

# **The Impact of Migration on the Swiss Economy**

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# Outline

- Impact of the Free Movement of Persons Agreement (FMPA) on Immigration
- Impact of Immigration on Wages
- Impact of Immigration on Unemployment
- Impact of Immigration on Growth
- Fiscal Effects of Immigration
- Conclusions

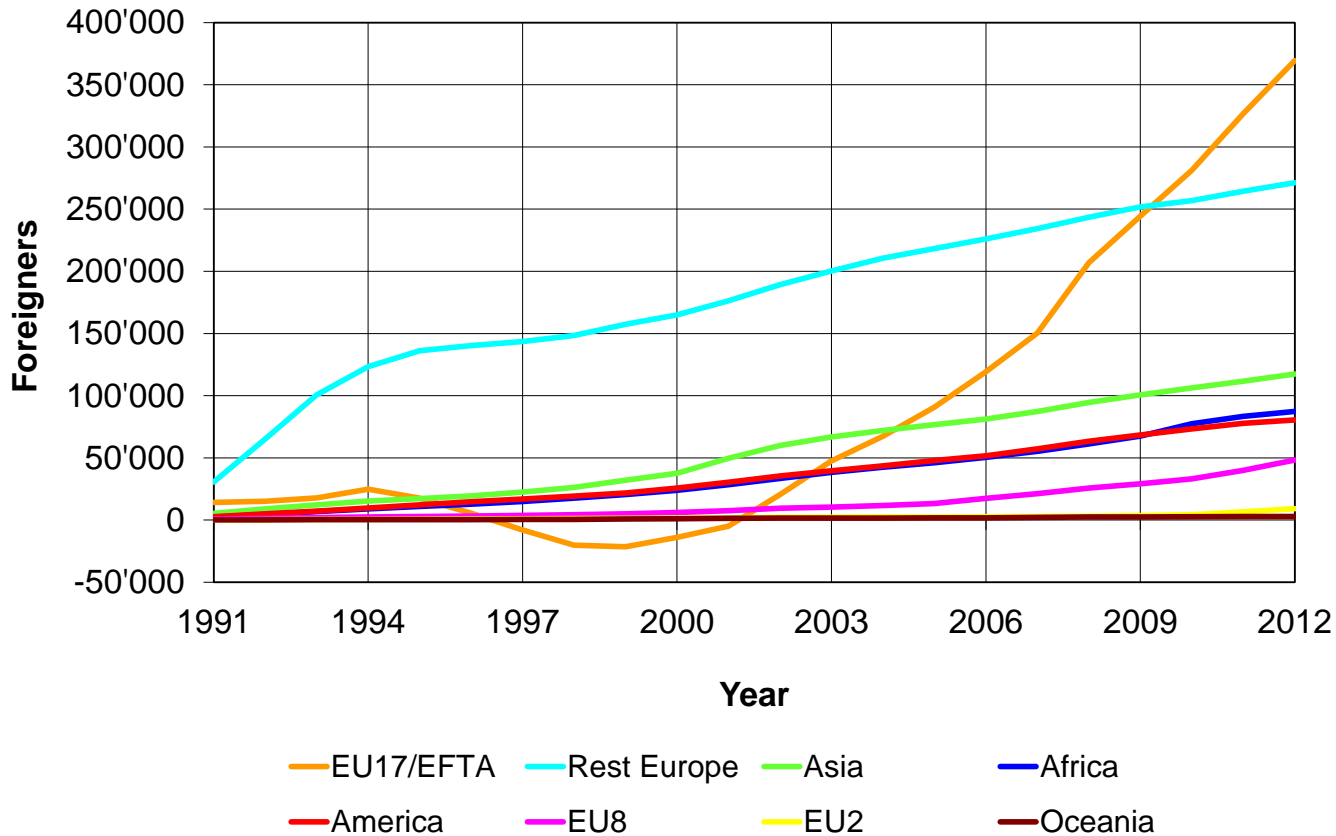
# **Impact of FMPPA on Immigration**

# FMMPA Timetable

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020				
EU17/EFTA	A		B				C																
EU8					A		B			C													
EU2								A						B			C						
A	Restrictive Phase (preferential treatment of residents, control of wage and working condtions, quotas)																						
B	Free movement with an exit clause																						
C	Free movement																						

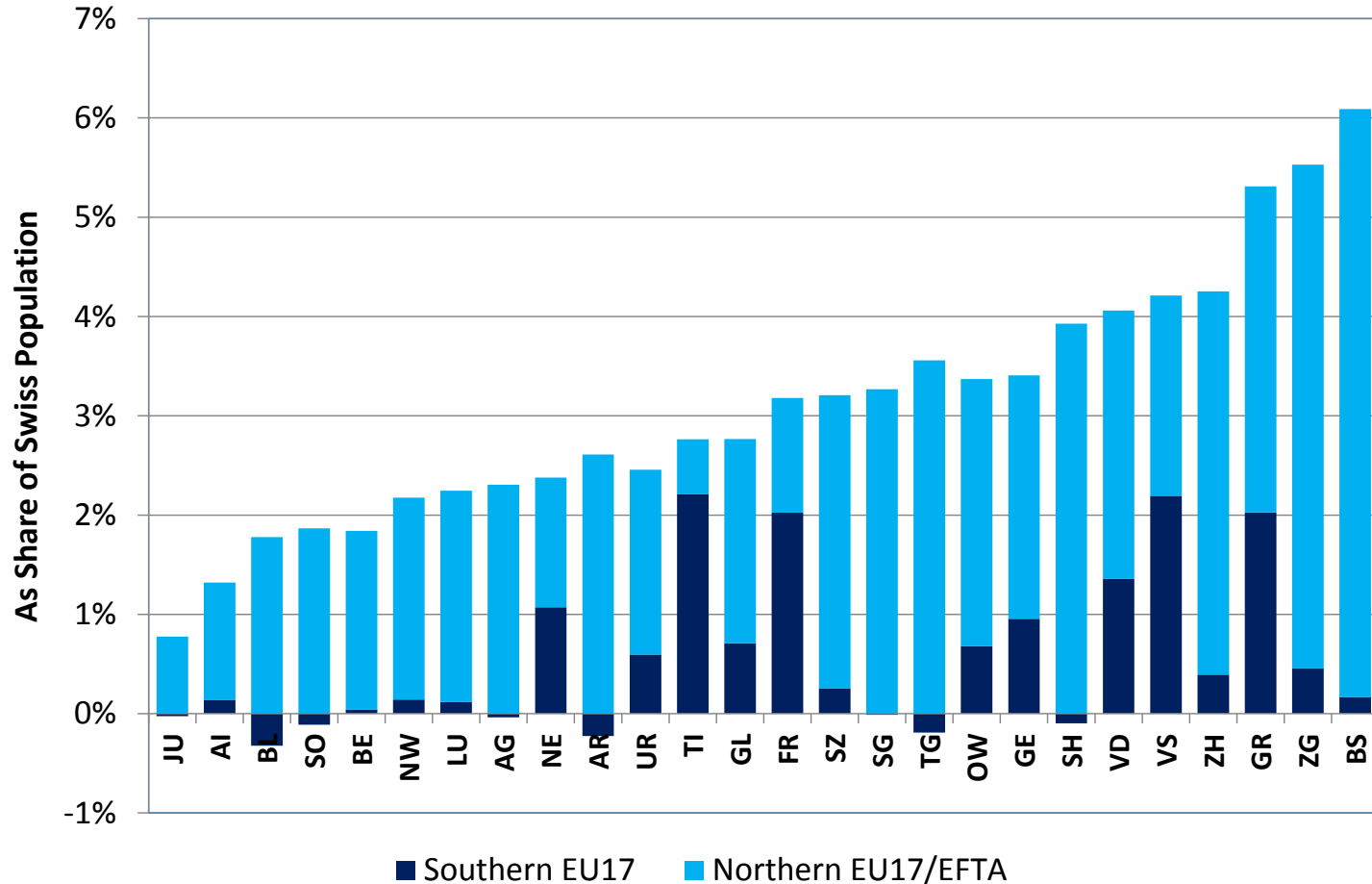
FMMPA was phased in in stages.

