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News Release

More jobs – but are there enough workers?

Switzerland will need up to half a million more workers in the next decade – but not every worker is equally sought after. Demand is high in the health and care sectors, whereas employment will stagnate in many other industries. Companies and politicians should not try to fill the gap in the labor market merely by means of immigration, but should also pursue other approaches, such as greater integration of the unemployed, a more flexible retirement age and a (further) increase in the participation of women in the labor market.

Zurich, 11 July 2019 – Two major trends will shape the Swiss labor market in the next decade: A lack of workers resulting from the number of baby-boomers reaching retirement age, and continuing structural change. UBS economists expect the labor force to grow by only 200,000 in the next ten years, even with a net immigration of 60 000 people per year. That is far from enough to cover the expected demand for workers. If employment growth continues as it has since 1960 (1% p.a.), Switzerland will have a shortfall of over 300,000 workers in the coming ten years. If demand remains the same as in the last 15 years (1.3% p.a.) that figure will be 500,000.

However, not every industry needs more workers: Demand for workers may well continue rising in the health and care sectors, but it could stagnate in the manufacturing industry. The jobs boom is primarily taking place in sectors in which predominantly women are currently employed. Women may cope better in the labor market than men in the coming years. This will make a serious rethink necessary: In future, men will increasingly have to try their hand at traditionally female occupations.

How is the demand for workers to be met?
In the past, the additional demand for workers was primarily met with a high level of immigration. In the next ten years, Switzerland would need net annual immigration amounting to more than 100,000 people to meet the demands of the labor market with growth in employment of 1% p.a. Immigration of this magnitude would, however, meet considerable political and social resistance, which may also place a strain on the relationship with the EU. For that reason, immigration should not be the first and only option for the recruitment of additional workers.

If not through immigration, then the labor force could be enlarged by means of a higher participation rate. In fact, 80% of women are already in the labor market, although 45% of them are working part time. Particularly in the case of women whose children are no longer at school, the opportunity to increase their working hours further and hence to play a bigger part in the labor market may be attractive.

The labor force can in general also be increased by means of greater participation by older workers. At first glance, there is great potential in this area, as the age groups approaching retirement are indeed large. However, a fixed increase in the retirement age does not take account of the structural changes in the economy. In many sectors, there will simply no longer be a need for more workers in future. For that reason, a more flexible pension age would be necessary. Incentives must be created so that employees in industries with a labor shortage are prepared to work above and beyond the current retirement age.

Outlook Q3: SNB – increase rate hikes off the table, interest rate cuts on the horizon
This year has seen an escalation in political conflicts: At the global level, these include the trade dispute between the US and China; at the local level, the tug of war between Switzerland and the EU over the framework agreement. Following 2.6% economic growth last year, UBS economists only expect 1.3% this year.

In this difficult environment, the SNB will continue its very expansionary monetary policy over the next few quarters. UBS economists do not expect positive prime rates in Switzerland any time before 2022. If the ECB adopts a more expansionary monetary policy in the coming months, it is actually conceivable that SNB would lower its interest rates.

UBS Swiss economic forecasts

% change yoy (real terms), adjusted for seasonal & calendar effects

	Level*	2016	2017	2018	Forecasts UBS 2019F	2020F
Gross domestic product	689.9	1.6	1.7	2.5	1.3	1.6
Private consumption	365.0	1.5	1.2	1.0	1.3	1.6
Government spending	81.7	1.2	0.9	1.0	0.8	0.6
Capital spending	169.1	3.5	3.4	1.8	1.0	1.2
Construction	62.2	0.4	1.3	0.8	0.7	0.8
Equipment	106.9	5.3	4.6	2.3	1.2	1.5
Exports**	368.5	7.0	3.8	3.4	4.8	3.0
Imports**	303.3	4.7	4.2	1.1	2.4	3.3
Inflation		-0.4	0.5	0.9	0.6	1.0
Unemployment rate***		3.3	3.2	2.6	2.5	2.5

*Year 2018 (in CHF bn at current prices, seasonally adjusted) ** excluding non-monetary gold and valuables ***annual average
F: Forecasts UBS

Source: Seco, UBS

In developing the UBS CIO GWM economic forecasts, UBS CIO GWM economists worked in collaboration with economists employed by UBS Investment Research. Forecasts and estimates are current only as of the date of this publication and may change without notice.

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UBS Switzerland AG

Media contact

Daniel Kalt, Regional CIO Switzerland
Phone +41-44-234 25 60, daniel.kalt@ubs.com

Veronica Weisser, Economist, UBS Chief Investment Office WM
Phone +41-44-234 50 62, veronica.weisser@ubs.com

Alessandro Bee, Economist, UBS Chief Investment Office WM
Phone +41-44-234 88 71, alessandro.bee@ubs.com

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