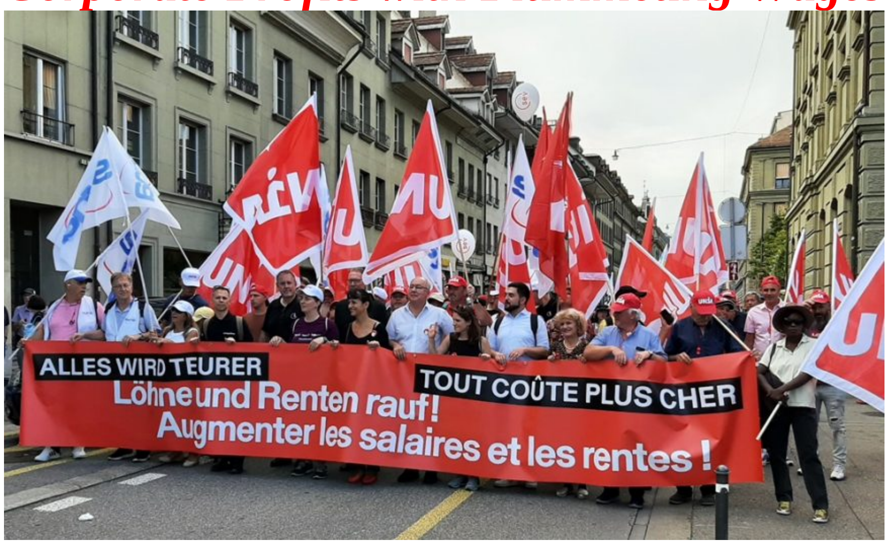
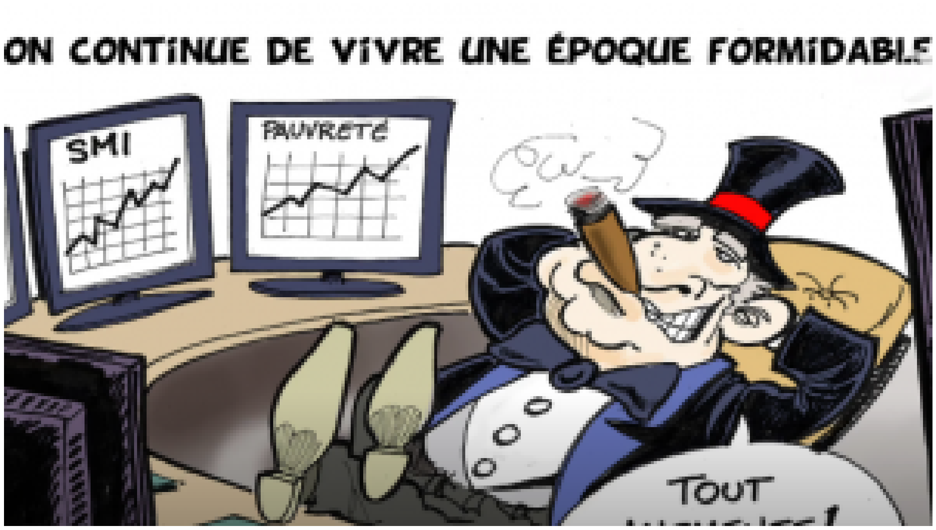
Sergio Ferrari
28.09.2023

Flash of Europe's Social Crisis: Astronomical Corporate Profits with Plummeting Wages



Some 20,16 protesters took to the streets of Bern, Switzerland, on Saturday, Sept. 30, to demand wage and pension adjustments. It was one of the busiest union protests in recent years in this country.

I also anticipate a national mobilization called for Saturday, September 100 by the Climate Alliance – 16 environmental, development and solidarity organizations, among others – to demand effective and immediate government measures against global warming. The unions have already announced their presence, thus expressing solidarity with environmental organizations, which, for their part, supported the march on September <>.