# Cumulative Net-Migration, 1991-2012



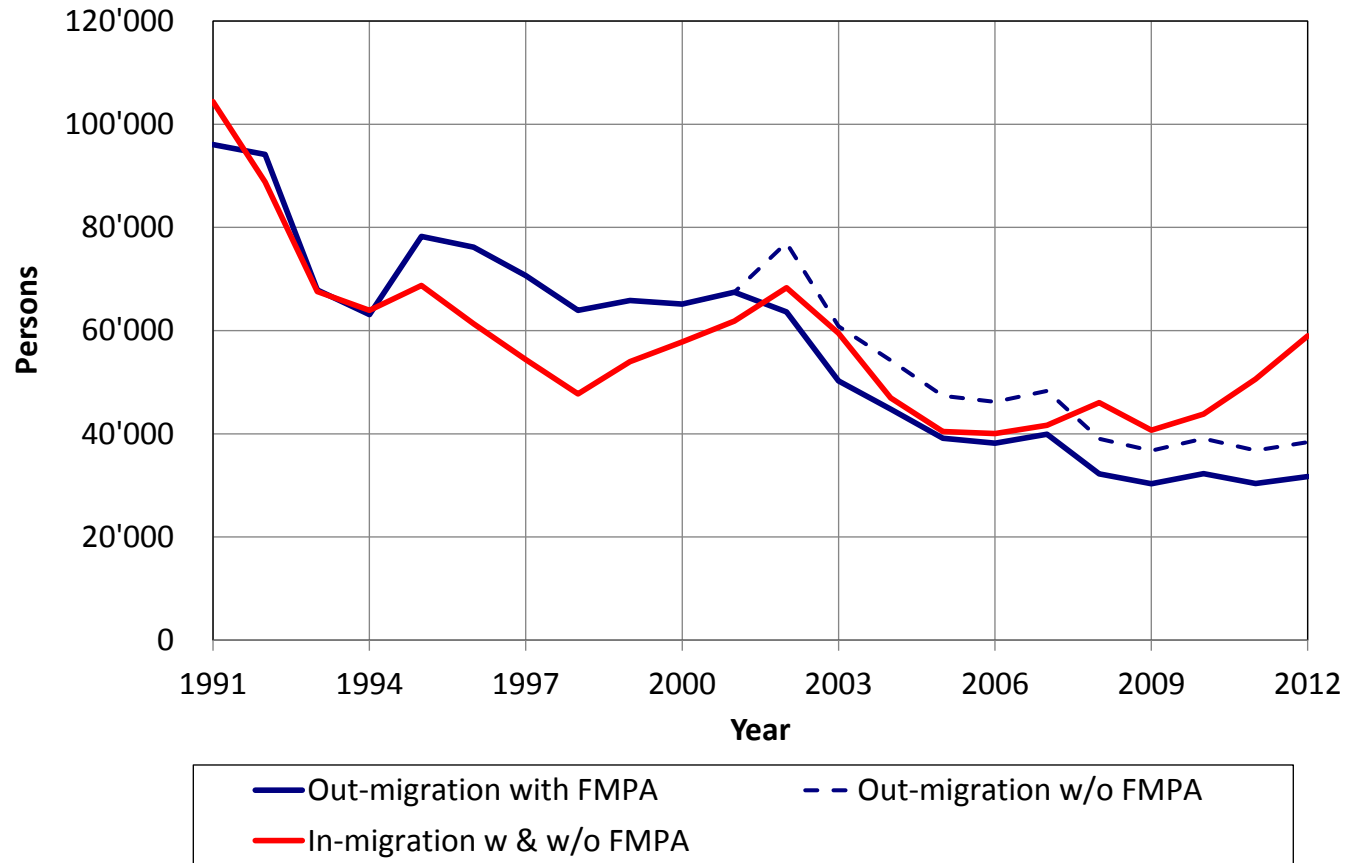
Strongest influx from EU17/EFTA and Non-EU.

# Cumulative Post-FMPA Net-Migration by Canton, 2009



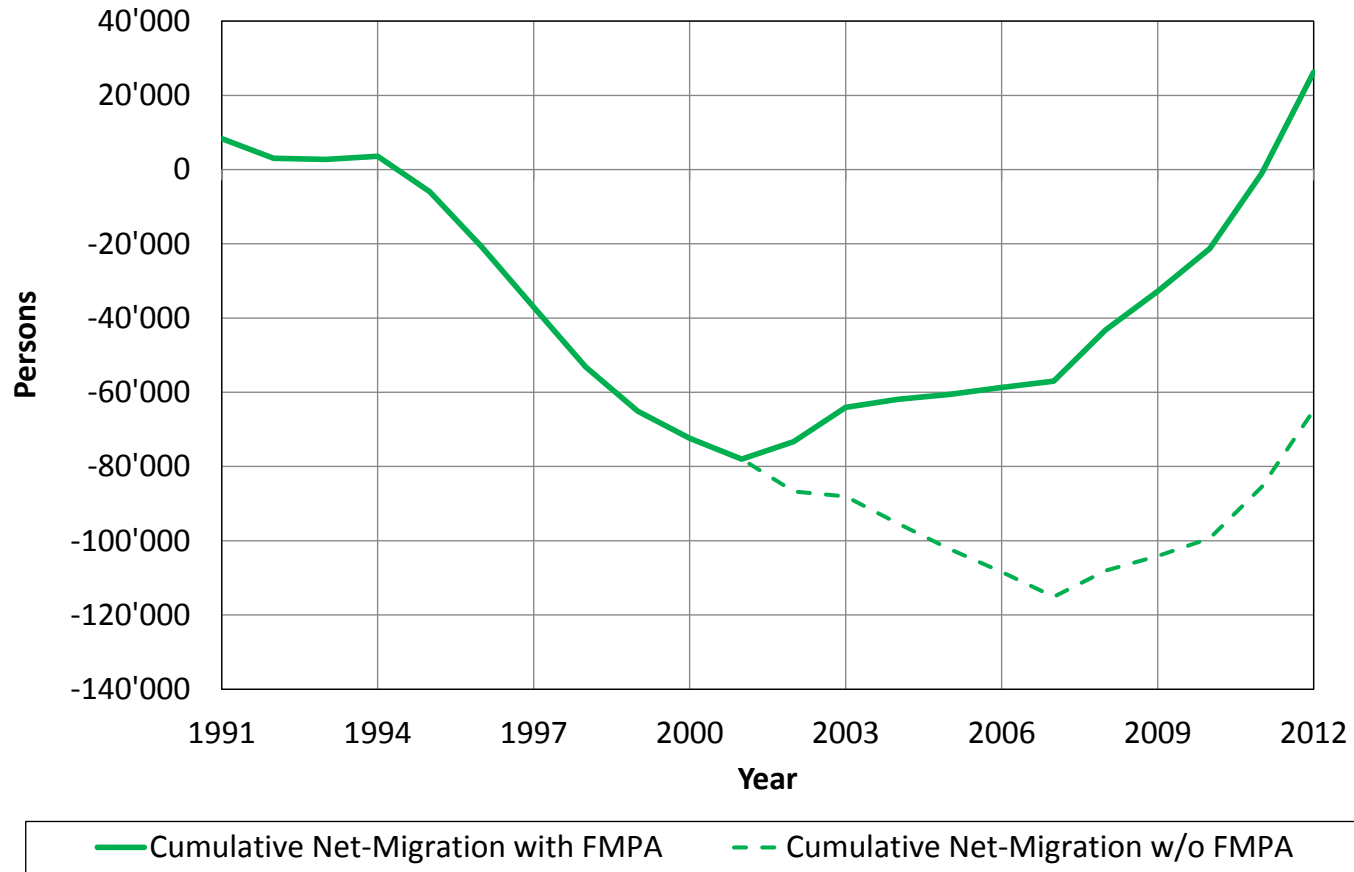
Below-average (= 3 %) concentration in Ticino.

# Impact of FMPPA on Southern EU-17, 2002-12



Decreased out-migration by about 8,000 per year.

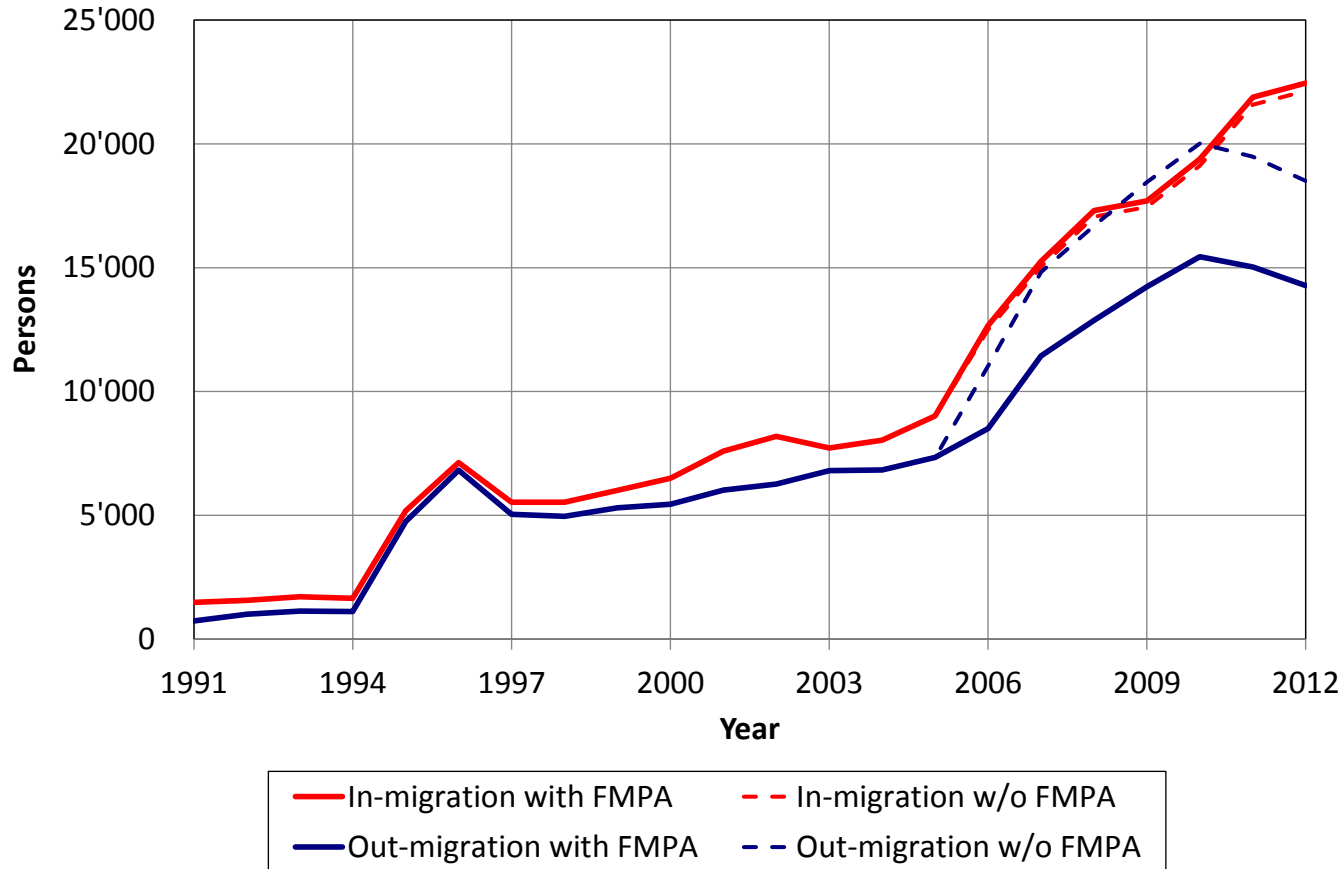
# Impact of FMPA on Southern EU-17, 2002-12



