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## CHAPTER 5

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# THE STRUCTURAL SHIFTS IN SWITZERLAND'S ECONOMY AND SOCIETY, 2000–2020

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C5S1

## 1 INTRODUCTION

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C5P1 OVER the last decades, Switzerland experienced strong growth in several areas. The economy expanded almost without interruption between 2000 and 2019, employment increased at a rate that has been called the 'jobs miracle' (Siegenthaler 2017), educational attainment rose, and the population grew by over a fifth.<sup>1</sup>

C5P2 A driving force behind this growth were women. In the last twenty years, young women not only caught up with young men in terms of education, but overtook them. In 2020, significantly more young women than men had a university degree in Switzerland, and women converted their higher education into higher rates of labour market participation. Women thus contributed to a larger extent to the jobs boom of the last two decades than men. However, the gender revolution is still incomplete (Esping-Andersen 2009). Similar to the Netherlands, Switzerland remains a part-time economy, with most men with children working full-time and most women with children working part-time (Visser 2002).

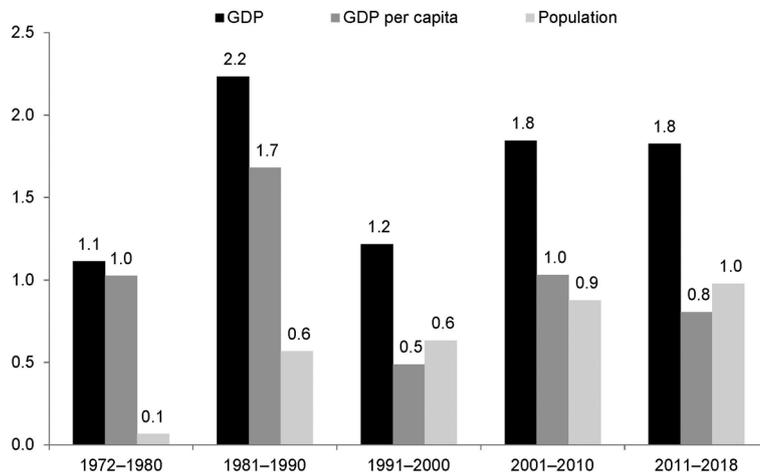
C5P3 The second driving force behind Switzerland's growth has been immigration. In the decade of the 2010s, migration reached levels last seen during the post-war boom of the early 1960s. Between 2010 and 2018, 180,000 people immigrated and 110,000 people emigrated each year. The special feature of the latest wave of immigration, however, is not its extent but its skill structure. Since the beginning of the twenty-first century, Switzerland has mainly attracted highly qualified migrants: more than half of the adults immigrating each year had a university degree. The concentration of immigrants in the lower hierarchical rungs of Swiss society is becoming a thing of the past.

- C5P4** Over the last two decades, Switzerland's GDP grew thanks to a large population increase which, in turn, was made possible by sustained immigration that responded to the Swiss economy's strong demand for foreign labour. As a result, per capita income rose only moderately, and the evolution of wages was even weaker—despite rising employment and low unemployment. As the costs for health care and housing increased at the same time, it is uncertain whether the majority of Switzerland's population experienced the last two decades as a boom period. This is especially true for the losers of structural change in the economy, the traditional working class on the one hand and the lower middle class of office clerks on the other. Their employment prospects have deteriorated in Switzerland as elsewhere in Western Europe, notably in Germany, Sweden, and the UK (Oesch and Piccitto 2019). In parallel, the upper middle class continued to grow, benefiting from strong job growth in health, education, and business-related services such as consulting and information technology.
- C5P5** This chapter reveals how Switzerland's economic and social structure has transformed over the last two decades. The changes are documented with data series taken from the freely accessible Internet databases of the Swiss Federal Statistical Office (FSO) and the Organisation for Economic Co-operation and Development (OECD). For the sake of simplicity, these sources are cited as FSO and OECD. All data sets are available from the author.

C5S2

## 2 ECONOMIC GROWTH ACROSS THE BOARD

- C5P6** Unlike in most European countries, the boom of the post-war decades did not end in Switzerland until the early 1990s. The two oil price crises in 1973/74 and 1979/80 had led to short and deep recessions in Switzerland (Flückiger 1998). In the 1980s, however, full employment prevailed again and by the end of the decade, the economy was booming with growth rates of 3 to 4 per cent and an official unemployment rate of less than half a per cent. The long recession of the 1990s was all the more drastic. Between 1991 and 1996, the economy stagnated for six consecutive years. This led to an unemployment rate of over 5 per cent in 1997—the highest level since the 1930s—and to rising numbers of people depending on social assistance and disability insurance, as well as to deficit-ridden public finances (Lampart 2006).
- C5P7** Just as the discussion of Switzerland's lack of economic dynamism was in full swing, a period of steady GDP growth set in at the end of the 1990s, interrupted only briefly by the bursting of the IT bubble in 2002/03 and the financial crisis of 2008/09. Figure 5.1 shows that Switzerland's GDP grew by an average of 1.8 per cent annually between 2000 and 2018. This means that, in price-adjusted terms, Switzerland's GDP in 2018 was 50 per cent larger than in 2000. The growth rate of 1.8 per cent was not only higher than the average in the 1970s and 1990s, but also exceeded the annual GDP growth in 2000–2018



**C5F1** FIGURE 5.1: Annual changes in GDP, GDP per capita, and population in Switzerland (in per cent)

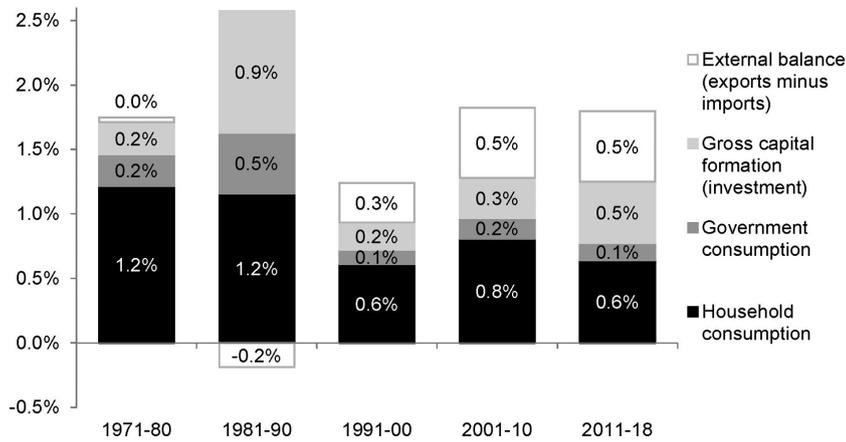
GDP figures are adjusted for inflation.

