persons are defined here as persons aged 18 or over who were self-employed or employed for more than half of the months in the year before the survey (most frequent activity status).

Source: FSO, Statistics on Income and Living Conditions SILC, without imputed rent

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In 2012, the poverty line for an individual was around 2200 francs per month on average and around 4050 francs for two adults with two children (see T 1). General living costs (food, clothing, hygiene, mobility, entertainment etc.) and housing costs and insurance must be paid from this amount. However, this does not include the costs of basic health insurance as, pursuant to international standards, these are already deducted in the calculation of the disposable income.²

The income poor population can be characterised according to various sociodemographic characteristics (see G 2). The highest completed level of education is of key importance here: people without post-compulsory education are almost twice as likely to be poor as those with an upper secondary level diploma (13.9% compared to 7.3%). People with a diploma from a university or university of applied sciences were least affected by poverty (tertiary level 4.5%).

² In contrast, SKOS shows the poverty thresholds including the health insurance premiums (http://www.skos.ch/store/pdf_d/publikationen/grundlagendokumente/Armutsgrenze.pdf).

T 1 Average poverty thresholds of selected household types, 2012, in CHF per month

Household types	Basic needs	Average considered housing costs	Other expenditure	Average poverty threshold ¹ (rounded)
Individual	977	1132	100	2200
Single parent with 2 children aged under 14	1818	(1569)	100	(3500)
2 adults without children	1495	1368	200	3050
2 adults with 2 children aged under 14	2090	1745	200	4050

¹ Average national values; to calculate the poverty indicators, we use individual poverty thresholds. This amount covers basic needs, housing costs and other expenditure such as insurance premiums etc. It does not include health insurance premiums as they have already previously been deducted from income.

(x) The values in brackets are based on a small number of cases and should be interpreted with caution.

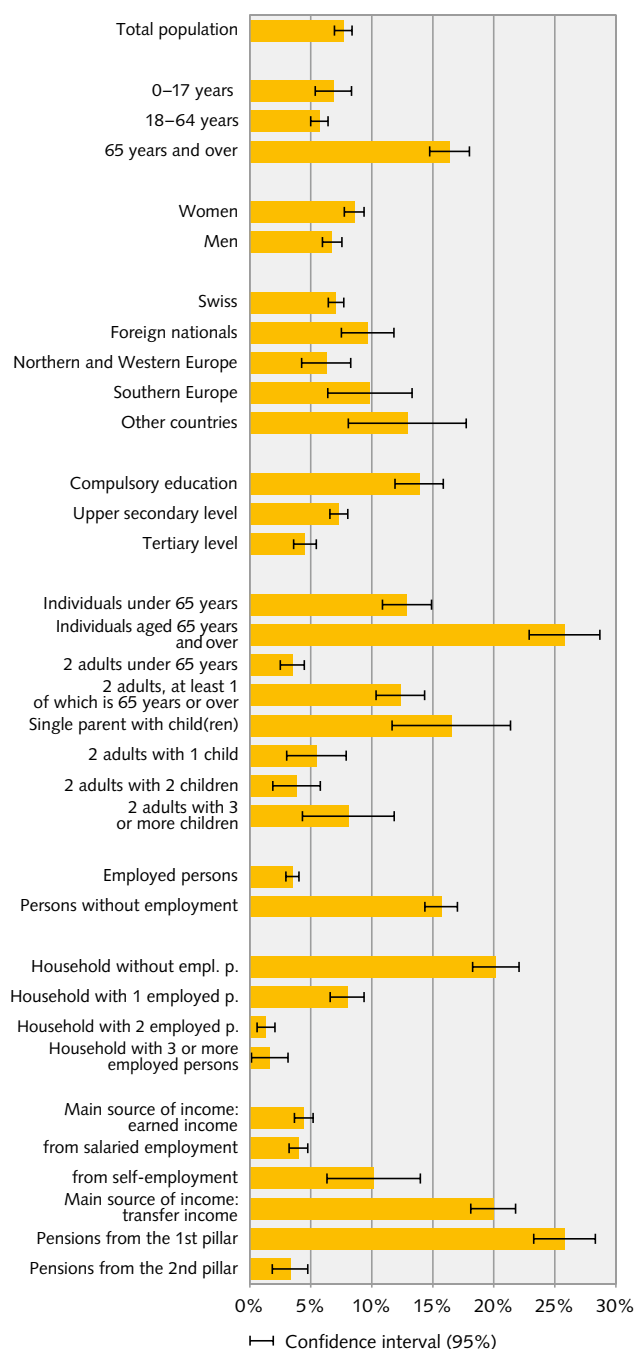
Source: FSO, Statistics on Income and Living Conditions SILC, version 14.04.2014, without imputed rent