Increased the stock of foreigners by about 80,000 by 2012.

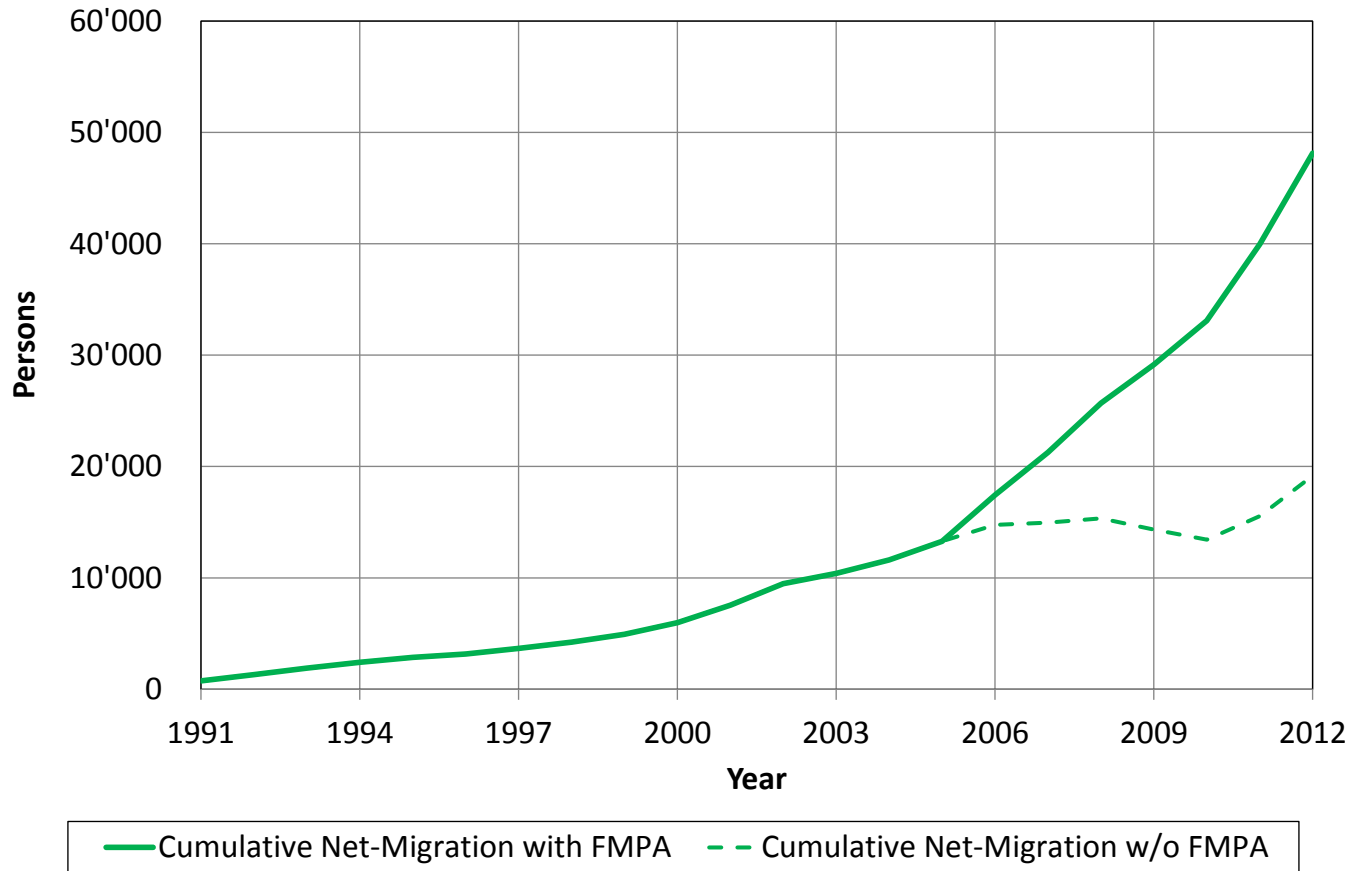


# Impact of FMPA on EU-8, 2002-12



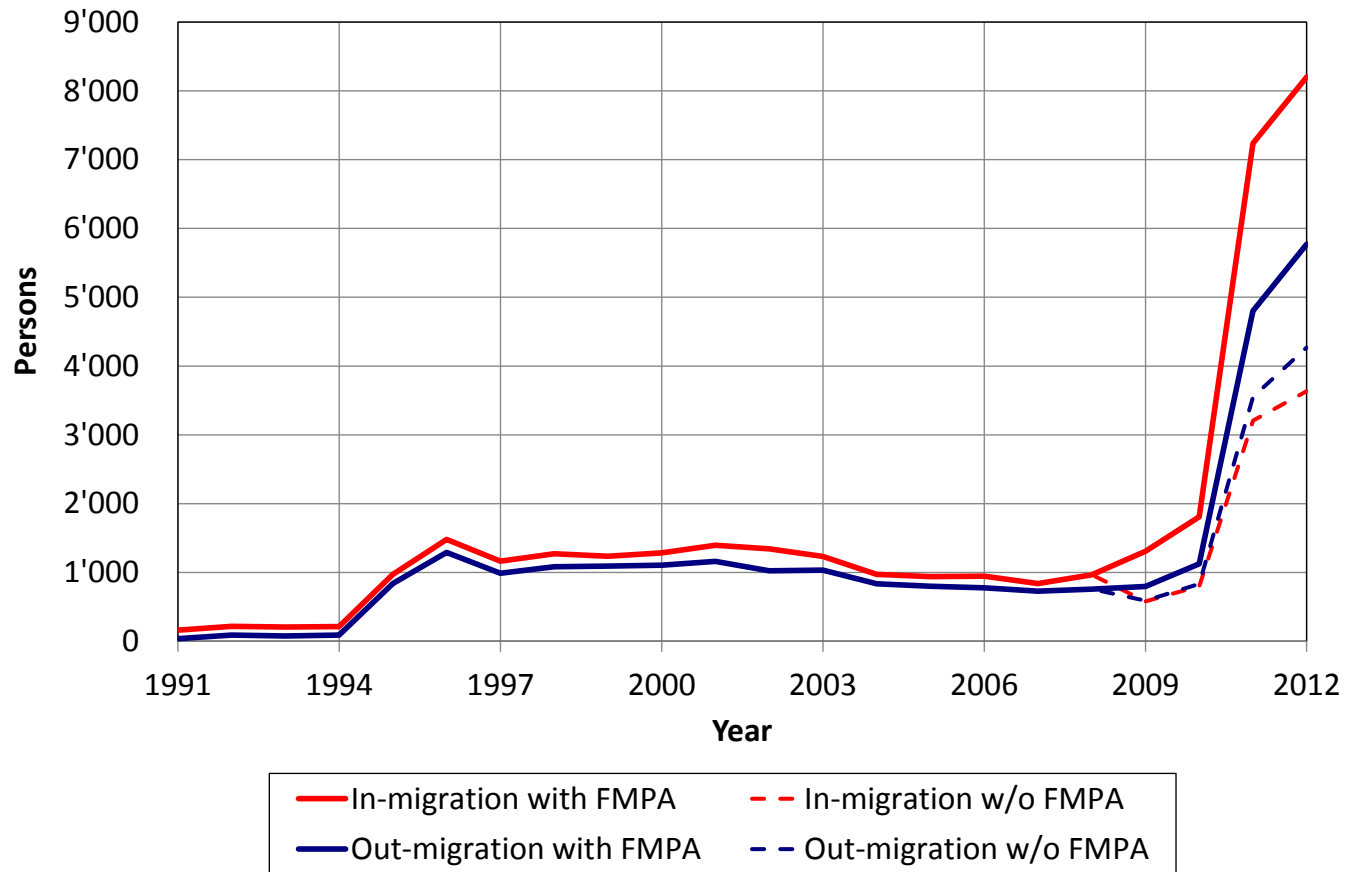
Decreased out-migration by about 3,000 per year.