Data source: FSO.

achieved by Switzerland's neighbours Austria (1.6 per cent), Germany (1.4 per cent), France (1.4 per cent), and Italy (0.4 per cent).

**C5P8** Switzerland's economic growth was made possible because consumers abroad increased their demand for Swiss goods and services, and recent immigrants contributed to increasing the supply of Swiss goods and services. A breakdown of GDP growth into the individual demand components of private consumption, investment, government spending, and foreign trade shows the increasing importance of export surpluses, that is the amount by which the value of exports exceeds that of imports (see Figure 5.2). Export surpluses made no contribution to economic growth in Switzerland in the 1970s and 1980s when just as many goods and services were imported as exported. Since then, export surpluses have become more important for Switzerland every decade and foreign trade contributed annually an average of 0.5 percentage points to GDP growth between 2001 and 2018. This was possible because Switzerland achieved massive export surpluses (that is, surpluses in its current account) of 10 per cent annually during the same period.

**C5P9** Foreign trade thus contributed almost as much to GDP growth as private consumption. Between 2001 and 2018, demand from private households contributed 0.6 to 0.8 percentage points annually to growth—only half as much as in the 1970s and 1980s—whereas government spending played a subordinate role. Similar to Germany, Switzerland has thus adopted a neo-mercantilist growth model that combines wage restraint, consumption moderation, and high export surpluses. Unlike the consumption-based growth models in the United Kingdom, Sweden, or the USA, Swiss economic policy in the last two decades has primarily relied on growth impulses from abroad (Baccaro and Pontusson 2016).



**C5F2** FIGURE 5.2: Contribution of demand components to real GDP growth in Switzerland

Data source: OECD.

**C5P10** The Swiss economy expanded strongly over the last two decades, but this expansion was mainly due to strong growth in the volume of labour. Hence, the GDP per capita in Switzerland has not grown substantially more than in Germany, France, or Austria, rising by about 1 per cent annually since 2000 (OECD).

**C5P11** If working hours per capita remain constant over time, the evolution of GDP per capita corresponds to the evolution of labour productivity. With an annual increase of 1 per cent, these productivity advances between 2000 and 2018 were slower than media reports about ‘rapid digitalization’ suggested. An annual increase in GDP per capita and labour productivity of 1 per cent seems modest at first glance. However, the comparison with the spectacular catch-up growth of the economic miracle years between 1948 and 1973 is misleading. Productivity advances of 3 to 4 per cent annually were not achieved in Western Europe for any length of time, either before or since these post-war decades (Inklaar et al. 2018). Moreover, even per capita growth of 1 per cent per year means that over the course of thirty years, the available economic output per inhabitant increases by one-third. A succeeding generation thus has over a third more goods and services at its disposal than the previous generation (Piketty 2013).

**C5S3**

### 3 STRONG POPULATION GROWTH

**C5P12** The robust economic growth since the turn of the millennium is closely linked to the strong population growth. Between 2000 and 2020, the resident population in Switzerland increased by a full 20 per cent, from 7.2 to 8.7 million. Two geographical poles in particular were responsible for this growth: the Zurich agglomeration (with the cantons of Zurich, Aargau, Zug, and Schwyz) and the Lake Geneva region (with the cantons of Vaud, Geneva, Fribourg, and Valais). Population growth was below average

in the Jura Arc (Jura, Neuchâtel), most of the Alpine mountain cantons (Grisons, Uri, Appenzell, Glarus), and the canton of Bern.

**C5P13** The uneven demographic development reflects the geographical differences in economic dynamics. In the last two decades, the two growth poles around Zurich and Geneva-Lausanne attracted many domestic and foreign workers. Consequently, the economy's strong demand for labour acted as an engine of population growth—a demand that led companies to increasingly recruit foreign workers because the Swiss labour market had dried up.

**C5P14** Until the end of the 1970s, population growth in Switzerland was more strongly influenced by the birth surplus (births minus deaths) than the migration balance (immigration minus emigration). However, starting from the 1980s, immigration contributed more to population growth than did birth surplus (Fux 2007; Babel 2019). Contrary to a common expectation, the birth rate in Switzerland has remained almost unchanged over the last four decades. Since the abrupt decline in the mid-1970s, the number of children per woman has remained stable at 1.5. Only the average age of mothers at the birth of children has risen: from twenty-eight years in 1980 to thirty-two years in 2018.

**C5S4**

## 4 THE INCREASE IN HIGHLY SKILLED IMMIGRATION

**C5P15** Switzerland has been a country of immigration since the end of the nineteenth century. Since 1890, the number of immigrants has tended to exceed that of emigrants, with the exception of the war decades 1914–1945 and the first oil price crisis in 1974–78. Figure 5.3 shows for the period after 1945 that immigration dwarfed emigration, particularly during the post-war boom in the 1960s with positive net migration of 100,000 persons in 1961 and 80,000 persons in 1962.

**C5P16** After the two slumps in the crisis decades of the 1970s and 1990s, immigration picked up again at the beginning of the twenty-first century. In the peak years from 2007 to 2009 and 2012 to 2016, net migration reached levels similar to those of the 1960s, with a net balance of 70,000 to 80,000 migrants per year. However, net migration conceals large movements: on average, 180,000 people immigrated and 110,000 people emigrated annually between 2010 and 2018.

**C5P17** This strong immigration is primarily explained by Switzerland's booming labour market after 2000. It is also related to institutional changes and notably the agreement on the free movement of persons between Switzerland and the EU, which came into force in 2002 and allowed EU citizens non-discriminatory access to the Swiss labour market and vice versa. The majority of immigrants were thus EU citizens: during the 2010s, they were responsible for three-quarters of net migration (Babel 2019, 20).

