

The Swiss Social Security System Explained

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By **Christine Breitler**, 19th January 2023

Background

Swiss companies are very popular and it is important to understand the Swiss Social Security System when considering the establishment of a company in this attractive jurisdiction.

The Swiss social security system is unique and relatively complex. The assistance of an expert such as Dixcart is recommended, to guide you through the process and to ensure that you are fulfilling all of your obligations.

Attractive Protections for Employees

Switzerland has a close-knit network of different types of 'social' insurance, which offer individuals living and working in the country, and their dependants, a broad protection against financial risks, which could not be covered without this insurance.

Who is Subject to the Swiss Social Security System?

Anyone working or living in Switzerland is subject to the Swiss Social Security System.

The Five Areas

The Swiss social security system is divided into five areas:

1. Old-age, survivors and invalidity (the three-pillar system).

1. Sickness and accidents.

1. Income compensation allowances, in the event of compulsory service, maternity or paternity leave.

1. Unemployment benefits.

1. Family allowances.

1. Old Age, Survivors and Invalidity

The Swiss social security system covers the risks of old age, death and disability and is built on the three pillars of; old-age, survivors and invalidity

The first Pillar (Pillar 1) is a mandatory state pension plan for everyone. It aims to cover basic living costs.

The second Pillar (Pillar 2) is compulsory for salaried persons. It feeds into "Pillar 1" to maintain the previous standard of living for individuals, to provide them with an income equal to approximately 60% of that earned pre-retirement. The law sets the minimum statutory benefits. Companies and other institutions may establish benefits exceeding this minimum.

"Pillar 1" and "Pillar 2" are compulsory and dealt with by the employer, "Pillar 3" is a voluntary individual process organised directly with an insurance company or bank. This scheme benefits from tax incentives.

2. Health and Accidents

Swiss health insurance is mandatory for everyone living in Switzerland for longer than three months. The insurance premiums are considered a private cost and are rarely covered by the employer.

Accident insurance is compulsory for everyone with gainful employment in Switzerland. It covers the financial consequences of accidents at work and outside of work.

In other cases, the risk is covered under private health insurance.

3. Compulsory Military Service, Maternity and Paternity Leave

Anyone living or working in Switzerland is insured. It partially covers loss of earnings arising from the performance of military or civil protection services, or during maternity and paternity leave.

4. Unemployment Benefits

In principle, anyone who has been gainfully employed is covered by the unemployment insurance scheme. Self-employed individuals are not covered.

5. Family Allowances

The family allowance is a provision to compensate for the costs incurred by raising a family.

Contributions Payment.

The benefits paid out by the different types of social security are in principle financed by contributions levied on income.

Employees and employers make contributions in equal parts. The employer's contribution should at least equal the employee's contribution. The employer pays the total amount to the insurance company and deducts the employee's contribution from their salary.

The following are exceptions to the above:

- Family Allowances, which are almost exclusively financed by employers.

- Private Health Insurance, which is paid by each individual.

- “Pillar 3” which is voluntary and supported by each insurer.

Please note that self-employed individuals make full contributions themselves to Swiss Social Security.

Switzerland and International Social Security

Switzerland has concluded bilateral and multilateral social security agreements with EU and EFTA member states, as well as with a number of other countries. These social security agreements determine the rights and obligations of citizens in relation to the social security system of another signatory state. The aim is to ensure the equal treatment of citizens from both Switzerland and the other state.

Switzerland is chosen by many international companies as a base for their European or global cross-border business activities, largely because of its advantageous investment climate. Swiss employment law is known as being more liberal than other jurisdictions. While the fundamental principle of contractual freedom is predominant, it is important to understand the statutory minimal standard and the social protection mechanisms provided by Swiss law.

How Can We Help?

The Dixcart office in Switzerland can assist you with all of the following:

1. Preparing and supporting the Swiss Social Security process.

1. Coordinating the contribution payment via the payroll.

1. Relevant administrative work.

1. Clarifying social security obligations, particularly in an international context.

Please contact [Christine Breidler](#), who will be delighted to put you in contact with the appropriate expert in the Dixcart Swiss office: advice.switzerland@dixcart.com