# Impact of FMPA on EU-8, 2002-12



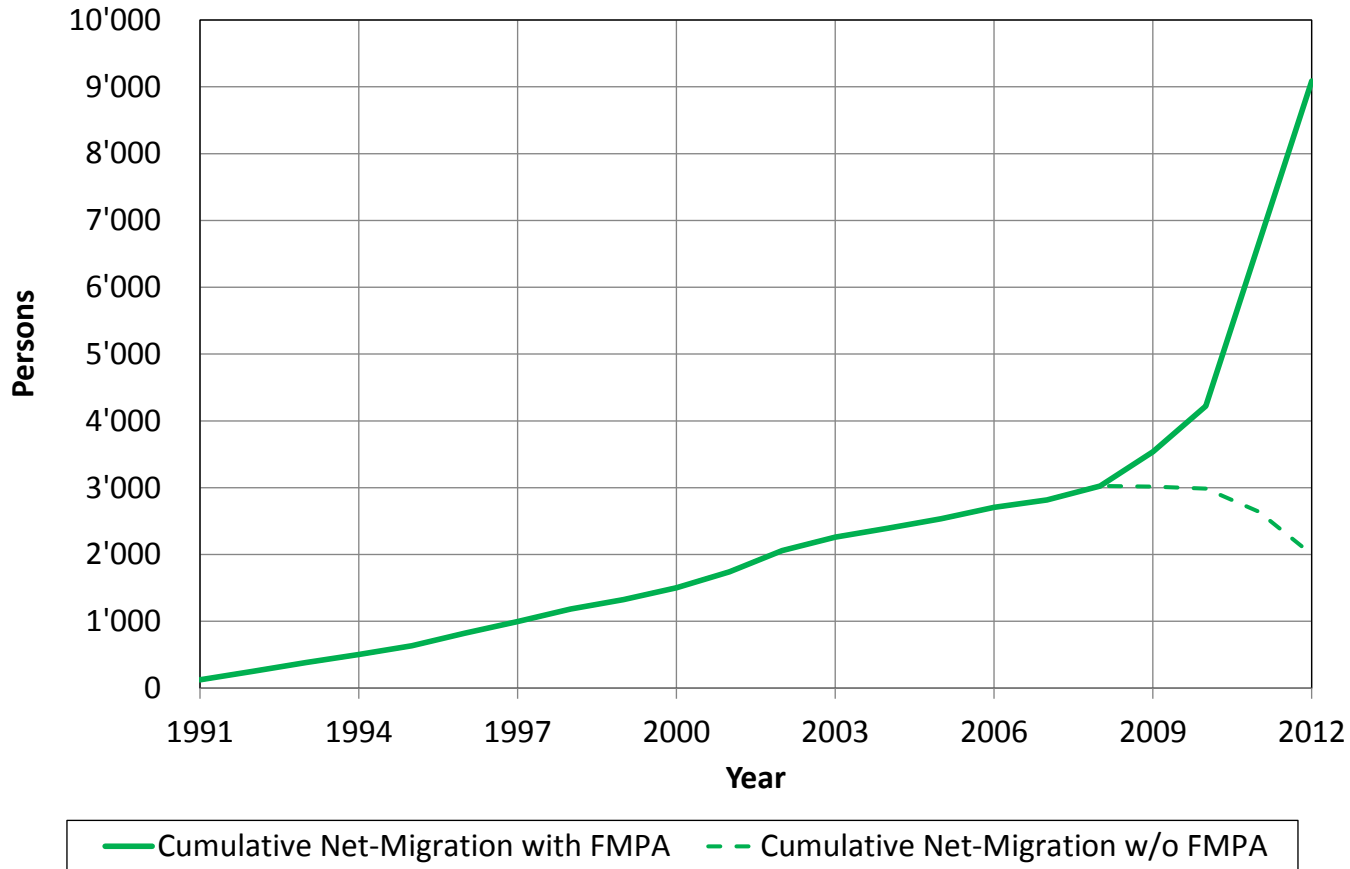
Increased the stock of foreigners by about 30,000 by 2012.

# Impact of FMPPA on EU-2, 2002-12



Increased both in and out-migration, but in-migration more.

# Impact of FMPA on EU-2, 2002-12



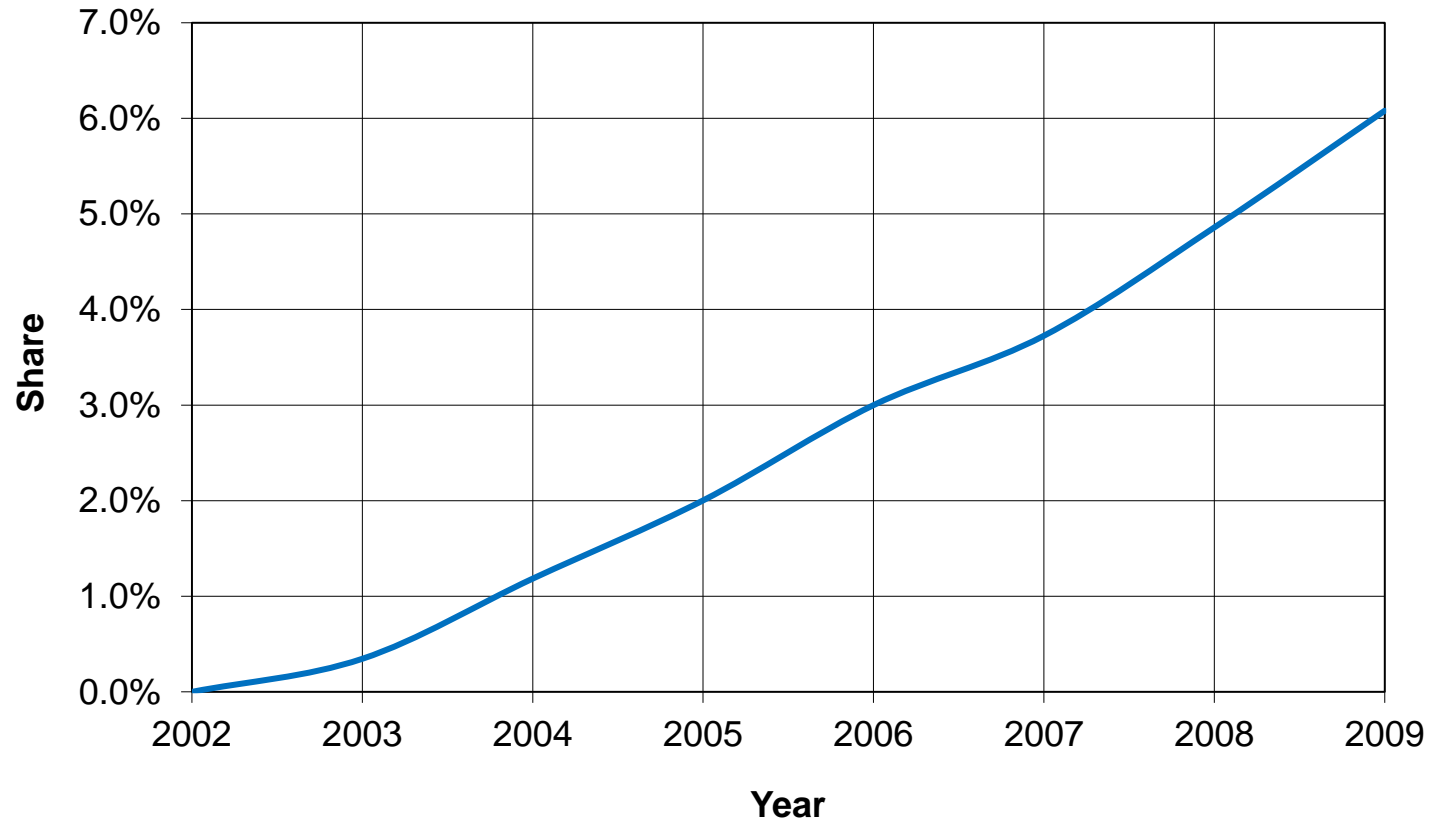
Increased the stock of foreigners by about 7,000 by 2012.

# **The impact of FMIPA was modest.**

- 415,000 immigrated under FMIPA.
- 28 % of the increase can be linked to FMIPA.
- 2 percentage points resulted from increased immigration.
- The rest was due to decreased out-migration, i.e., to an increased length of residence.

# **Impact on Wages**

# Immigrant Share of Workforce, 2002-09



Immigrant share of workforce rose to 6 % on average.