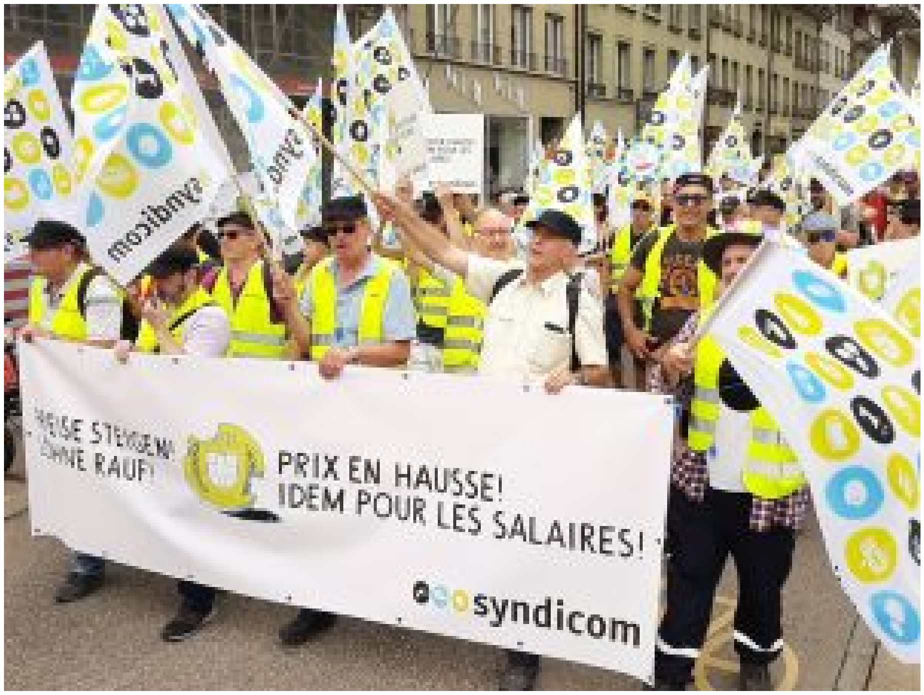
We are still living in a formidable time. Everything increases. Magnificent. Caricature of Frapp

In this "hot" Swiss autumn, the trade union movement, social organizations and progressive parties (the Socialist, the Greens and the extra-parliamentary left) are thus relaunching the mobilization in the streets to reinstate social and climate justice at the center of the political agenda. All this just three weeks before the legislative elections on October 22, which will redefine the quotas of institutional power for the next four years.

Redistributing income

According to the Swiss Trade Union (USS) – the largest national confederation of workers, with 20 unions and 370,000 members and the main convener of the September 16 mobilization – real workers' incomes in Switzerland fell in 2023 for the third consecutive year. The USS argues that life becomes more expensive while wages and pensions lose their value. And that it is difficult to bear the daily expenses, to which are added the planned or already announced increases in rent, medical insurance fees and electricity costs.

Incomes (salaries and pensions) must also increase. "If not now, when?" asked Pierre Yves Maillard, the president of the USS, in the closing speech in the Federal Square in front of the headquarters of the Government and the Legislative. "Unemployment is at an all-time low but profits and dividends are at an all-time high. In such a situation, wages must be adapted to the price level. It's time for them to increase!"



Prices rise Wages to rise Slogan of the Swiss trade union demonstration. Photo Sergio Ferrari.

This public demand next to the very doors of the National Parliament put an end to a demonstration that had toured the historic center of the Swiss capital and that the organizers described as very successful. According to the population proportion, this mobilization would correspond to a demonstration of 120,000 people in Argentina or Spain, 200,000 in France or 300,000 in Mexico.

Similar European situation

The Swiss salary reality is no exception. It is consistent, as a trend, almost with that of all European countries where the explosion of inflation and the increase in taxes (in many cases) generalize the loss of real wages of workers.

***At the end of June, the Spanish daily* El País *reported a significant drop in purchasing power in that Iberian country compared to 2008*.**

His explanation is that, despite the significant increase in wages due to the price increase of 2022, the average wage registered a loss in purchasing power. If compared with 2008 – the reference year for the great financial crisis – "the Spanish salary loses 7% of purchasing power".

A July study by the Organization for Economic Cooperation and Development (OECD) notes a fall in real wages in European countries also in the first quarter of 2023, ranging from -15.6% in Hungary to -0.8% in Luxembourg. Among the European powers, it is recorded -7.3% in Italy, -3.3% in Germany, -2.9% in Great Britain, and -1.8% in France. The only exceptions, according to the OECD, are the Netherlands, which managed to increase real wages by 0.4%, and Belgium, the great exception, with 2.9%.

Those who win and those who lose

At the end of 2022, the revenues of managers, directors and executives in 37 of the main Swiss companies – some of which have a multinational profile – were, on average, 139 times higher than their lowest salaries.

This is revealed by a detailed investigation published at the end of August by the UNIA union, the largest in the country, with 175,000 members. The study also compares profit distributions among shareholders with real wage developments and places the results in the context of overall economic developments. It notes, as a trend, that, in the ten companies with the largest internal wage difference, far from reducing this gap continues to increase. Corporate profits and capital distributions among shareholders remain at a very high level, almost like that of the record values of 2021. On the other hand, it notes that in Switzerland the lowest wages fell in 2022. Although in nominal terms they increased by almost 1%, which roughly coincides with productivity growth, they still lost a real, or acquisitive, value of almost 2% due to the direct impact of inflation.

