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Population Ageing and lack of semi-skilled workers in Switzerland: A new migration card?

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Summary

Following the economic crisis and the suppression of many jobs worldwide, it is difficult to address the issue of labour shortage. In Switzerland, the lack of workers was very evident before the crisis and will continue to be problematic for the country's social welfare system for decades to come. Indeed, each economic sector will be affected by the potential threat of a shortage of workers. To fill this gap, Swiss organizations are primarily hiring workers from the European Union (EU). Due to the shrinking size of the Swiss population, less people will attend professional schools in the future and the ageing of the population will impact the demand for semi-skilled workers and the whole economy. In regard to the legislation concerning workers from other continents, only those with very high qualifications have the ability to obtain a work permit. These two points demonstrate the need for an extension of the legislation to non-EU semi-skilled workers.

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The ageing of the population and the labour market

Population ageing is an unprecedented phenomenon that threatens Switzerland and its European neighbours. By 2018, the number of people leaving the work force will drastically outnumber those entering the work force. A simple calculation using a 2007 sample of the population (aged between 25-44 years) and projection averages for 2030 and 2050 can illustrate the magnitude of the phenomenon. Data from the reference scenario of the Federal Statistical Office (FSO) reveals that from 2.22 million people in 2007, the population will decrease to 2.09 million in 2030 and to 1.94 million in 2050. This forecasts a decrease of approximately 130'000 potential workers between 2007 and 2030 and of 280'000 potential workers between 2007 and 2050. From these numbers, it is predicted that the dependency of the elderly on the active labour force will double by 2050. The lack of labour force will result in increased costs of pensions and healthcare and has the potential to cause a collapse of an entire segment of the social welfare system of the country.

As population ageing continues in Switzerland, the demand for semi-skilled workers will increase. In fact, the secondary and tertiary sectors depend on such a workforce. In Switzerland, a semi-skilled worker is someone who attends a professional school, a general knowledge school or a secondary school in order to receive a skill degree called secondary education II¹. Currently, the vast majority of workers employed in the Swiss economy have this level of training.

In order to meet the demand for semi-skilled workers, Swiss authorities have created programs that encourage young people to begin an apprenticeship. The campaign "formationprofessionnelleplus.ch" is one of the initiatives launched to address this situation. Despite encouraging outcomes in recent years, attendance of vocational training will likely face a sharp decline in the near future. In fact, the number of first year apprentices in 2017 is estimated to be 71'000, significantly lower than this year's approximately 81'000 first year apprentices². This decline is predicted based on both population ageing as well as the negative attitudes expressed by younger generations. The lack of prestige and low salary that are associated with apprenticeships are the reasons most often cited for such disaffection.

For many decades, Switzerland has relied on foreign labour to fill the jobs that the resident population could not fill. Currently, 4.23 million people are employed in Switzerland. Close to a quarter of this population, 927'000 individuals, are permanent resident aliens. Because of the migration legislation, 85% of the foreign population are

¹ The authors have chosen to use the level of training of the working population in Switzerland to give an overview of the distribution of the highly skilled, semi-skilled and unskilled workforce. According to them, this classification highlights, to the greatest degree the importance of the semi-skilled workers on the Swiss labour market. However, other data from the FSO categorize the Swiss workforce into ten major groups of occupations. They can also serve as indicators. In this classification, highly skilled workers (executives, intellectual professions and scientists) and unskilled workers are represented to a lesser extent than semi-skilled workers (administrative staff, services and sales professionals, farmers, artisans, workmen, drivers and assemblers).

² Office fédéral de la statistique (OFS), *Perspectives de la formation*, 2008, p. 24.

from an EU member state³. The majority of the foreign workers migrate from Italy, with the second largest group coming from Germany. Focusing on semi-skilled workers, the EU provides two-thirds of the foreign workers in Switzerland. Italy alone counts for one-fifth of these workers, however they will also be the hardest hit European country by the population ageing phenomenon, followed again by Germany. Other major labour suppliers including Spain and Portugal will face a decline in their local labour force and will be unable to supply the labour market in Switzerland as they have in the past.

Addressing labour needs in Switzerland

While economic stakeholders and particularly small and medium enterprises (SMEs) believe that outsourcing their activities can help them be more competitive and lessen the impact of the population ageing, it is difficult to be sure that these measures will be sufficient enough to counter such a drastic demographic change. In attempt to increase the capabilities of outsourcing, numerous initiatives have been undertaken to support professional training programmes in the South, particularly by the Federal Office for Professional Education and Technology (OPET)⁴. However, the process of relocating labour has been widely used for decades and cannot be expanded extensively. Moreover, where most of the workers are needed, in the service sector, outsourcing is rarely an option. In order to counter this issue, authorities have recently launched initiatives to draw people into the health-care positions, such as care assistants and community health assistants.

Another measure taken by authorities is to reform the pension system in Switzerland. The new system would decrease the dependence of the older generation on the active generation by postponing the age of retirement. In 2004, the Swiss people showed their opposition to such a reform through their opposition to a new retirement law. In this situation, it is unlikely that the public opinion will change. Additionally, it is doubtful that this type of reform would be enough to alleviate the problem.