At 8.6%, the poverty rate among women was higher than that of men (6.8%).

People aged 65 or over also showed a higher than average poverty rate (16.4%). However, it should be noted here that only income poverty is considered without any possible assets. But it is precisely people aged 65 and over who fall back more often on their financial assets in order to meet current expenditures (16.6% compared with 4.1% of people of working age). Approximately three quarters of all income poor senior citizens possess liquid assets of more than CHF 10,000, and a third possess more than CHF 100,000. Among persons aged between 18 and 64, the corresponding proportions are much lower at 40% and 10% respectively.³ The poverty rate among people of retirement age should therefore only be interpreted with caution (see analyses on material deprivation for more information, page 7).

³ These analyses were made on the basis of SILC 2011, as that year includes detailed information on assets (see also the report "Vermögenslage der privaten Haushalte – Vermögensdefinitionen, Datenlage und Datenqualität", FSO 2014, only available in German). Liquid assets are assets in bank and post office accounts as well as the value of shares, bonds, investment trusts etc (gross values).

Poverty rates according to various characteristics, 2012 G 2



These results are based on a distribution of persons; the household variables concern people living in households with these characteristics. Variables on education and the employment market are only collected for persons aged 18 or over. Persons aged under 18 years and those aged 18 to 24, economically inactive and living with their mother and/or father are considered as children. Employed persons are defined here as persons aged 18 or over who were self-employed or employed for more than half of the months in the year before the survey (most frequent activity status). Only subgroups with at least 200 observations in the sample and a confidence interval of a maximum of $\pm 10\%$ are represented.

The confidence interval enables us to determine whether the differences between two values are significant. For example: the poverty rate among men was 6.8% (± 0.8), while the rate among women was 8.6% (± 0.8). The confidence intervals of these two groups are between 6.0% and 7.6%, and 7.8% and 9.4% respectively. They therefore do not overlap. The difference observed is thus statistically significant.

Source: FSO, Statistics on Income and Living Conditions SILC, version 14.04.2014, without imputed rent

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With regard to household type, poverty is particularly common among single-parent families (16.5%). People who live alone are also more likely to be poor than the population as a whole: the poverty rate is high both among individuals aged under 65 (12.9%) and those aged 65 or over (25.8%). If a second adult person lives in the same household, persons under the age of 65, however, are not considerably more affected by poverty than average, regardless of the number of children (no children: 3.5%, 1 child: 5.5%, 2 children: 3.8%, 3 children: 8.1%).