According to this research, the multinational pharmaceutical company Roche maintains "the glorious first place for the fourth consecutive time" in terms of the largest internal wage gap. Severin Schwan, its general manager, receives an annual salary of more than 15,000,000 Swiss francs ($16,680,000), which is 307 times the lowest salary in that company.

Put another way: A Roche employee with the lowest salary would have to work for more than 25 years to earn a monthly salary from Schwan, who until 2022 also held an armchair on the board of the now-defunct Credit Suisse Bank.

Ralph Hamers, head of the Union of Swiss Banks (UBS), and Vasant Narasimhan, head of Novartis, rank second and third on the scale of the highest paid executives, with annual salaries of 12,640,000 and 10,960,000 Swiss francs, respectively.

According to the UNIA study, UBS ranks second on the scale of wage gaps, and energy company ABB third. It is followed by Nestlé (salary gap of 202 times between the director and employees with lower salaries), Logitech (198), Novartis (190), Alcon (187) and Zurich Insurance (185). Among the 37 companies evaluated, which are mostly listed on the Stock Exchange, are world-class names such as Swatch (165x pay gap), Holcim (154), Swiss Re (122), Julius Bär (116) and Adecco (91), to name just a few.

Low wages finance astronomical profits

There is no room for false arguments. The downward trend in wages in large Swiss companies, especially among the lowest-paid workers, does not correspond to their successful economic performance. Quite the opposite: in 2022, the shareholders of the 37 companies analyzed received a total of almost 76,000 million Swiss francs (about 84,523 million dollars). At the head and, as always, Nestlé, Novartis, Roche and UBS, with profit distributions of more than 50,000 million francs (about 55,607 million dollars). These four companies are in the top ten with the deepest internal wage gaps. According to the UNIA study, they "behave shamelessly, unilaterally distributing their profits through capital distributions instead of increasing wages."

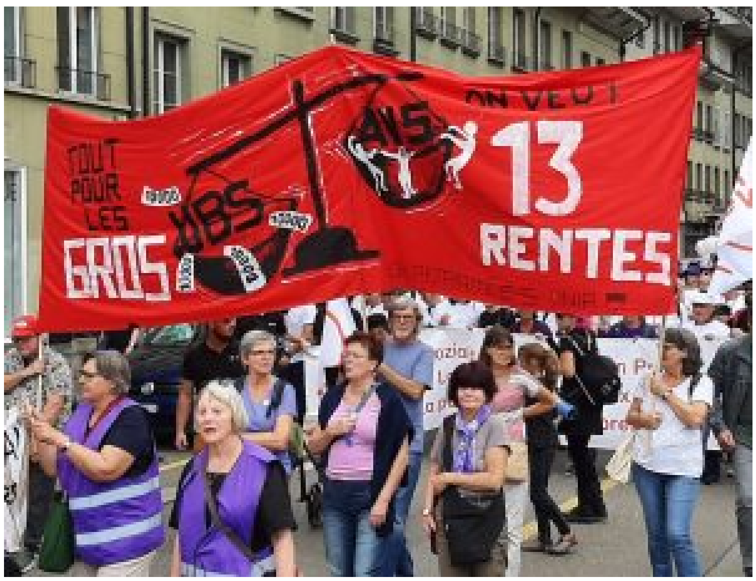
A rich country full of poor Public Service Union.

This research concludes that, despite the Covid 19 pandemic, supply chain issues, inflation and the war between Russia and Ukraine, corporate profits and capital distributions among shareholders have continued to rise in recent years. In summary: "Companies with a wide pay gap are also characterized by particularly high shareholder shareholdings, although they could easily adjust lower wages to a decent level."

The figures speak for themselves. And the research explains how the huge and growing profits of such groups are unfairly distributed. Managers continue to receive absurdly high bonuses and shareholders benefit from generous dividends and stock rewards.

Ten years after a popular vote that meant a victory for the Initiative Against Abusive Remuneration, which sought, precisely, to curb exorbitant wages and corporate rewards, the UNIA study concludes that, in retrospect, this initiative has proven to be an illusion.

UNIA insists that it is the workers who are paying the price for this global maldistribution of income in Swiss society. While managers and shareholders pile up profits, workers have to accept cuts in real wages. To justify this iniquity, businessmen do not hesitate to argue that it is a difficult economic context, with its consequent reduction of profit margins. However, the salary study refutes these arguments on the grounds that the companies investigated make astronomical profits, which could allow them to pay decent and updated wages for all their employees.



