

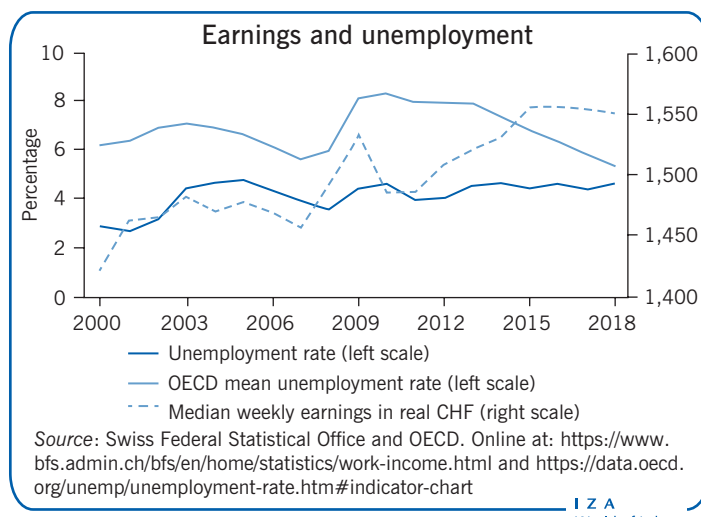
The labor market in Switzerland, 2000–2018

The Swiss labor market has proven resilient to several recent shocks, with unemployment remaining stable and real wages steadily increasing

Keywords: unemployment, real earnings, labor force participation, Switzerland

ELEVATOR PITCH

Switzerland is a small country with rich cultural and geographic diversity. The Swiss unemployment rate is low, at around 4%. The rate has remained at that level since the year 2000, despite a massive increase in the foreign labor force, the Great Recession, and a currency appreciation shock, demonstrating the Swiss labor market’s impressive resiliency. However, challenges do exist, particularly related to earnings and employment gaps between foreign and native workers, as well as a narrowing but persistent gender pay gap. Additionally, regional differences in unemployment are significant.



KEY FINDINGS

Pros

- + Unemployment has remained stable at a low level.
- + Wage inequality has remained low by international standards.
- + The labor market was only weakly affected by the recessions in 2001 and 2008 and recovered quickly.
- + There is no evidence that major events of the past 15 years—the eurozone crisis, the massive inflow of refugees, or the appreciation of the Swiss franc—negatively affected the labor market.

Cons

- Unemployment among foreigners is more than twice as high as among Swiss citizens.
- The wage gap between Swiss citizens and foreigners remains high, especially among men.
- The long-term unemployment rate has increased and remains higher than the OECD average.
- There are substantial regional differences in labor force participation and unemployment.

AUTHOR’S MAIN MESSAGE

Overall, Switzerland’s labor market is doing well. Unemployment has remained below 5%, and real earnings have been growing at a rate of about 0.5% per year since 2000. This success comes despite a massive expansion of the labor force of about 23% since 2000, the Great Recession, and appreciation of the local currency. Switzerland should maintain the policies that have supported this resilience and should resist new policy proposals that may endanger it. Beyond this, policymakers should strive to reverse an upward trend in long-term unemployment via job search incentivizing, and must find ways to address labor market differences between foreign and native workers, regions, and genders.