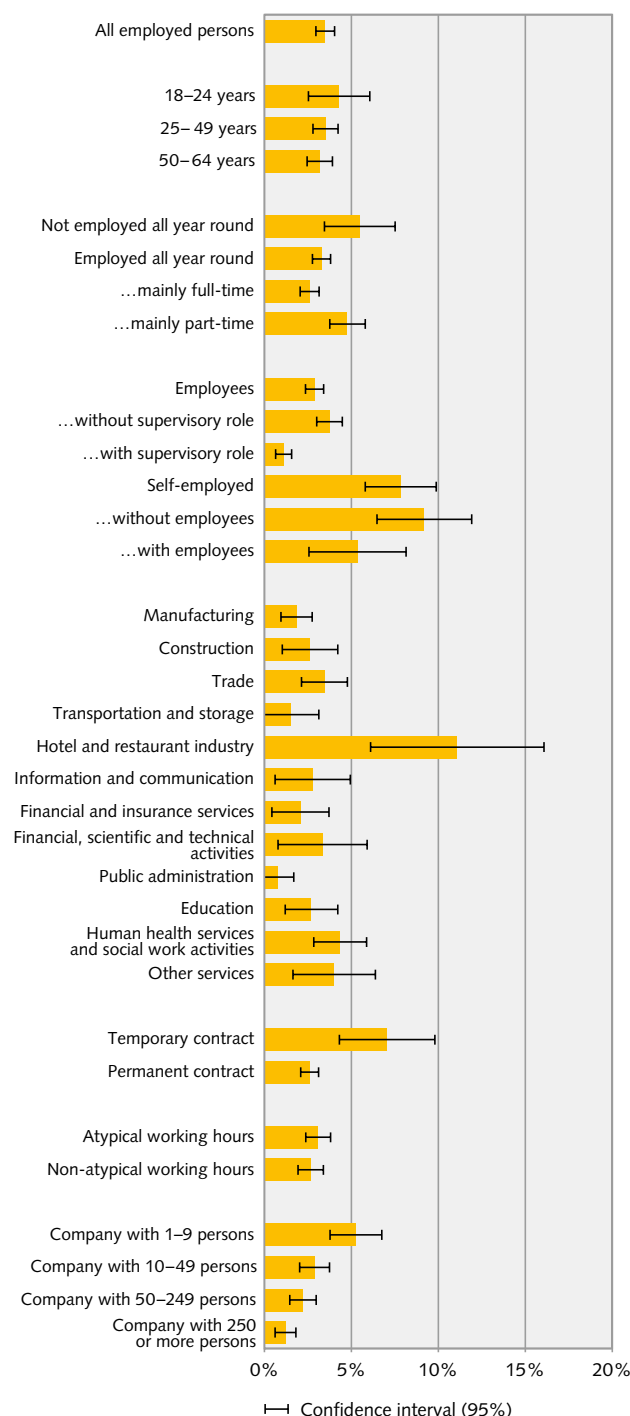
Another important factor is the participation in the employment market of adults in the household. In this way, employed persons are often far less affected by poverty (3.5%) than those who are without employment (15.7%). As can be expected, persons in households in which no single person is employed show the highest poverty rate (20.2%). Where one person in the household is employed, the poverty rate falls to 8.0% and where two people are employed, the rate decreases to 1.3%.

Persons in households that can mainly cover their living costs with earned income are relatively seldom affected by income poverty (4.4%). However, if household income is mainly comprised of social transfers, the poverty rate is clearly above average (20.0%). On examining further details, striking differences can be seen here: people receiving a main income from the 2nd pillar are far less affected by income poverty (3.3%) than those with an income that mainly comes from the 1st pillar (25.8%).

Although integration in the labour market offers effective protection from poverty, in 2012 3.5% of employed persons or 130,000 persons were affected by poverty. A closer look reveals considerable differences (see G3): persons who were employed all year round tended to be affected by poverty less often than persons who were only employed for part of the year (3.3% compared to 5.5%). A further distinction is made among those that work all year round according to their rate of occupation. Employed persons mainly working part-time are almost twice as likely to be income poor than employed persons mainly working full-time (4.8% compared to 2.6%).

Poverty rates among employed persons according to various characteristics, 2012

G 3



These results are based on a distribution of persons; the household variables concern people living in households with these characteristics. Employed persons are defined here as persons aged 18 or over who were self-employed or employed for more than half of the months in the year before the survey (most frequent activity status). Atypical working hours include working at night and at the weekend, as well as variable working hours imposed by others. Only subgroups with at least 200 observations in the sample and a confidence interval of a maximum of $\pm 10\%$ are represented.

Source: FSO, Statistics on Income and Living Conditions SILC, version 14.04.2014, without imputed rent

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Self-employed persons (7.8%) are far more likely to be poor than employed persons (2.9%). However, as the calculation of the income of self-employed persons is associated with methodological difficulties, these results should be interpreted with caution.⁴ Among self-employed persons, those without employees tend to be affected by income poverty more often than those with employees (9.2% compared to 5.4%).

According to economic activity⁵, people who work in the hotel and restaurant industry are somewhat more often affected by poverty (11.1%). In contrast, comparably low rates are seen in the areas of manufacturing (1.8%), transportation and storage (1.6%) and public administration (0.8%).