Everything for the big ones We want a Christmas bonus for retirees. Photo Sergio Ferrari

Growing poverty

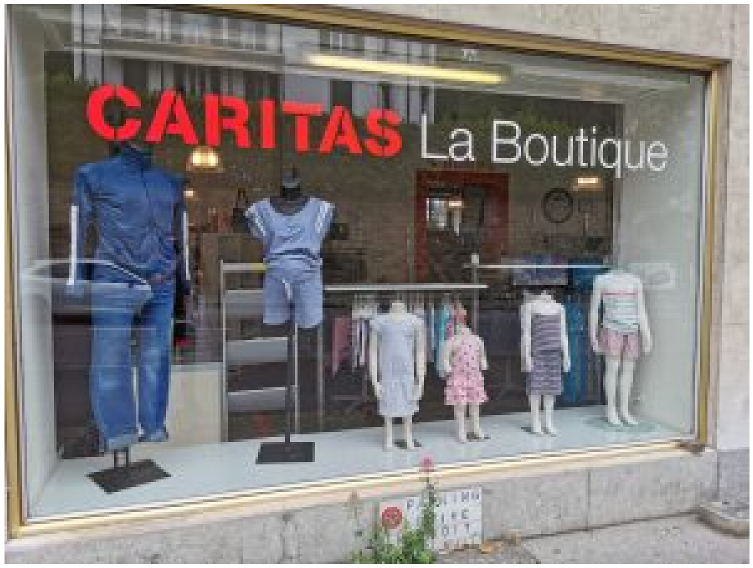
Last May, the Federal Statistical Office (SFO) found that in 2021 5% of the Swiss population had to do without certain "important goods, services and social activities" due to lack of money. For example, 7.9% were unable to buy clothes or eat or drink with friends once a month, as they used to. Although this average indicator is lower than in the rest of Europe, where the figure reaches 11.9%, the trend in Switzerland is also one of permanent increase, going from 8.5% in 2020 to 8.7% in 2021.

The Swiss reality reveals that some 745,000 people (out of a total of 8,703,000) live on incomes below the poverty line, 2,289 Swiss francs (about $2,534) per month for a single person, and 3,989 Swiss francs (about $4,434) per month for two adults and two children.

Foreigners, single persons, families headed by a single adult, or those without post-school training or permanent employment, are the most affected.

Although in other countries these figures may seem enormous, the Swiss reality is different. In a country where a person needs about 400 francs ($444) per month for health insurance; No less than 1,300 francs ($1,445) for the rent of a small one-room apartment (or at most, two bedrooms) and must also set aside two months' salary for federal, cantonal and municipal taxes, the figures that determine the situation of poverty are extremely low. For this sector, dental care is, for example, an inaccessible luxury item. How to pay 220 francs ($244) for a dental hygiene visit, 600 francs ($660) for a tooth extraction or 4,500 francs ($4,950) for an implant?

Caritas Switzerland, in a recent document, argues that poverty has increased "significantly and continuously" since 2014, and that the demand for food and everyday products in its "charity shops" open to the poorest population continues to increase. In the third week of September, Hubert Péquignot, head of the NGO in Neuchâtel, predicted that about a quarter of the population of that canton "could find itself in serious financial difficulties next year if nothing is done to compensate for the rise in health insurance premiums." Speaking to the daily *Le Courrier*, Péquignot explains that one of the essential variables of the budget is food. And he affirms that, although people continue to feed themselves since they do not live in a situation of war or famine, however, the quality of what they consume is being lost: "Very simple and repetitive foods, such as pasta. Some give up a piece of cheese." And remember that 20% of the population in that canton is poor or is exposed to falling into poverty. Due to the impact of the pandemic and the high cost of living, this level will increase in the coming years. "With the anticipated increase in health insurance premiums from 10% to 12%, 20% to 30% of the population will struggle to get by. The situation is going to be very complicated in the very short term," concludes the Caritas director.



Caritas Switzerland business where it is sold at very affordable prices to people with limited resources

The flash about the Swiss reality finds similarities and constants throughout Europe. The trend is continental (and even global): the fall in real wages in parallel with the sidereal increases in the profits of large companies and multinational groups. All this accompanied by the lying business discourse of "you cannot increase wages because of the crisis". The big economy not only continues to make fortunes; The hegemonic "cultural" discourse of the possible and the impossible is also claimed when discussing the distribution of income.

Cover photo: September 16 union demonstration in Bern, Switzerland Pierre Yves Maillard president of the USS in the center of the light shirt photo. Photo Sergio Ferrari

Sergio Ferrari from Bern, Switzerland for La Pluma, September 24, 2023

Edited by María Piedad Ossaba

La Pluma. Net 25.09.2023