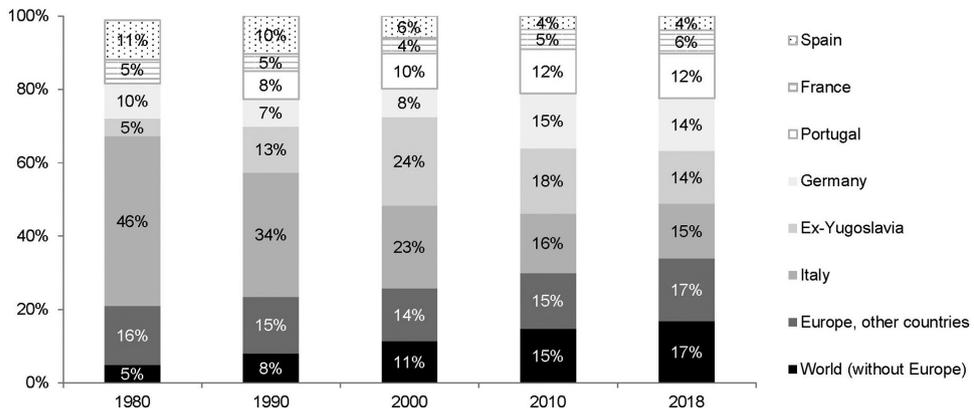


**C5F3** **FIGURE 5.3:** Net migration (immigration minus emigration) in Switzerland 1945–2020, number of persons

Data source: FSO.

**C5P18** As a result of the various waves of immigration, the proportion of foreigners in the Swiss population has risen steadily, exceeding 20 per cent for the first time in 1994 and reaching 25.5 per cent in 2020. The foreign resident population has also increased in absolute numbers, from 1.4 million in 2000 to 2.2 million in 2020. A growing proportion of foreigners can be observed not only in Switzerland but also in most other Western European countries. In 2020, according to Eurostat, the proportion of foreigners was 16.6 per cent in Austria, 12.5 in Germany, 8.4 in Italy, and 7.6 per cent in France.

**C5P19** Immigration to Switzerland has diversified considerably in recent decades. In 1980, almost half of all foreigners living in Switzerland came from Italy and, at 11 per cent, Spaniards were the second largest group of foreigners (see Figure 5.4). Four decades later, Italians were still the largest immigrant group, but at 15 per cent of all foreigners,



**C5F4** **FIGURE 5.4:** Foreign resident population in Switzerland by nationality

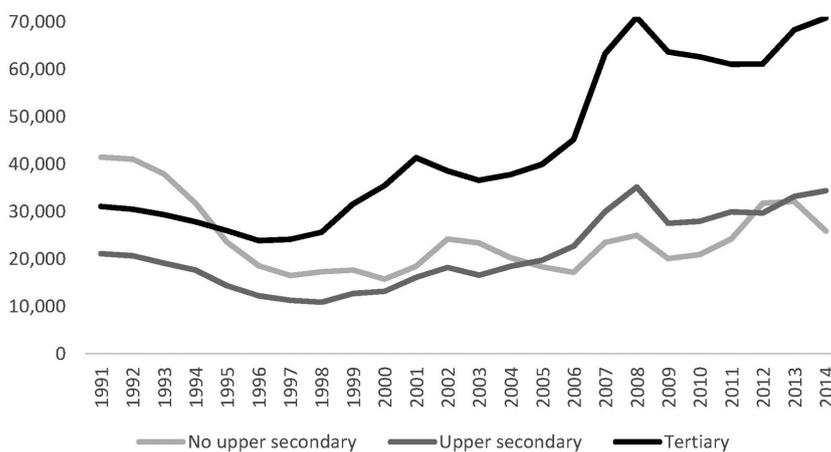
Data source: FSO.

their share is much smaller and hardly stands out against the almost equally numerous nationals from Germany (14 per cent) and Portugal (12 per cent). The latter two groups, as well as French nationals, increased their immigration after the European Union and Switzerland signed the agreement on the free movement of persons in 2002. European citizens continue to make up the large majority of all foreigners in Switzerland, but the weight of non-European immigration has increased since 1980—in relative and absolute terms. Switzerland has become globalized not only in its economic relations but also in the origin of its population.

**C5P20** Immigration to Switzerland is strongly driven by the needs of the economy. Thus, the vast majority of immigrants come to Switzerland for employment reasons. Among people with a university education who immigrated in recent years, more than half already had an employment contract or a job offer from Switzerland before entering the country (Wanner and Steiner 2018, 9). The second most important reason for immigrating to Switzerland is family reunification. Other reasons such as education or asylum application come third and fourth, but play a quantitatively subordinate role.

**C5P21** In the boom of the post-war decades, Swiss employers recruited mainly low-skilled immigrants for industry and construction, the hospitality industry, and agriculture. The result was the creation of a foreign underclass that clustered at the low-end jobs of Switzerland’s occupational structure (Flückiger 1998; Hoffmann-Nowotny 1973; Wanner and Steiner 2018). This model was all the more effective because the residence permits of many foreign workers—both annual residents and seasonal workers—were tied to a job. Only foreigners with a settlement permit were free to change jobs. Foreigners with a settlement permit were a small minority up to the oil crisis (22 per cent in 1970), but since the mid-1990s their share has stabilized at around two-thirds of the resident foreign population (FSO).

**C5P22** In a drastic turn of tendencies, highly skilled migrants have come to dominate immigration to Switzerland over the last few decades. Figure 5.5 shows that people with tertiary



**C5F5** **FIGURE 5.5:** Number of new immigrants (aged 20–64) to Switzerland per year, by education  
 Data source: Wanner and Steiner (2018, 6).

education—usually a university degree—have been the majority of new immigrants each year since the end of the 1990s. However, they also emigrate more frequently than lower educated immigrants do. The number of immigrants with low and medium qualifications newly arriving in Switzerland has changed little over the past twenty-five years. Therefore, the strong increase in immigration is almost exclusively due to the high-skilled group. In the 2010s, around half of the net migration for 25–64 year olds consisted of people with tertiary qualifications (Babel 2019, 22). In some fields of education, more people with tertiary degrees immigrated each year than were trained domestically in the same year, especially in computer science, medicine, engineering, and natural sciences (Babel 2019, 23–24).