Employees working on a fixed-term contract (7.1%) as well as those working in small businesses (5.3%) are also more likely to be income poor than their respective reference groups.

Risk of poverty (relative concept)

The **at-risk-of-poverty rate** is based on a “relative” threshold: people with an equivalised disposable income⁶ that is considerably below the standard income level in the relevant country are seen to be at risk of poverty. Thus poverty is seen as a form of inequality: whether a person is at risk of poverty depends not only on his or her own economic situation (or that of its household) but also on the standard of living in the country where she or he lives. Pursuant to convention, the European Union sets the at-risk-of-poverty threshold at 60% of the median equivalised disposable income.

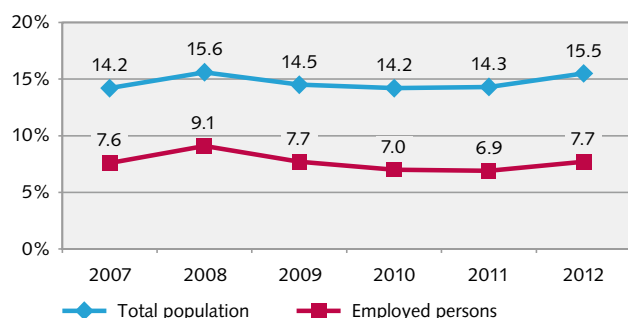
In 2012, 15.5% (± 0.9) of the population or around 1,190,000 people were at risk of poverty. Although this value rose slightly in comparison with the previous year (14.3%), the difference remains within the statistical range of variation. The at-risk-of-poverty rate has always been between 14.2% and 15.6% since 2007 and has thus not considerably changed (see G 4).

⁴ For further information on this, see FSO (2012).

⁵ Due to the low case numbers, no poverty rates can be shown for some economic activities.

⁶ The equivalised disposable income is calculated on the basis of the disposable household income including the imputed rent (excl. any assets, see FSO 2012), in which the size and composition of households is considered. The oldest member of the household is given a weighting of 1, every other person aged 14 or over is weighted 0.5 and every child under the age of 14 is weighted 0.3 (OECD-modified scale). This allows for savings which result from the communal economic activity of a household with several persons.

Evolution of the at-risk-of-poverty rate, total population and employed persons, 2007–2012 G 4



Employed persons are defined here as persons aged 18 or over who were self-employed or employed for more than half of the months in the year before the survey (most frequent activity status).

Source: FSO, Statistics on Income and Living Conditions SILC, with imputed rent © FSO 2014

At 7.7% (± 0.7), the at-risk-of-poverty rate of the employed population was almost exactly half as great as that of the total population. In total, around 280,000 employed persons had an equivalised income below the at-risk-of-poverty threshold. The at-risk-of-poverty rate of employed persons (with the exception of a somewhat higher value in 2008) ranged from 6.9% to 7.7% during the period under consideration.

In 2012, the at-risk-of-poverty threshold was around CHF 2500 per month for an individual. For two adults with two children, the threshold was CHF 5250 (see T 2).

T 2 At-risk-of-poverty thresholds of selected household types, 2012, in CHF per month

Household types	At-risk-of-poverty threshold at 60% of the median (rounded)
Individual	2500
Single parent with 2 children aged under 14	4000
2 adults without children	3750
2 adults with 2 children aged under 14	5250

The at-risk-of-poverty thresholds for the different household types are calculated using the OECD-modified equivalence scale.