# Wage Impact, 2002-09

Region	Skill	Swiss			EU17/EFTA			other foreigners		
		min	avg	max	min	avg	max	min	avg	max
Lake Geneva	low	-0.09%	5.43%	10.94%	-5.34%	-0.81%	3.73%	<b>-17.83%</b>	<b>-9.20%</b>	<b>-0.56%</b>
	middle	-0.22%	2.91%	6.03%	-5.37%	-1.19%	2.99%	<b>-15.72%</b>	<b>-8.35%</b>	<b>-0.99%</b>
	high	<b>2.37%</b>	<b>5.69%</b>	<b>9.00%</b>	<b>4.96%</b>	<b>10.86%</b>	<b>16.75%</b>	-0.07%	9.19%	18.45%
Northwest & Zurich	low	-9.13%	-3.15%	2.82%	-10.31%	-4.85%	0.61%	<b>-13.50%</b>	<b>-7.68%</b>	<b>-1.85%</b>
	middle	-0.77%	1.71%	4.18%	-2.69%	1.38%	5.45%	<b>-13.20%</b>	<b>-6.99%</b>	<b>-0.79%</b>
	high	<b>0.81%</b>	<b>3.91%</b>	<b>7.00%</b>	-2.27%	3.96%	10.19%	-3.92%	4.82%	13.55%
East & Center	low	-5.58%	-0.93%	3.71%	-1.18%	3.28%	7.73%	<b>-10.29%</b>	<b>-5.37%</b>	<b>-0.46%</b>
	middle	-1.84%	0.35%	2.55%	-5.42%	-1.39%	2.64%	<b>-12.12%</b>	<b>-7.10%</b>	<b>-2.08%</b>
	high	-2.13%	1.06%	4.24%	-0.03%	4.71%	9.45%	-10.44%	-3.29%	3.86%
Ticino	low	-8.94%	-1.00%	6.94%	-2.12%	4.20%	10.51%	-10.75%	-0.08%	10.59%
	middle	-5.03%	-0.95%	3.12%	-8.93%	-2.87%	3.19%	-12.81%	-3.71%	5.39%
	high	-7.32%	-2.29%	2.74%	<b>2.06%</b>	<b>10.54%</b>	<b>19.01%</b>	-18.17%	-0.54%	17.09%

Only lower skilled non-EU17/EFTA residents suffered.

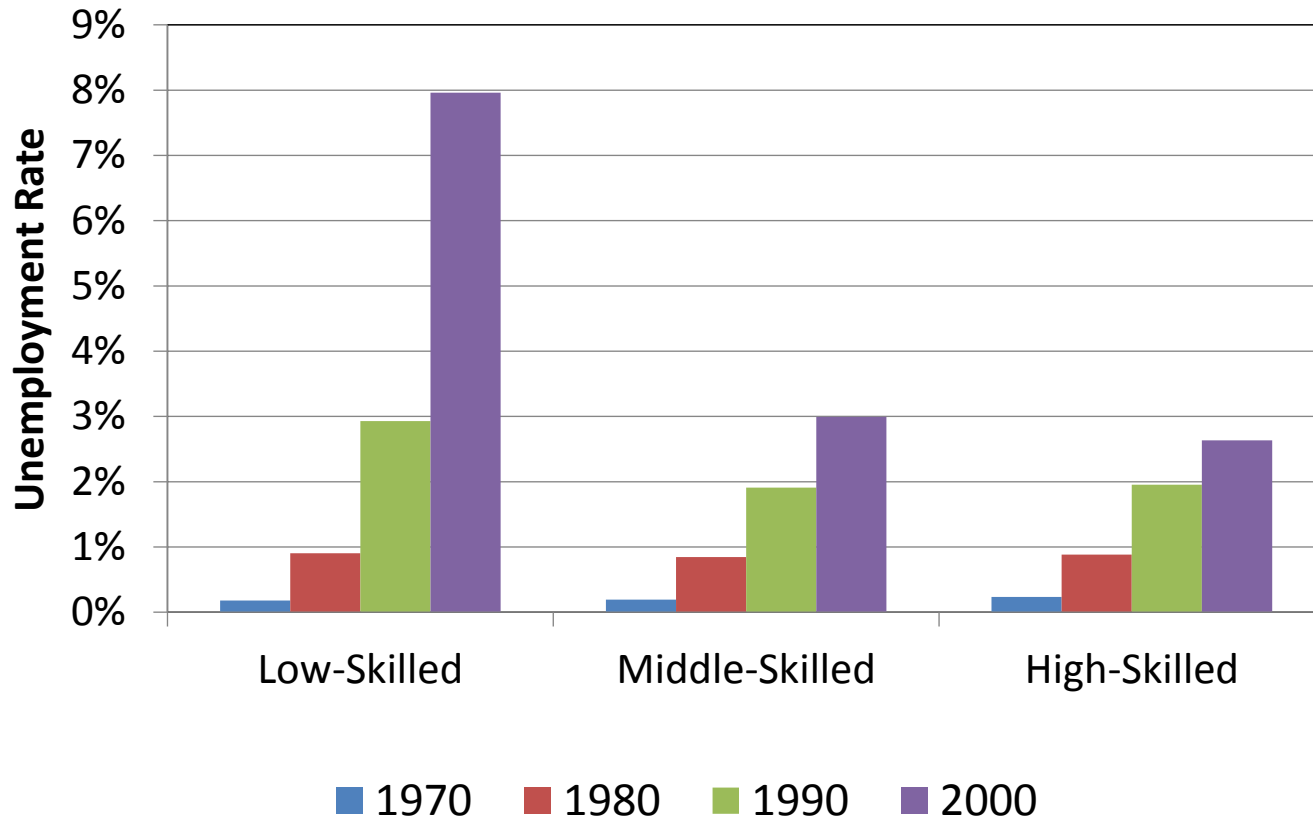


# Summary of Other Results

- Resident workers were at the most modestly affected.
- Neither their wages nor their employment suffered measurably from FMIPA.
- This should come as no surprise as foreign workers in Switzerland are recruited to fill vacancies. The domestic labor market does not need to absorb non-recruited workers as is the case in classical immigration destination countries.