In order to better anticipate the changes in demand and supply of jobs, data on the shortage or surplus of the labour market in each sector and occupation need to be updated and made available. Currently there is no such systematic study in Switzerland partly

³ Switzerland has signed agreements on the free movement of people within the EU, which favours European workers within the Swiss labour market to the detriment of workers from outside of Europe.

⁴ The Swiss Indian Chamber of Commerce and the Federal Office for Professional Education and Technology (OPET), for example, jointly launched an initiative in 2007 to implement a vocational training system in India that would be based on the Swiss training model and would enable the relocation of a part of the production of the Swiss mechanical, engineering and metallurgy industries. This system offers training to semi-skilled Indian workers and guarantees Swiss SMEs the possibility to hire cheaper semi-skilled workers (Oberson, José, 2008, p. 13-16).

due to the fact that many parameters must be taken into account to establish a reliable study⁵.

Population ageing and labour migration

The effects of population ageing on migration development have not been studied sufficiently. Labour migration is not seen as a major tool to fight against the consequences of population ageing. FSO projections emphasize that net migration will be equal to the average balance of the ten last years while it will continue to grow up to 0.3%, which means an increase of 20'000 migrants per year. Projections for Italy and Germany reveal that these countries will need 6'500 and 6'000 immigrants respectively per year per million of inhabitants if they want to avoid a decrease in their population⁶. In comparison with these countries, Swiss projections seem to be much more modest⁷. These estimates question whether the figures sufficiently take into account such factors as emigration, and if they truly reflect the future needs in human capital. In each case, statistics foretell a diminution of the Swiss population as well as a decrease of immigration flows of citizens from the EU states due to economic convergence. These same statistics indicate, however, that migration from third countries should remain important. Thus, the decrease of EU workers represents a loss for the Swiss economy if a restrictive policy regarding the semi-skilled workers of non-EU origin is maintained.

In the long term, population ageing in industrialized countries, demographic growth in developing countries, and an even more globalised world should greatly accelerate international migration flows in general. Some industrialised countries have found that they could take advantage of a South to North migration. For a long time, states such as Canada have signed bilateral agreements with Southern countries such as Mexico and the Philippines in order to meet their demand for unskilled and semi-skilled workers. Over the years, these programmes have become more sophisticated and complex and have generated positive contributions to both the demanding and supplying countries. Today, the close collaboration between Canada and their trade partners demonstrates the effective application of migration procedures (return in country of origin, working conditions in the host country, etc.)⁸. In Europe, countries such as Spain or France are

⁵ According to Professor Yves Flückiger from the Employment Observatory of the University of Geneva, there is a lack of data that could be used to conduct studies on labour markets' needs. In fact, many components have to be taken into account in order to conduct such a study. For instance, wage rates, at any given moment, and the available amount of manpower. The lack or overabundance of workers can also be resolved at varying speeds depending on the length of training required for a profession and sectoral mobility, which in turn depends on the level of qualification required and the skills of people looking for a job in a specific sector at a specific moment. In fact, unemployed people are often ignored by the professionals assessing the needs of human capital in their own industry.

⁶ United Nations (2001).

⁷ In regards to future scenarios (Office fédéral de la statistique (OFS), *Les scénarios de l'évolution de la population de la Suisse 2005-2050*, 2006, p. 7), the Swiss population is expected to reach its peak at 8.2 million people in 2036 before starting to decline. For such a population, Switzerland would require about 2'400 immigrants per million inhabitants, which means 2.7 times less than UN projections for Italy.

⁸ Djajić (2008), p. 12-13.

following this lead and turning to workers from the South to fill labour gaps. Many scholars and politicians interpret these new policies as an instrumentalisation of development aid. Others believe that this kind of collaboration offers new perspectives on the development of both southern and northern countries. While these programmes are in their early stages, they are the sign of a new trend in migration throughout Europe. In order to combat the phenomena of population ageing, Switzerland needs to reassess its migration policy and comply with the UN policy, which argues that allowing increased migration will aid countries to close the gap in their labour market.

Conclusion

Many Swiss companies have difficulties recruiting semi-skilled workers. This problem will be exacerbated in the coming decades due to population ageing. Several measures have been adopted to overcome the problem, but the use of foreign workers certainly remains one of the fastest and most effective measures used to bring balance to the situation. Companies and the Swiss authorities are aware of the role that migrant workers could play for the economy however, Swiss policy toward migration advocates full employment for Swiss citizens. As a result, the legislation, which restricts the admission of foreign workers, does not suit the demand for semi-skilled workers. With the threat of population ageing occurring in numerous industrialized countries, migration at the international level will be disrupted and Switzerland will not be spared. Immigration should not be seen as the only solution to the problem and a good migration policy is difficult to set up. However, the impact of the situation on the labour market will hopefully convince the authorities to explore new models of labour migration.

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