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## 5 ONGOING EDUCATIONAL EXPANSION

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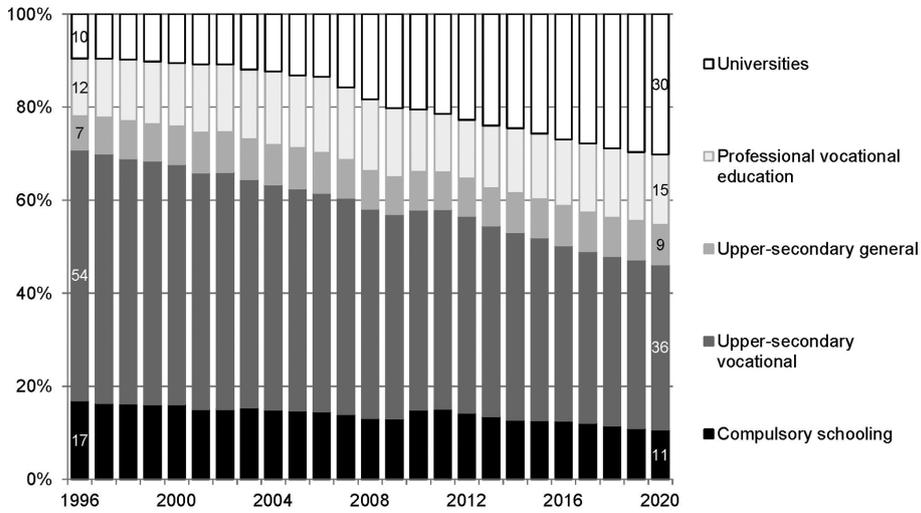
Educational attainment has not only increased in recent waves of immigration. The domestic population also continued to benefit from educational expansion. Figure 5.6 shows that between 1996 and 2020, the proportion of 25–64 year olds with a tertiary degree in Switzerland tripled, growing from 10 to 30 per cent. If professional vocational education and training (PET) is also defined as tertiary education—as is common in Switzerland, but not in Germany—45 per cent had a tertiary degree in 2019 (see ‘Education Policy’ in this volume for an overview of Switzerland’s education system). And the educational expansion is still in full swing: by the end of the 2020s, more than half of adults in Switzerland are expected to have a degree from a university, university of applied sciences, or in PET (Babel 2019, 43).

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Surprisingly, the growing share of people with tertiary education has only led to a weak decrease in the share of people without post-compulsory education. Despite efforts by the cantonal governments to keep more young people in education beyond the end of compulsory schooling, this proportion of early education-leavers has stagnated at over 10 per cent. Instead, the growth in tertiary education has been at the expense of initial vocational training at the upper-secondary level of education—at least at first glance. Whereas in 1996 54 per cent of 25- to 64-year-olds had an apprenticeship as their highest qualification, in 2020 this was only the case for 36 per cent. However, a second glance shows that over the same period of time, about two-thirds of every cohort of young people continued to choose a VET programme after compulsory schooling—a proportion that remained almost unchanged over time (Babel 2019, 13). As a result, the importance of vocational training (apprenticeships) as *initial* post-compulsory education has declined only slightly. What has changed is that for a growing proportion of young people it is merely a stepping stone towards tertiary education—thanks, among other things, to the strong expansion of vocational baccalaureates and universities of applied sciences.

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Switzerland, therefore, remains a showcase for a collective system of skills education (Busemeyer and Trampusch 2012). In no other country in the OECD does such a high proportion of young people complete basic vocational education and training. And even more so than in other apprenticeship-countries (such as Denmark, Germany,

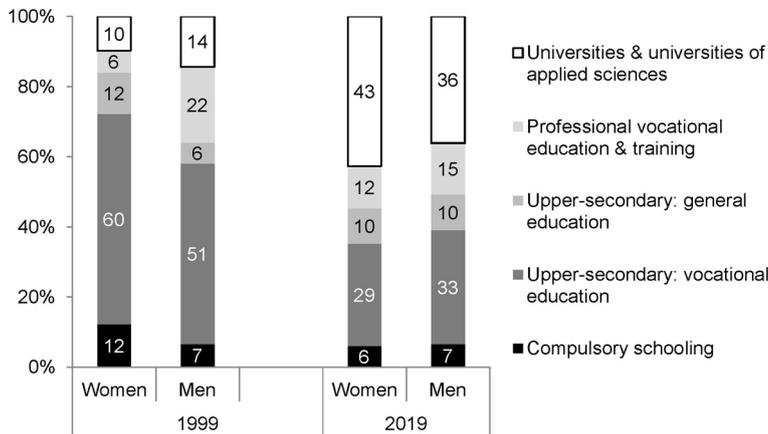


**C5F6** FIGURE 5.6: Highest completed education of the population aged 25–64 (in per cent), 1996–2020  
Data source: FSO.

the Netherlands, or Austria), VET takes place in a dual system (i.e. in companies and schools), continues to be developed with the close involvement of employers’ associations, and leads to nationally recognized diplomas (Korber and Oesch 2019).

**C5P26**

The expansion of education in recent decades has been driven primarily by women. This is shown by comparing two different birth cohorts that were aged 25–34 years in 1999 and in 2019 respectively (see Figure 5.7). In 1999, young women were more likely than young men to have stopped after compulsory schooling or initial vocational education and training, while young men were more likely to have completed higher education. Twenty years later, young women had not only made up for the educational gap, but overtaken men. In 2019, more young women than young men had a university degree.



**C5F7** FIGURE 5.7: Highest level of education completed by the resident population aged 25–34  
Data source: FSO.

- C5P27** Despite the ongoing educational expansion in Switzerland, the providers of tertiary degrees did not succeed in satisfying the economy's strong demand for workers with higher education (Kriesi and Leemann 2020; Meyer 2018). The skills structure of the latest wave of immigration suggests that the Swiss economy demands far more workers with tertiary degrees than are being trained domestically. Thus, there is a shortage of skilled workers in most occupations that require tertiary education. At the same time, labour demand stagnates in many occupational fields that require an apprenticeship, notably in the two most frequently chosen vocational apprenticeships in Switzerland: for commercial employees and retail trade employees (SECO 2016; SBFI 2017; Babel 2019).
- C5P28** In recent decades, a degree from a university opened up bright salary and employment prospects in Switzerland (Korber and Oesch 2019). Young people and their families clearly perceived these labour market signals. As a consequence, the educational system has become a crucial front in the class struggle, which played out in access to gymnasiums that deliver entry tickets to higher education. With gymnasium-based baccalaureate rates of only 15 to 20 per cent of a given birth cohort, the German-speaking cantons of Switzerland (with the exception of Basel) set a narrow numerus clausus for the direct route to universities. This has the consequence that many young people are frustrated in their aspiration of obtaining a university education, while many employers are frustrated in their search for domestic staff with a university education.
- C5P29** A second consequence is that social origin has a particularly strong influence on who obtains a university degree in Switzerland (Becker and Schoch 2018). Young people who achieve the same school grades and PISA test scores at age sixteen are twice as likely to have a university degree by age thirty if their parents belong to the upper middle class rather than the working class (Combet and Oesch 2021). Switzerland is thus one of the European countries where the influence of parental resources on educational pathways and attainment is particularly strong (Pfeffer 2008). Difficult access to Swiss higher education is socially and economically suboptimal. It discourages many children from modest class backgrounds from studying and, at the same time, forces many companies to recruit tertiary-educated workers abroad (Kriesi and Leemann 2020).

