

Retirement provision: Swiss citizens are in favour of solidarity

For employees aged between 20 and 65, solidarity in the pension system is important, especially in old-age and survivors' insurance (OASI). However, solidarity is also huge in the 2nd pillar. These are the findings of a study by the Lucerne University of Applied Sciences and Arts.

The Lucerne University of Applied Sciences and Arts (HSLU) has once again sounded out the Swiss population's opinion on the subject of retirement provision. The focus of this year's "VorsorgeDIALOG" study was on the topic of solidarity. This is also in light of the popular initiative on the 13th OASI pension, which was adopted by the people and the cantons in a popular vote on 3 March 2024, and the forthcoming vote on the Occupation Pensions Act (OPA) reform.

In the study, solidarity is understood to mean redistributive effects both from higher earners to people with lower incomes and from young to old. Overall, the study results show that solidarity in the pension system is important for many insured persons, but differences can also be observed between the 1st and 2nd pillars. Many respondents are also unable to assess the extent of the redistribution that already exists.

Huge solidarity in OASI

Solidarity is huge in the 1st pillar: a vast majority want to avoid old-age poverty and finance it based on the principle of solidarity. Only 1% of those surveyed do not want to raise any funding for this. "This high level of solidarity reflects the role of OASI as a 'redistribution vessel' for people with lower incomes," says study lead Prof. Yvonne Seiler Zimmermann. More than half of those surveyed also believe that in case of a potential restructuring of the 1st pillar, pensioners must not be burdened by pension cuts. 70% of respondents also agree that the family should not be the only one to pay for redistribution. "Avoiding old-age poverty is clearly perceived as the responsibility of society," says the economist at HSLU.

Financing via VAT is not as popular

More than one third (36%) of respondents are in favour of an even greater redistribution within OASI. "This is remarkable," says Seiler Zimmermann, "because with the 13th OASI pension popular initiative adopted this year, redistribution has already been greatly increased." In addition, the study shows that more people want to achieve redistribution through higher wage contributions (26%) instead of financing through VAT (21%) or contributions from the federal government and cantons (17%). However, many people (31%) also believe that the extent of redistribution within OASI is just right.

It has also become clear that many of the respondents do not have a clear opinion on the extent of the current redistribution: the "do not know" proportion is between 25 and 39%, depending on the type of benefit. This could indicate that many insured persons are completely unaware of how much redistribution actually occurs," the pension expert says.

2nd pillar: surprising level of support

In the 2nd pillar, solidarity is not equally pronounced in all socio-economic groups: 42% of respondents consider a redistribution within the 2nd pillar to be justified. A narrow majority is against it. "Our statistical models show that those who support such redistribution are more likely to be financially worse off," says the study lead. Or to put it another way: solidarity among people with higher incomes towards people with lower incomes is less pronounced in the 2nd pillar. Even if solidarity within the 2nd pillar is significantly lower than within the 1st pillar, the HSLU economist is still surprised by the extent thereof: "Unlike in OASI, savings in the 2nd pillar are based on funded pension provision. This means that it is therefore not suitable for achieving social policy objectives. Although there are more people who oppose a redistribution within the 2nd pillar than those who are in favour of it, the level of solidarity should nevertheless be assessed as high," says Seiler Zimmermann. Redistribution is particularly encouraged where low incomes cannot be attributed to a voluntary reduction in the work-time percentage, but rather to lower hourly wages.

Just over half (54%) are opposed to the participation of pensioners – regardless of their income – in the restructuring of the occupational pension scheme in the form of pension cuts. On the other hand, participation above a certain minimum income is more popular: only 28% of respondents are against it. Here, too, a socio-demographic divide emerges: elderly people, people with few assets and people with financial training are more likely to argue against the participation of pensioners in the restructuring process.

The level of pension literacy is still low

In addition to the focus topic of solidarity, the study again examined the financial and pension literacy of people insured within the 2nd pillar. "Unfortunately, there has been no improvement in the level of pension literacy, even though there has been a lot of debate about it both last year and this year in the context of major popular votes," says the study lead.

As in the past year, pension literacy is moderate despite the high degree of interest in the topic. "It is once again noteworthy that the gaps in knowledge are particularly high when it comes to participants' own pension provision," says Seiler Zimmermann. More than half of all respondents mistakenly believe that everyone can pay into Pillar 3a – even without an income. Almost half of those surveyed also believe that it is possible to pay into the 2nd pillar in any case, even though there are various restrictions on this.

It is not primarily a problem that people say they do not know something. "These people are aware that they do not know something and can inform themselves accordingly if necessary," says Seiler Zimmermann. However, if a person is unaware that their knowledge is incomplete or incorrect, they will not inform themselves. The consequences are inevitably that wrong decisions are made," warns the pension expert.

VorsorgeDIALOG 2024

The Institute of Financial Services Zug, part of the Lucerne University of Applied Sciences and Arts, assesses the Swiss population's current knowledge of finance and retirement planning once a year. The analyses are based on a Switzerland-wide, representative survey of 1,245 working people aged between 20 and 65 who were in employment relationships. The study was supported by PensExpert AG, PKG Pensionskasse and Rothschild & Co Wealth Management.

The VorsorgeDIALOG 2024 study can be downloaded [here](#).

Contact for the media:

Lucerne University of Applied Sciences and Arts

Prof. Yvonne Seiler Zimmermann, study lead

T +41 41 757 67 42 E-mail: yvonne.seiler@hslu.ch

Lucerne University of Applied Sciences and Arts – the University of Applied Sciences for Central Switzerland

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