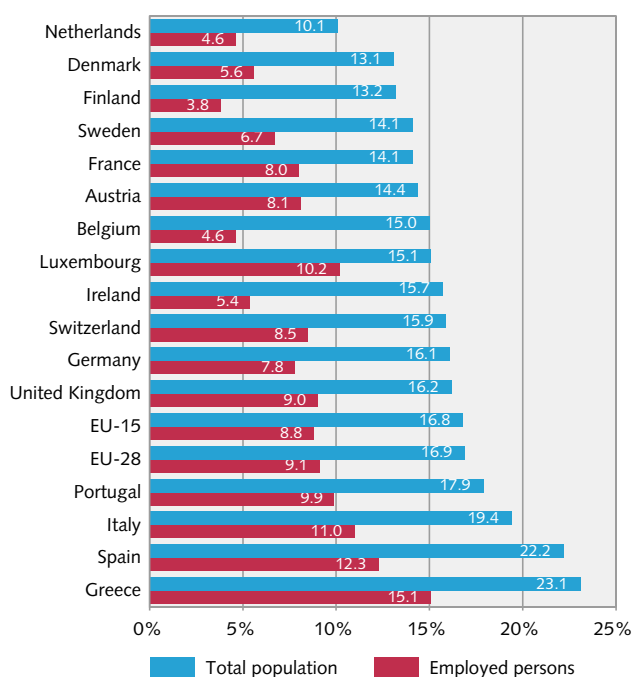
Source: FSO, Statistics on Income and Living Conditions SILC, version 14.04.2014, with imputed rent

Compared to absolute poverty, the groups at risk here are also children (18.0%) and large families (25.2%) as well as foreign nationals (21.9%). Adults living alone and under 65 years of age are not, however, at an above-average risk (15.6%).

Compared with other European states, Switzerland's at-risk-of-poverty rate of 15.9% is below the EU-28 average of 16.9%.⁷ However, among Switzerland's close neighbours, only Italy has a higher rate (19.4%). In its other neighbouring countries, the at-risk-of-poverty rates among employed persons are comparable or lower (Germany 16.1%, Austria 14.4%, France 14.1%). However, it should also be noted here that one of the highest at-risk-of-poverty thresholds in Europe is used due to the high median income in Switzerland.

A similar picture is seen for the employed population (see G 5).

At-risk-of-poverty rates, European comparison, total population and employed persons, 2012 G 5



The EU-15 area ("old" member states) includes the countries shown here (except Switzerland), the EU-28 area includes AT, BE, BG, CY, CZ, DE, DK, EE, EL, ES, FI, FR, HR, HU, IR, IT, LT, LU, LV, MT, NL, PL, PT, RO, SE, SI, SK, UK.

Source: EU-SILC, Eurostat (version 24.06.2014), without imputed rent © FSO 2014

⁷ The Statistical Office of the European Union (Eurostat) publishes the at-risk-of-poverty rates without imputed rent, as this is not yet calculated by all of the participating countries. Therefore, the specified value slightly deviates from the previous information.

Material deprivation

Information on material deprivation can also be used to examine the non-monetary aspects of poverty. The **material deprivation rate** is described as income-related deprivation in at least three out of nine categories coordinated across Europe: the ability to face unexpected financial expenses of CHF 2000; the ability to afford a one-week annual holiday away from home; no arrears⁸; the ability to afford a meal with meat or fish (or vegetarian equivalent) every second day; the ability to keep a home adequately warm; owning (or having access to) a washing machine; owning a colour TV; owning a telephone; owning a car.

In 2012, around 280,000 people or 3.6% (± 0.6) of the Swiss resident population showed an income-related deprivation in at least three out of nine areas of life. Among employed persons, the material deprivation rate was 2.3% (± 0.5). This corresponds to approximately 80,000 persons.

Compared with 2007 to 2010, material deprivation rates were considerably lower in 2011 and 2012 (see G 6). This is mainly due to the fact that some questions were reformulated in 2011 for better international comparability.⁹ Therefore, 2011 and 2012 cannot be directly compared to previous years.

The most important groups at risk of material deprivation once again include single parents (11.5%), individuals under the age of 65 (7.4%), persons with a low level of education (7.2%) and persons in households that are not active on the employment market (15.7%) as well as foreigners (6.3%). Large families, however, despite a rate of 7.2% are only slightly more likely to be affected by material deprivation than the population as a whole.¹⁰ Persons of retirement age, with a material deprivation rate of 1.7%, even show a considerably lower rate than the other age groups.

Evolution of the rate of material deprivation, total population and employed persons, 2007–2012

G 6



As some questions have been reformulated, the values as of 2011 can no longer be directly compared with previous years. Employed persons are defined here as persons aged 18 or over who were self-employed or employed for more than half of the months in the year before the survey (most frequent activity status).