C5S6

## 6 SECTORAL CHANGE IN THE LABOUR MARKET

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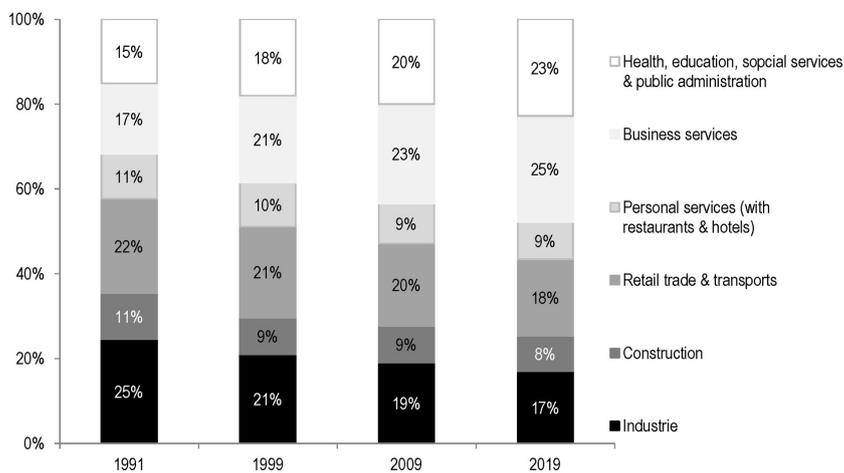
- C5P30** During the last twenty years, not only were GDP, population, and educational attainment growing, but the labour market also experienced a boom. After the crisis-ridden decade of the 1990s in which employment stagnated, the number of jobs began to expand again at the turn of the millennium. Between 2000 and 2021, employment in Switzerland increased by a quarter, from 4.1 to 5.2 million workers (from 3.3 to 4.0 million in full-time equivalents).
- C5P31** A distinction by sector shows the extent of structural change in the labour market. Two sectors, in particular, were responsible for the employment boom. First, the

number of jobs in health care, education, social services, and public administration increased by more than 50 per cent between 2000 and 2019 (in full-time equivalents). Second, employment grew by more than 40 per cent in business-related services that include the financial sector, communications, IT, consulting, and research.

**C5P32** In contrast, employment in manufacturing, construction, transport, retail trade, and personal services remained constant. Contrary to popular belief, there has been neither strong growth in low-skilled personal service jobs nor a slump in industrial employment in Switzerland over the past twenty years. On the contrary, after a massive wave of de-industrialization in the early 1990s, Switzerland experienced a small re-industrialization at the beginning of the 2000s, which was slowed down a first time by the financial crisis in 2009 and a second time by the appreciation of the Swiss franc in 2015 (which made Swiss exports less cost-competitive). At the same time, a radical change took place within industry. While the pharmaceutical and watch industries created many jobs, employment fell in the printing, metal, and machine industries.

**C5P33** In a growing labour market, stable employment figures for a sector still mean a decreasing share of total employment. Figure 5.8 shows that the share of industry shrank from 25 per cent of total employment in 1991 to 17 per cent in 2019. Similarly, the share of retail trade and transport (from 22 to 18 per cent) and that of personal services (from 11 to 9 per cent) declined. In contrast, the employment share of construction remained almost constant after the mid-1990s. Since the end of the housing crisis in the early 1990s, this sector has employed 8 to 9 per cent of all workers.

**C5P34** Women have not only caught up in terms of educational attainment but have also played a decisive role in the recent employment boom. Between 2000 and 2021, the number of women in paid employment rose by 630,000 in Switzerland, compared to a rise of 470,000 among men. While the male employment rate fell in the 1990s and remained constant at 85 per cent after the early 2000s, the proportion of women in



**C5F8** FIGURE 5.8: Employment in different sectors as proportion of total employment, 1991–2019

Data source: FSO, in full-time equivalents.

employment increased by ten percentage points between 1991 and 2021, from 66 to 76 per cent (age group 15–64, FSO).

**C5P35** Among childless women, more than 70 per cent were already in employment in the 1990s. Consequently, the increase in employment was almost exclusively due to mothers who have become less likely to withdraw from the labour market after the birth of children. The proportion of employed mothers of pre-school age children thus increased from 50 to 75 per cent between 1990 and 2021 (FSO; Giudici and Schumacher 2017).

**C5P36** However, gender differences in the labour market have not disappeared, as the growth in female employment has mainly taken place in part-time jobs. While 49 per cent of women worked part-time in 1991, 59 per cent did so in 2021. In contrast, the vast majority of men continue to work full-time (despite a small increase in male part-time work from 8 to 18 per cent between 1991 and 2021). In Switzerland, this evolution has solidified the model of one and a half jobs per household: fathers work full-time in a paid job; mothers work half-time and do most of the housework. Switzerland is thus the second part-time economy in the world, after the Netherlands (where 74 per cent of women work part-time), but ahead of Germany and Austria (both with 47 per cent female part-time work) (OECD).

**C5P37** Despite the increase in part-time work, Switzerland's employment boom remains impressive if measured in terms of total working hours instead of the number of people in employment. Between 1960 and 2005, the total volume of paid work in Switzerland hardly changed (except for a dip in the mid-1970s to mid-1980s). A larger number of employees worked fewer hours per year on average. Between 2005 and 2015, however, the volume of work increased sharply—by around 20 per cent and thus as much as during the post-war boom of the 1950s and early 1960s (Siegenthaler 2017). Thus, after the turn of the millennium, Switzerland experienced a 'job miracle that even dwarfs that in Germany' (Siegenthaler 2017, 8).