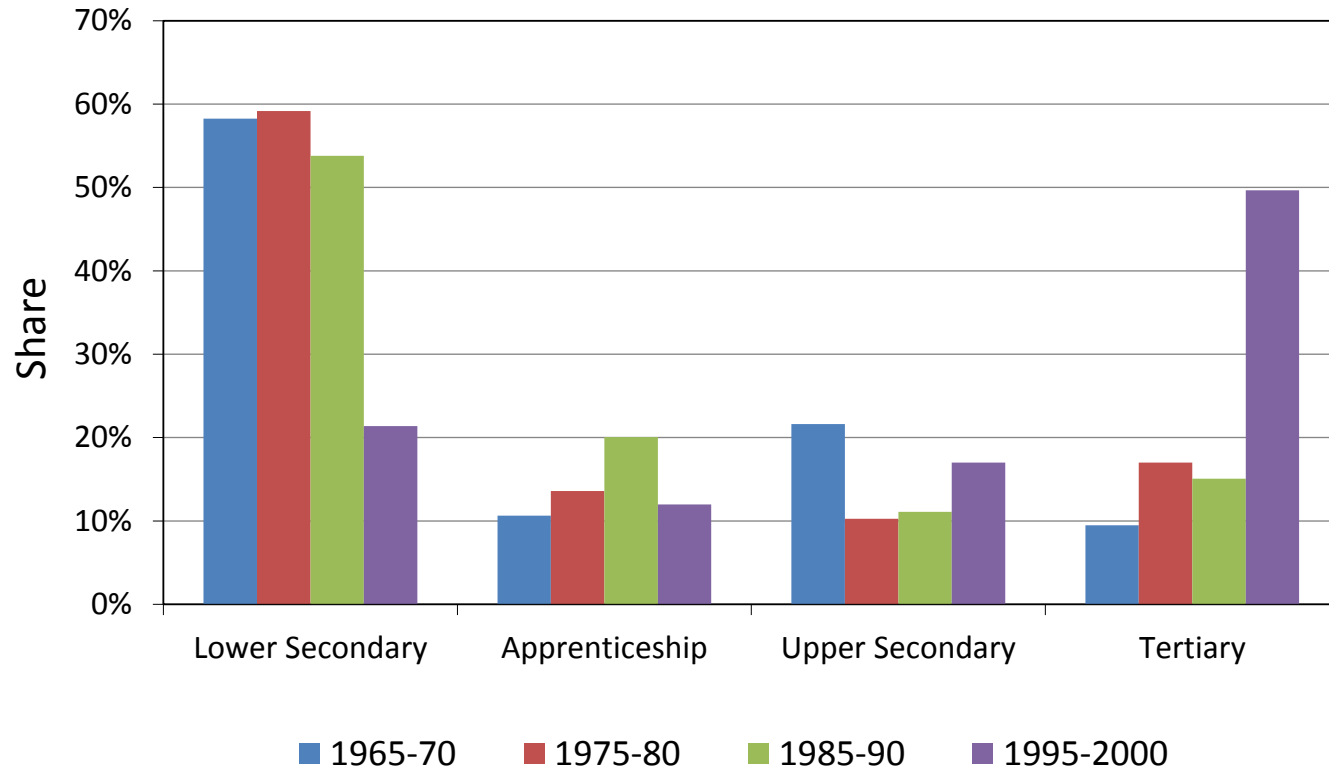
# **Impact on Unemployment**

# Unemployment Rate by Skill Level



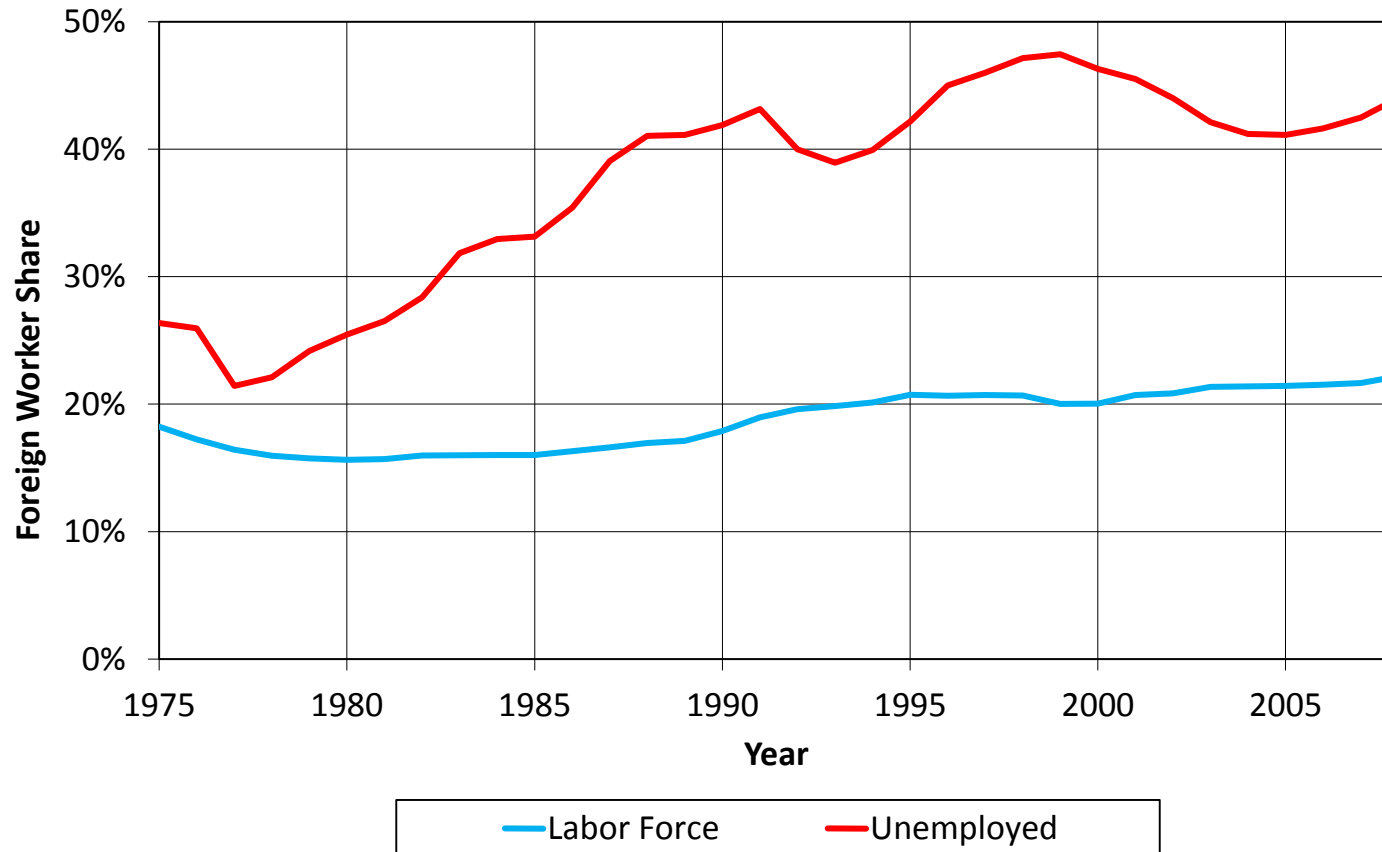
The demand for low-skilled workers is falling.

# Skill Level of Full-Time Immigrant Workers



Over decades, Switzerland imported low-skilled workers.

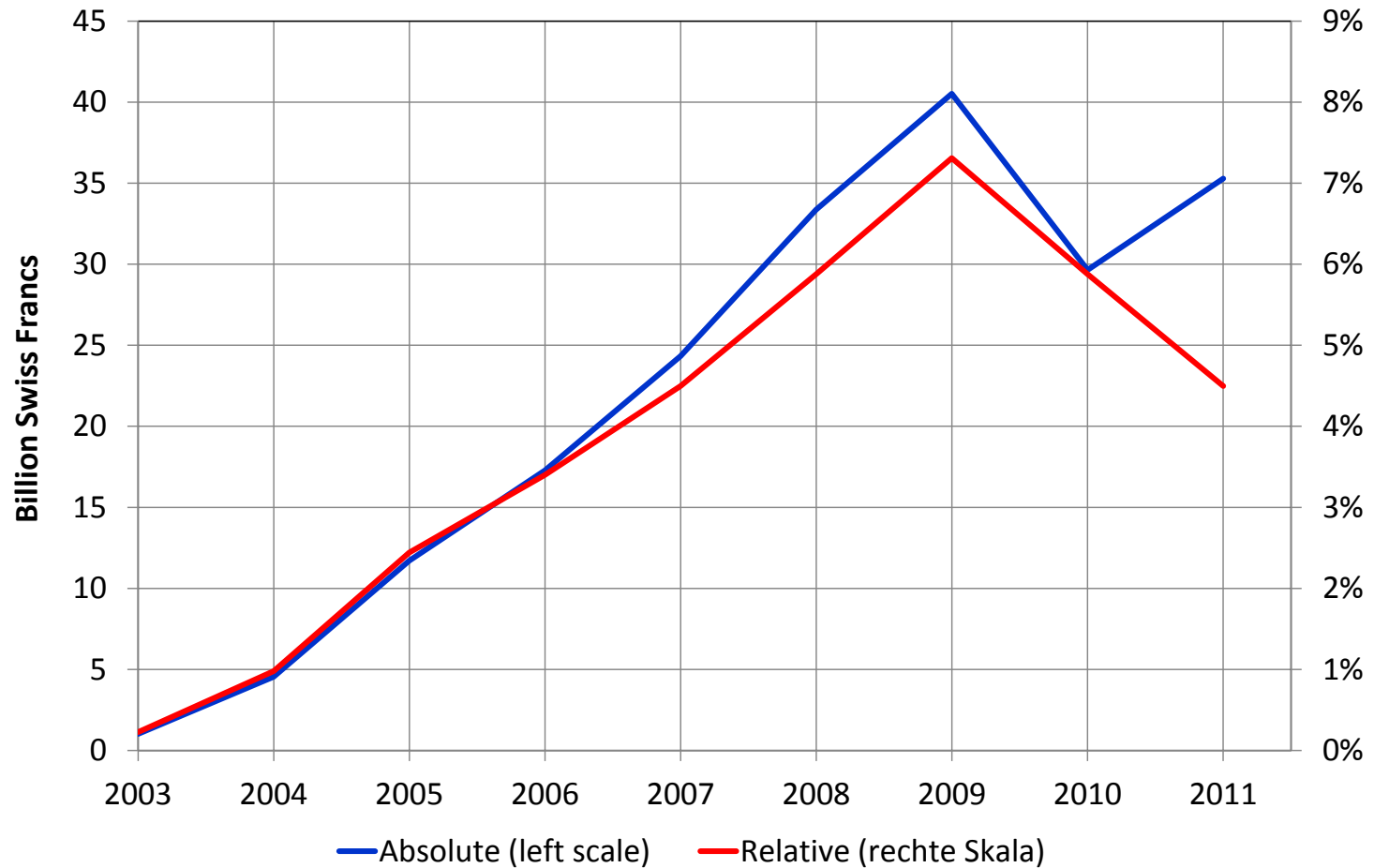
# Share of Foreigners in the Labor Force and in Unemployment



High unemployment among foreigners today is a legacy of the past.