Source: FSO, Statistics on Income and Living Conditions SILC

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Despite higher income poverty rates (see page 5), self-employed persons have a rather higher material standard of living than other employed persons (1.2% compared with 2.3%), with self-employed persons without employees tending to be worse off than those with employees (1.4% compared with 0.7%). Employed persons are also more likely to be affected by material deprivation if they work in the hotel and restaurant industry (6.1%), if they work at night and/or at weekends (3.1%) and if they work in a small business (3.4%).

For a comparison on a European scale, the severe material deprivation rate that is published by Eurostat is used (deprivation in at least four out of nine areas of life, see G 7). Here Switzerland has the lowest rate of all of the countries with 0.8%, putting it considerably below the European average (EU-28: 9.9%) and also below the rates of its close neighbours, Austria (4.0%), Germany (4.9%) France (5.3%), and Italy (14.5%).

Switzerland also has a very low rate, in European comparison, of material deprivation among employed persons (0.5% compared with 6.3% in EU-28).

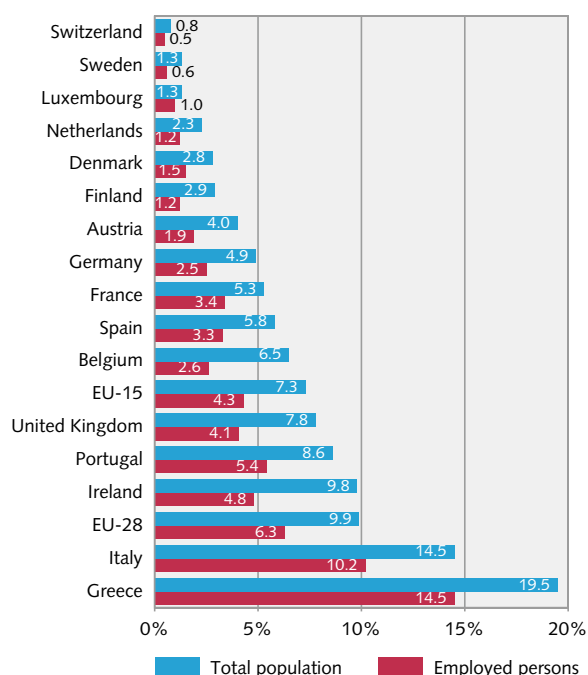
⁸ Arrears in health insurance premiums are not considered.

⁹ The greatest impact was found in the question on heating the home: as of 2011, it is asked whether people were unable to ensure that their home was an adequate temperature due to financial reasons. Until 2010, the question only surveyed whether people inadequately heated their homes, without differentiating between financial or technical reasons. Following the reformulation of the question, only 0.8% of respondents had problems in this area in 2011, compared to at least 7% in previous years.

¹⁰ At ± 3.8 , the confidence interval here is quite large. A reading aid on confidence intervals can be found in G 2.

Severe material deprivation rates, European comparison, total population and employed persons, 2012

G 7



The EU-15 area ("old" member states) includes the countries shown here (except Switzerland), the EU-28 area includes AT, BE, BG, CY, CZ, DE, DK, EE, EL, ES, FI, FR, HR, HU, IR, IT, LT, LU, LV, MT, NL, PL, PT, RO, SE, SI, SK, UK.

Source: EU-SILC, Eurostat (version 24.06.2014)

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Further information from the FSO

FSO statistics portal: www.statistik.ch → Topics → 20 – Economic and social situation of the population → Standard of living, social situation and poverty

Concepts, methods and definitions:

FSO (2012): Armut in der Schweiz: Konzepte, Resultate und Methoden. Ergebnisse auf der Basis von SILC 2008 bis 2010. Neuchâtel: BFS, order number: 851-1001 (available in German and French).

Statistics on Income and Living Conditions (SILC)

The present analysis is based on the European wide SILC survey that is carried out in more than 30 countries. The aim of the survey is to investigate income distribution, poverty, social exclusion and living conditions on the basis of comparable indicators. In Switzerland, the survey is based on a sample of around 7000 households with more than 17,000 people randomly selected from the FSO register of private telephone subscribers. The population is the permanent resident population in private households. The survey respondents are interviewed over a period of four consecutive years. This means that considerable changes in the living conditions of individuals can be described and the evolution of living standards examined.