**C5P38** These findings run diametrically counter to the discussion on the end of work. While colourful scenarios of technological unemployment are outlined in the media, more people are working in Switzerland than ever before—in front of computers, next to assembly lines, and in tandem with robots. As in earlier phases of technological upheaval, the volume of work has also increased in the current wave of innovation, in Switzerland as well as in other Western countries.

**C5S7**

## 7 UPGRADING THE OCCUPATIONAL STRUCTURE

**C5P39** Of particular interest is how the change in employment and education has affected social stratification. A popular thesis in economics claims that technological change is leading to an increasing polarization of the occupational structure. New jobs would be created at the margins of the labour market, while employment in intermediate occupations would decline. Research for the US and the UK indeed suggests that employment growth has been strongest in high-wage occupations and weakest in middle-wage occupations (Goos and Manning 2007; Autor and Dorn 2013).

**C5P40** However, the developments in the two Anglo-Saxon labour markets do not translate well to Western Europe. The polarization in the US and the UK is closely related to the education system (weak supply at intermediate skill levels), wage-setting institutions (low statutory minimum wages and few collective agreements), and migration policies (polarized immigration of low- and high-skilled workers) (Oesch 2013). Empirical studies thus refute the polarization thesis for Switzerland. With the exception of the 1980s, Switzerland’s occupational structure has steadily upgraded since 1970. Only during the construction and consumption boom of the 1980s did employment increase strongly, not only in high-paid but also in low-paid occupations. In the two decades that followed, by contrast, nowhere were so few jobs created as in low-paid occupations (Murphy and Oesch 2018).

**C5P41** In Table 5.1, we trace the change in the employment structure between 1991 and 2019. It shows that occupational upgrading was driven by the strong growth of the salaried middle class, consisting of three occupational categories: (i) (associate) managers and administrators,

**C5T1** **Table 5.1: Share of occupational classes in total employment, 1991/2 and 2018/9**

	Interpersonal service logic	Technical work logic	Administrative work logic	Independent work logic		
	Socio-cultural (semi-) professionals	Technical (semi-) professionals	(Associate) managers	Liberal professionals and large employers	<i>Tertiary</i>	<i>Educational requirement of occupations</i>
	<i>Medical doctors</i> <i>Teachers</i> <i>Social workers</i>	<i>Engineers</i> <i>Architects</i> <i>IT-specialists</i>	<i>Administrators</i> <i>Consultants</i> <i>Accountants</i>	<i>Entrepreneurs</i> <i>Lawyers</i> <i>Dentists</i>		
1991/92	10.3%	10.9%	13.0%	3.4%		
2018/19	13.5%	13.7%	16.8%	4.0%		
Change	+3.2	+2.8	+3.8	+0.6		
	Service workers	Production workers	Office clerks	Small business owners and farmers	<i>Secondary</i>	
	<i>Waiters</i> <i>Nursing aides</i> <i>Shop assistants</i>	<i>Mechanics</i> <i>Carpenters</i> <i>Assemblers</i>	<i>Secretaries</i> <i>Receptionists</i> <i>Mail clerks</i>	<i>Shop owners</i> <i>Independent artisans</i> <i>Farmers</i>		
1991/92	12.8%	22.8%	16.5%	10.4%		
2018/19	14.1%	15.5%	13.0%	9.4%		
Change	+1.3	-7.3	-3.5	-1.0		

*Note:* The table shows the share of each occupational class in total employment (18- to 65-year-olds working at least twenty hours per week). We calculate the average for 1991 and 1992 on the one hand, and 2018 and 2019 on the other, in order to reduce the influence of annual fluctuations. The calculations are based on detailed occupation codes (at the ISCO 4-digit level).

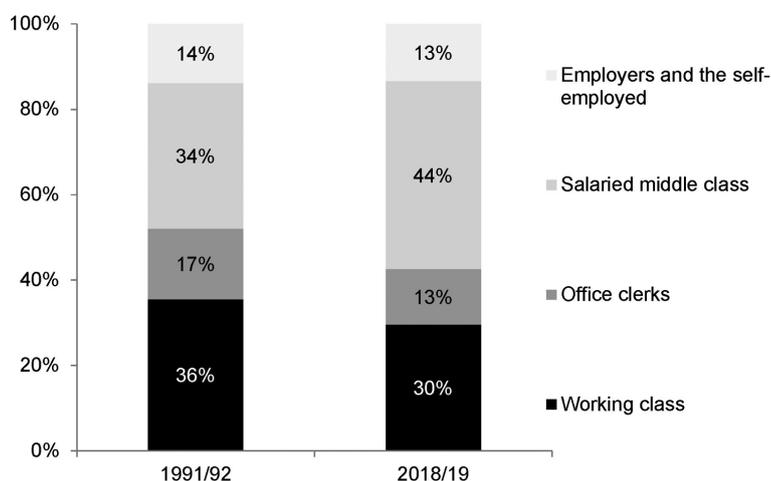
*Data source:* Swiss Labour Force Survey 1991, 1992, 2018, 2019.

whose share in total employment grew by 4 percentage points; (ii) socio-cultural (semi-) professionals such as medical doctors, teachers, social workers, or nurses, whose share increased by 3 percentage points; (iii) technical (semi-)professionals such as engineers, computer scientists, architects, or technicians, whose share increased by 3 percentage points.

**C5P42** In contrast, the employment share of two classes decreased: that of production and construction workers by 7 percentage points and that of office clerks by 3.5 percentage points. These two shrinking occupational groups do not constitute the core of the middle class, but the traditional working class on the one hand and the lower middle class on the other.

**C5P43** The employment share of the self-employed remained stable and growth in personal service jobs was modest at one percentage point. This growth in lower skilled service jobs was too weak to compensate for the reduction in routine agricultural, industrial, and back-office jobs. Like other Western European countries, Switzerland was thus most successful in automating and outsourcing low-skilled occupations, and thus in replacing the jobs of farm workers and plant operators, data entry clerks, and shop assistants. New jobs were created mainly in highly skilled service occupations, programmers and engineers, consultants and analysts, medical doctors and teachers. As a result, the employment structure in Switzerland was upgraded—very similarly to Germany, Spain, or Sweden (Oesch and Piccitto 2019).