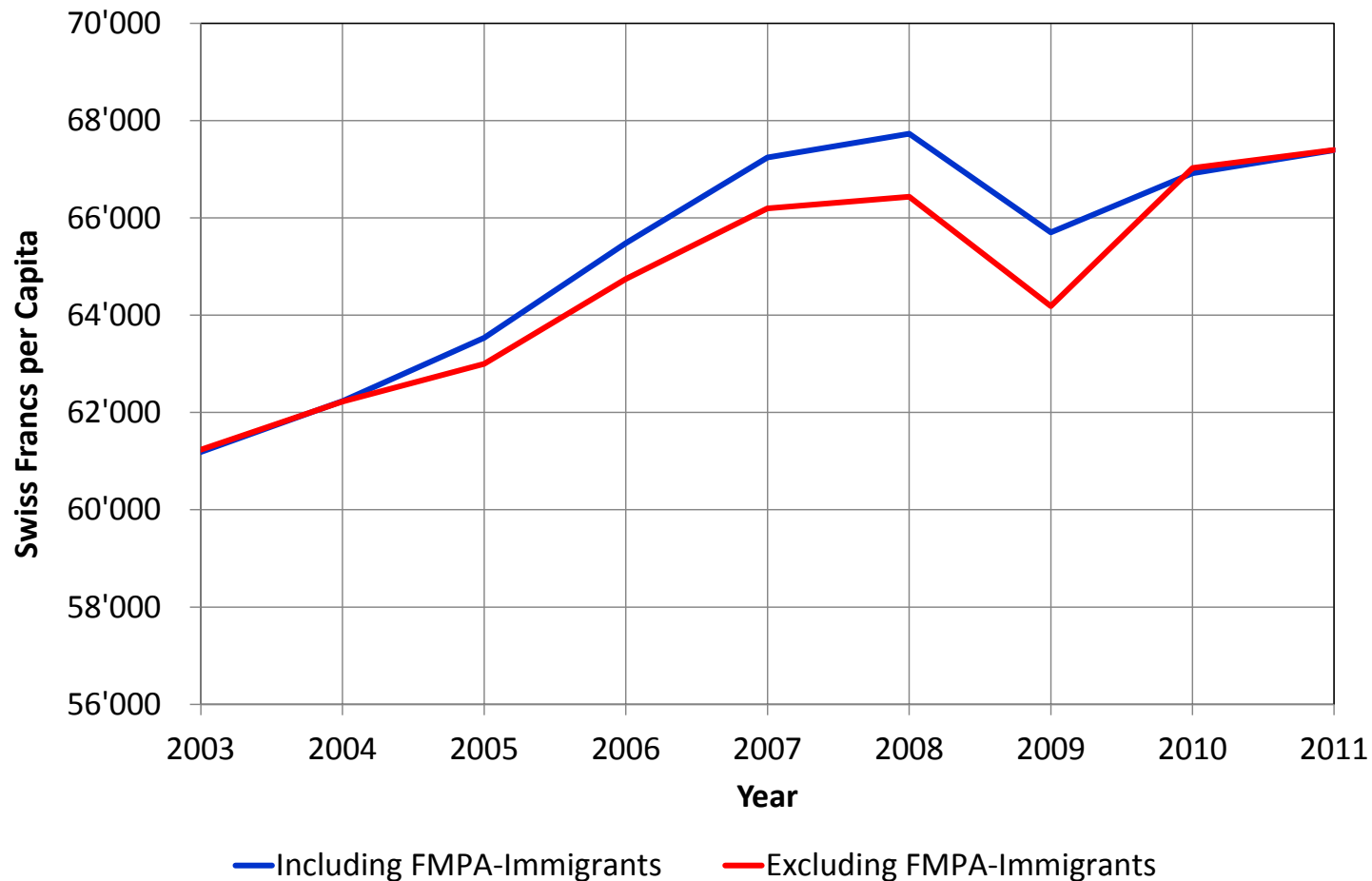
# **Impact on Growth**

# Impact on GDP, 2003-11



Immigrants added 40 billion francs to BIP in 2009.

# Impact on Per Capita GDP, 2003-11



Immigrants added 1500 francs to per capita GDP in 2009.



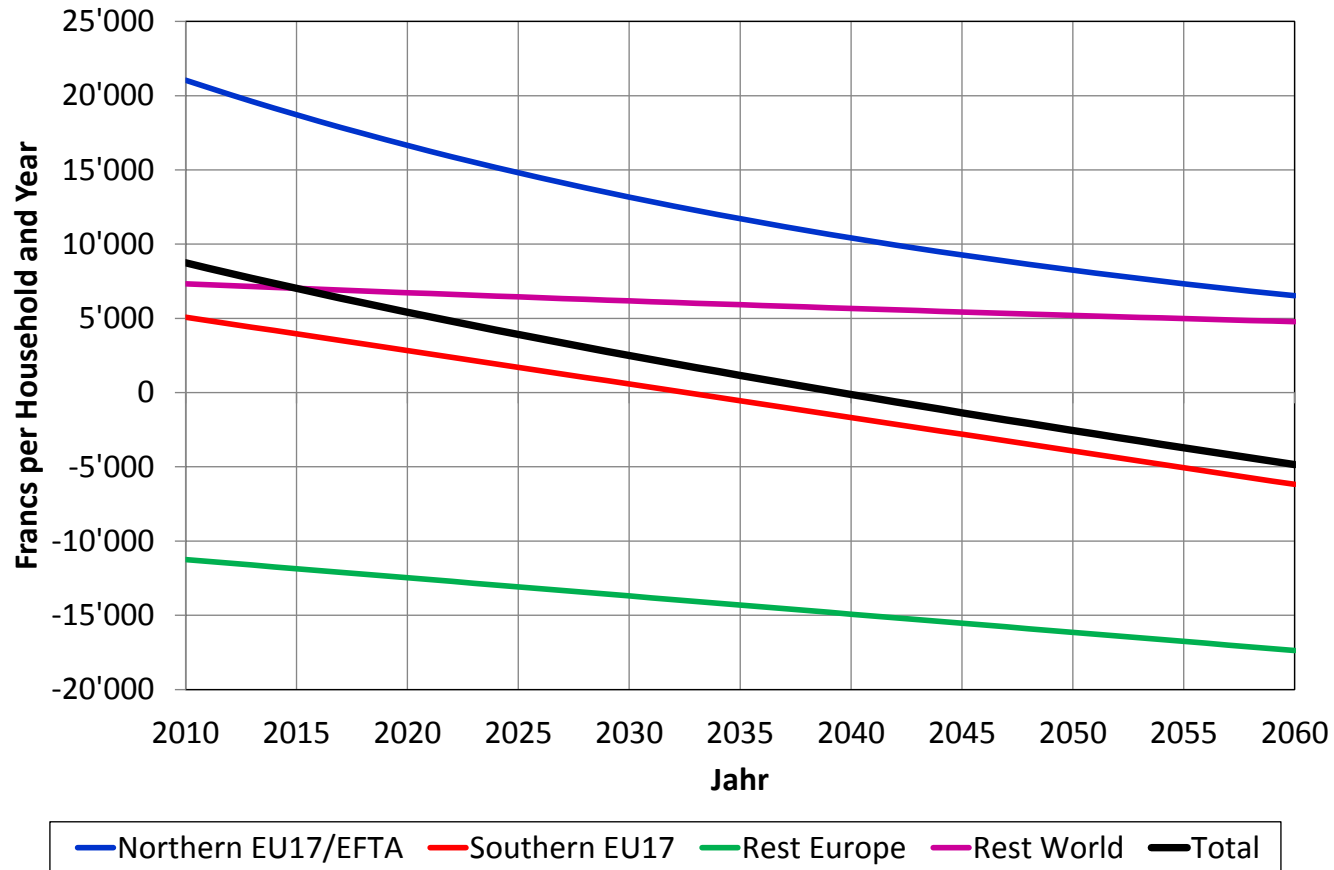
# **Fiscal Impact**

# Fiscal Balance

	Stock 2003-2009				In-Migration 2003-2009			
	Share	Min	Mean	Max	Share	Min	Mean	Max
Northern EU-17/EFTA	0.255	990	1135	1250	0.388	1618	1754	1861
Southern EU-17	0.358	-209	-77	26	0.213	290	424	526
Rest of Europe	0.256	-1319	-1099	-929	0.185	-1172	-937	-752
Rest of World	0.131	255	570	868	0.214	303	611	907
Total	1.000	-71	56	150	1.000	594	729	834