**C5P44** In Figure 5.9, the occupational categories are grouped into larger classes and only include employed persons entitled to vote, i.e. the workforce with a Swiss passport. This shows how the gainfully employed electorate in Switzerland has changed in terms of social class. In the early 1990s, the working class slightly outnumbered the salaried middle class. But while the share of the working class shrank by 6 percentage points in the following three decades, the proportion of the salaried middle class increased by 10 points. As a result, the salaried middle class today comprises about 44 per cent of the Swiss workforce compared to 30 per cent of the working class. The rest is made up of 13 per cent of office clerks and 13 per cent of employers and self-employed.



**C5F9** FIGURE 5.9: Change in the number of employed persons with Swiss nationality by social class

C5P45 For source and data, see notes to Table 5.1. Managers, socio-cultural, and technical professionals are grouped into the salaried middle class; production workers and personal service workers into the working class; and large employers, the liberal professions, and small business owners into employers and the self-employed.

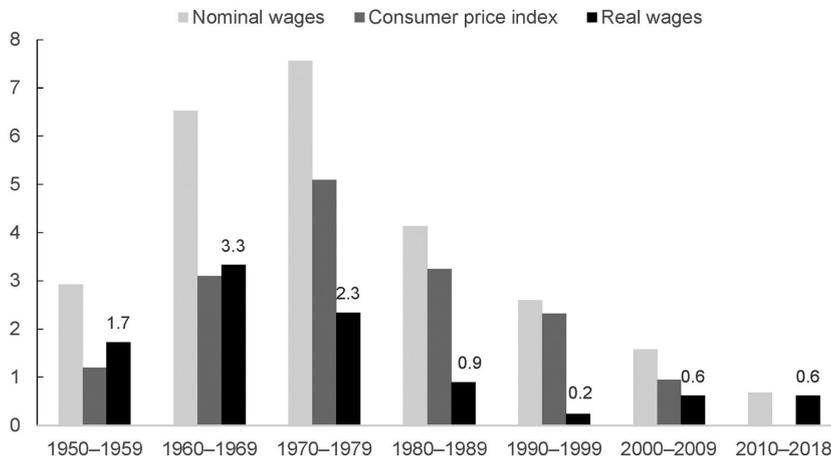
C5S8

## 8 MODERATE WAGE INEQUALITY, HIGH WEALTH INEQUALITY

C5P46 Switzerland's strong expansion of GDP and employment growth over the last twenty years is beyond doubt. Nevertheless, it is questionable whether a large part of the population experienced these two decades as a boom period. The reason lies in the weak growth of earnings. This becomes clear from Figure 5.10, which shows the development of nominal wages, inflation, and the resulting real wages since 1950. During the decades of the post-war boom, real wages grew, on average, by 1.7 per cent annually in the 1950s, 3.3 per cent in the 1960s, and 2.3 per cent in the 1970s. The two oil price crises of the 1970s put an end to the post-war boom and wage growth flattened out. Real wage increases fell to 0.9 per cent annually in the 1980s and 0.2 per cent in the crisis decade of the 1990s. Surprisingly, even in the two decades of the jobs miracle—the 2000s and 2010s—real wage growth did not exceed 0.6 per cent annually.

C5P47 While real wage growth was held back by inflation in earlier decades, this factor fell away between 2000 and 2020. In Switzerland, the annual increase in consumer prices between 1960 and 1990 averaged over 3 per cent. After 1993, however, inflation fell steadily, averaging 1 per cent in the 2000s and 0 (!) per cent in the 2010s—with negative inflation in four years between 2012 and 2016. This means that real wages stopped growing since the mid-1990s because negotiated wages—nominal wages—stagnated. This stagnation is puzzling to economists, who expect wages and prices to rise as labour markets dry up and workers become increasingly scarce. Yet despite an official unemployment rate that fell from a low 3.5 to an even lower 2.3 per cent between 2010 and 2019, wage growth in Switzerland remained weak and there was no inflationary pressure.

C5P48 One possible reason for the absence of a wage-price spiral is immigration policy and the free movement of persons between Switzerland and the European Union. Thanks to the possibility of recruiting workers in Lyon, Milan, or Stuttgart at any time, there was never any real shortage on the Swiss labour market even when unemployment was low. A second reason is the weaker bargaining power of trade unions and the lesser importance of collective wage bargaining. Notably over the 1990s, wage setting in Switzerland was increasingly shifted to the company level, and individual wage agreements replaced collective wage bargaining between trade unions and employer associations in many sectors and firms (Oesch 2011).



C5F10

**FIGURE 5.10:** Annual change in wages and consumer prices in Switzerland (in per cent)

The consumer price index measures inflation and real wages show the rise in wages corrected for inflation.

Data source: FSO (Swiss wage index).

C5P49

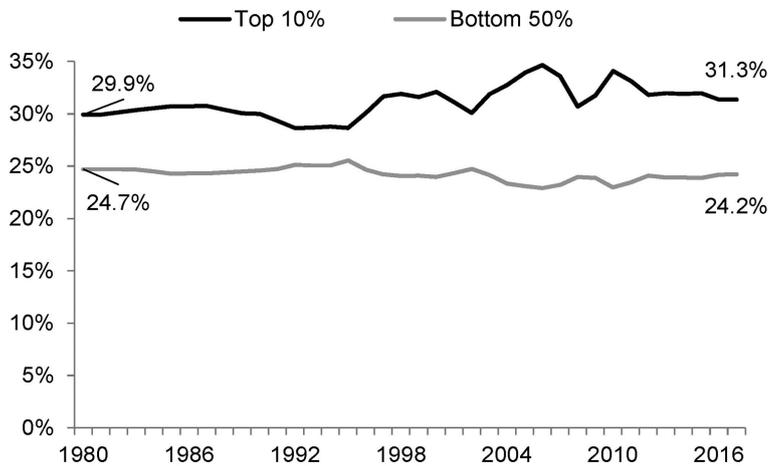
Figure 5.10 is based on the Swiss wage index, which measures the wage evolution for a given occupational activity and consequently ignores structural change—that is, shifts between occupations and sectors as well as and shifts in occupational activity such as promotions. These two aspects are taken into account in Switzerland's wage structure survey and this leads to somewhat higher wage increases. In the twenty years between 1996 and 2016, median wages (p50) grew by 0.8 per cent annually in price-adjusted terms. For low-wage (p10) and high-wage (p90) employees, real wages grew slightly more, by 1 and 1.2 per cent respectively. Wage growth was strongest among employees in the top 1 per cent (p99), whose incomes increased by 2.3 per cent annually in price-adjusted terms (SGB 2018, 5). These averages come closer to measures of annual GDP growth per capita of around 1 per cent over the same period (see Figure 5.1).

C5P50

Labour income developed somewhat more positively over time at the household level than the individual level because of women's increased labour force participation. At the same time, the tax burden also increased at the household level, especially because of the rising cost of health insurance. Since compulsory health insurance came into force, annual costs have risen by an average of 3.8 per cent annually between 1996 and 2020 (Federal Office of Public Health). Higher health expenditure, together with increased housing costs, have eaten away most of the income gains between 2000 and 2016 (SGB 2018, 33).

C5P51

Finally, there is the question of the distribution of income in Switzerland. Figure 5.11 compares the share of national income accruing to the lower half of the population and that obtained by the richest 10 per cent. Over the last four decades, the lower half received a constant share of about 24 per cent. In 2017, Switzerland had thus a



**C5F11** FIGURE 5.11: Share of pre-tax national income going to the bottom 50 per cent and top 10 per cent of Switzerland's adult population

Data source: World Inequality Database (<https://wid.world>).

comparable distribution of incomes as Austria, France, or Sweden. In contrast, the lower half of the population received significantly smaller shares of national income in Germany (18.5 per cent), Italy (20.6 per cent), and above all the USA (12.7 per cent) than in Switzerland. Over the same period, Switzerland's richest 10 per cent secured a slightly increasing share of national income of 30 to 31 per cent. This growth was entirely due to the richest 1 per cent, which increased its share of national income from 10 to 11 per cent (Foellmi and Martinez 2017; Martinez 2017; World Inequality Database).

**C5P52** An analysis of seven national surveys and tax data concludes that income inequality at the household level changed little in Switzerland between 1990 and 2012. The disproportionate growth in very high wages led to an increase in income inequality, whereas the increased workforce participation of women led to a decrease (Kuhn and Suter 2015). While income inequality remained stable in Switzerland, it rose sharply in Germany, Italy, Sweden, and the USA.

**C5P53** In terms of income inequality, Switzerland is close to the OECD average (OECD). Yet the situation is very different with regard to the distribution of *wealth*. Since the 1980s, overall wealth has grown strongly in Switzerland and the inequality in the distribution of wealth increased significantly. The richest 1 per cent of taxpayers in Switzerland owned 42 per cent of total private assets in the mid-2010s, compared to 34 per cent at the beginning of the 1990s. Such a concentration of wealth in the hands of a small group is also unusual internationally. Wealth concentration in the hands of the top 1 per cent is not only much stronger in Switzerland than in the UK (23 per cent) or France (20 per cent), but it also exceeds the level of the US (39 per cent) (figures for the mid-2010s, Brühlhart 2019, 9).

## 9 CONCLUSION

C5S9

C5P54

How can we interpret the changes in Switzerland's economic and social structure since 2000? The first two decades of the twenty-first century in Switzerland were indisputably characterized by growth: the economy expanded, employment rose, immigration accelerated, and the population increased. Unlike in parts of Southern Europe, the last twenty years in Switzerland will not go down in history as a time of crisis. The financial crisis of 2008–2009 and the appreciation of the Swiss franc in 2015 led only to brief dips in the economy's growth trajectory.

C5P55

A positive conclusion suggests itself with regard to the labour market. Many new jobs were created and unemployment remained at low levels, the official unemployment rate never exceeding 4 per cent in the last twenty years (SECO 2019, 15). Over the same period, the occupational structure upgraded as employment disproportionately grew in higher-skilled fields of the labour market.

C5P56

The growth of the economy and employment also had a positive impact on public finances. Between 1990 and 1999, the state sector (including government at the federal, cantonal, and municipal level as well as public social security funds) incurred, on average, an annual deficit of 2 per cent. This changed after the turn of the millennium as public budgets were balanced, on average, between 2000 and 2009. Between 2010 and 2018, they achieved an average annual surplus of half a per cent. Consequently, prior to the COVID-19 crisis, Switzerland's debt-to-GDP ratio continuously shrank, from 45 per cent in 2000 to 27.5 per cent in 2018 (FSO), putting it far below the EU's debt ratio of 80 per cent (Eurostat).

C5P57

However, the boom of the 2000s left smaller traces in people's private purses than earlier growth periods, notably real wages increased much more slowly in the last twenty years than in the post-war decades. Because health and housing costs rose at the same time, the evolution in disposable incomes was less spectacular than what could be expected from an extended economic boom period. For parts of the population, the negative side effects of the boom may thus have predominated. The term 'density stress' was used in the 2010s to describe dissatisfaction with overcrowded trains and long traffic jams, overbuilt green spaces, and expensive housing. This dissatisfaction was expressed most strongly in a national popular referendum held in 2014 that aimed at limiting 'mass immigration' and that was accepted by a short margin.

C5P58

Regardless of how the growth boom is assessed, Switzerland's population structure has changed fundamentally over the past two decades. Three structural changes in particular are noteworthy. First, the distribution of educational attainment in Switzerland has risen sharply. Educational expansion has further accelerated at the level of universities and universities of applied sciences, and their graduates were joined by immigrants amongst whom a majority also held university degrees. As a result, tertiary education is becoming the new norm in Switzerland, replacing apprenticeships as the highest level of educational attainment for a majority of the population.

- C5P59** Secondly, the population in Switzerland has become more diverse under the influence of strong immigration, where no longer does any single country of origin dominate. Increasingly high-skilled immigration from a growing number of countries is putting an end to the historical clustering of migrants in low-paid and low-skilled jobs. This means that the term ‘migration background’ is no longer synonymous with low socio-economic status as it used to be in Switzerland in the post-war decades.
- C5P60** Finally, structural change in the labour market has also altered Switzerland’s class structure. Strong job growth in health, education, and business-related services has mainly benefited higher-skilled workers. While the ranks of the salaried middle class expanded, the traditional working class and lower middle class of clerical workers lost ground. Consequently, the big loser of technological change in recent decades has been not the middle class but the working class. In Switzerland, as in the rest of Western Europe, it has lost its majority class status and is increasingly being put on the defensive (Castel 1999).

## NOTE

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