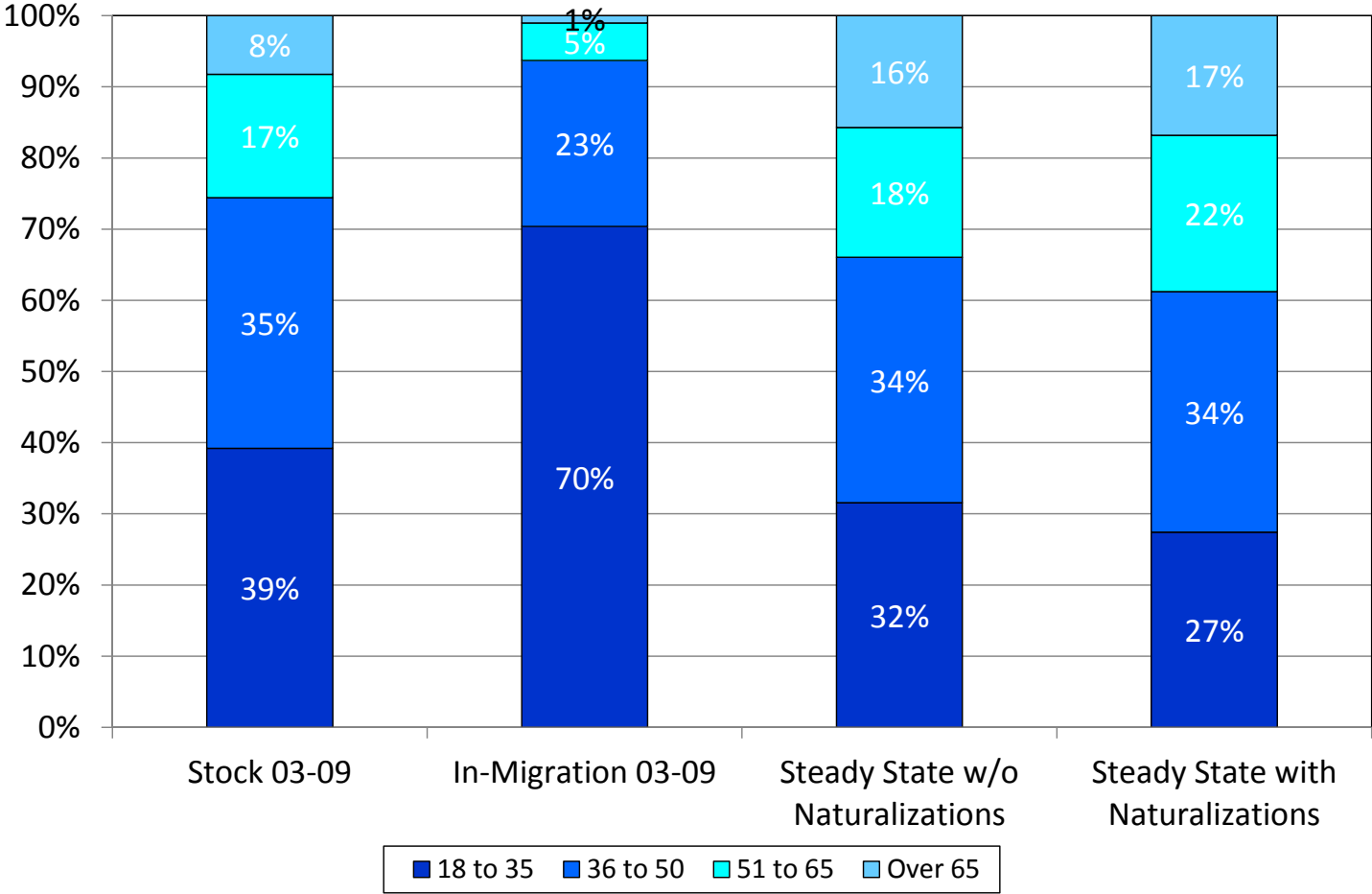
In-migration is greatly improving the fiscal balance.

# Fiscal Balance of Immigrants, 2010-60



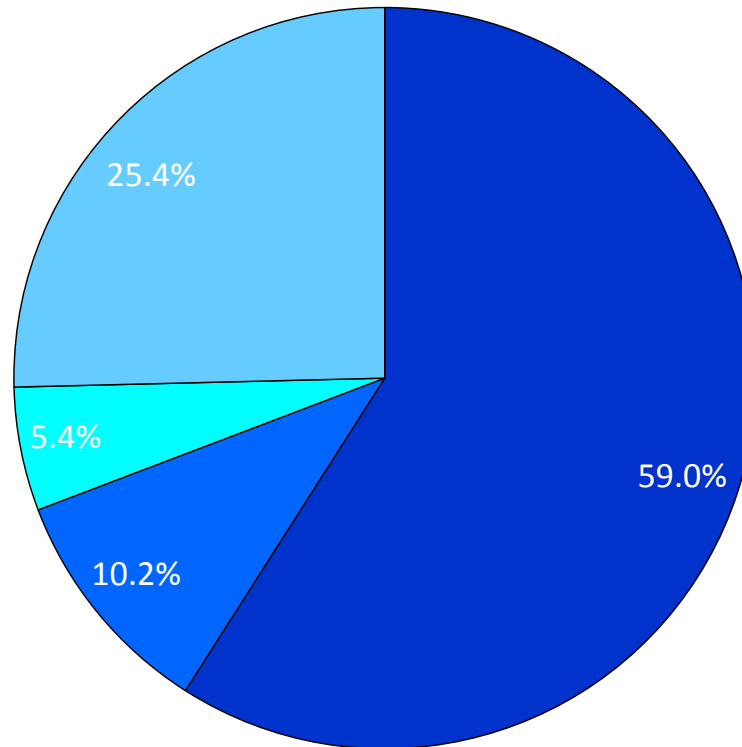
Fiscal balance will deteriorate but still net 83 k francs per household by 2060.

# Foreigners by Age



Cause 1: Length of residency increases with age.

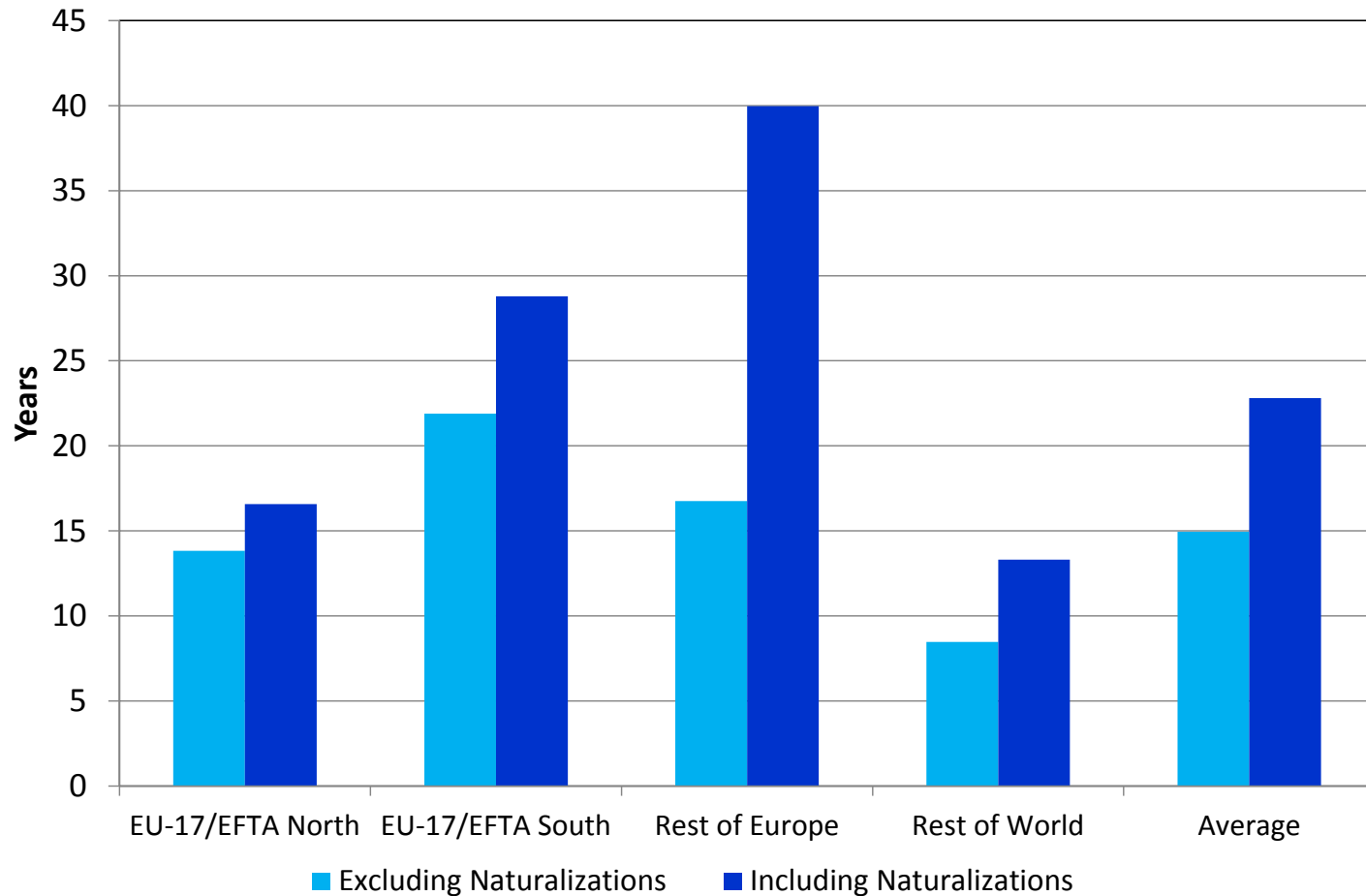
# Origin of High-Skilled Immigrants, 2003-2009



■ EU-17/EFTA North ■ EU-17 South ■ Rest of Europe ■ Rest of World

High-skilled workers stem from northern EU and outside Europe.

# Length of Stay by Origin



Cause 2: Length of residency decreases with skill level.

# Conclusions

- The impact of the FMIPA on in-migration has been minimal. It has, however, enabled on-going immigration trends to continue.
- The strong rise in the skill level of immigrating foreign workers does not stem from the FMIPA but began two decades ago and results from trends (skill-biased technical change, off-shoring) ongoing in all modern industrial countries.
- The increase in the size of the foreign population after 2002 is due principally to decreased out-migration and not to increased in-migration. In-migration peaked in 2002.
- The high level of unemployment among foreign workers is a legacy of the past and not a result of the FMIPA.
- The labor market status of resident workers has remained virtually unscathed.
- Economic growth and per capita GDP rose as a result of post-FMIPA immigration. The impact was not great, however, because post-FMIPA immigrants currently make up a mere 6% of the labor force.
- Immigration is greatly improving the fiscal balance in Switzerland. The improvement will dissipate in the long run, however, as the propensity of immigrants to settle in Switzerland increases with age and decreases with skill level.
- Immigration will not reverse the ageing of the population in the long run.

**Thank you**