

Analysis

“Free Movement of Persons: An Economic Analysis”

Should Switzerland terminate its agreement with the EU on the free movement of persons and resume autonomous control of immigration? On 27 September, Swiss voters decide on the so-called Limitation Initiative, which calls for precisely that. A new study by Avenir Suisse analyzes the economic facts of the matter and concludes that on balance, this country derives substantial benefit from the free movement of persons.

Avenir Suisse has been engaging with the issue of bilateral relations with the EU for many years. The current debate on the Limitation Initiative (the popular initiative “for moderate immigration”) and the free movement of persons is riddled with contradictory arguments. The new Avenir Suisse study subjects ten frequently asked questions to an economic fact check:

- 1. Has the free movement of persons led to mass immigration?** Since the step-by-step implementation of the Agreement on the Free Movement of Persons (AFMP) in 2002, annual net migration from the EU area has averaged 43,000. Given that there was positive net migration from the EU/EFTA area even prior to the agreement, the number of immigrants resulting directly from the AFMP is likely much lower than this at between 10,000 and 15,000. The percentage of immigrants coming in under the AFMP who participate in the labor market is a high 87.7% (2019).
- 2. What is the influence of the AFMP on prosperity?** Since the introduction of the agreement there have been positive developments in many economically relevant indicators, including real per-capita GDP, labor productivity, and export volumes. Per-capita GDP growth averaged 1.02% from 2002 to 2018 (versus 0.66% between 1992 and 2002). There has also been a significant increase of nearly 0.5 million in the number of Swiss people living and working in EU and EFTA states.
- 3. Has the free movement of persons led to wage dumping and the displacement of local workers?** Fears in Switzerland that the free movement of persons would have a negative impact on pay and employment have not materialized. Over a dozen econometric analyses have come to the conclusion that the overall displacement effects resulting from AFMP-related migration have been minor. The situation for local workers with low to medium qualifications has even improved as a result of

the free movement of persons; on the other hand, a certain amount of pressure on the pay of highly qualified Swiss workers can be observed.

4. What has been the role of AFMP-related immigrants in addressing Covid-19? Citizens of EU and EFTA states account for 19% of the Swiss healthcare workforce; added to this, a disproportionately high number of EU nationals work in the pharmaceuticals and food industry. If the AFMP were to be abandoned, Switzerland would be less able to assure the supply of these services and exports would suffer.

5. Does the free movement of persons put a strain on the social insurance system or relieve the pressure? The percentage of EU/EFTA nationals contributing and drawing benefits varies depending on the type of social insurance. Taking account of the relative size of the various schemes, the significant positive contribution of EU/EFTA nationals to the finances of the old-age, disability, and health insurance systems outweighs the negative effects of unemployment and social security benefits.

6. Does the free movement of persons reduce the level of qualifications in the workforce? Of those coming to Switzerland from the EU/EFTA area since 2002, 84% have an upper secondary school level education (basic vocational education or college prep qualification), and 55% have a degree from a university or other higher education establishment. Given that it is predominantly highly qualified workers who have come to Switzerland, the free movement of persons has had a positive impact overall on the structure of qualifications among immigrants. A negative impact on the quality of education is not apparent.

7. Has crime increased as a result of the free movement of persons? Switzerland has become safer since the AFMP came into force. In 2002, 86% of Swiss people felt safe; in 2020 it was an impressive 95%. The number of successful Swiss searches within the framework of transnational police cooperation involving the Schengen Information System (SIS) has improved by 82% since 2014.

8. Has the free movement of persons increased the cost of housing? Immigration has had an impact on housing costs in some places, particularly in larger towns and cities and agglomerations. But there the housing shortage is primarily homemade. On balance, rents on the new and re-letting market are back at the levels of 1988 and 1995 after adjustment for inflation. Overall, people's ability to

afford the costs of housing has improved since 2002: Swiss households now spend only 14% on housing, a lower percentage than ever before.

9. Is free trade an alternative to the bilateral approach? A new, comprehensive free trade agreement (FTA) between Switzerland and the EU would not be an adequate substitute for the bilateral accords, because mere market access is less attractive for Swiss companies than full integration into the EU single market. An FTA would also increase the regulatory burden on businesses. Given that the amount of administrative effort involved under the new system would be more or less fixed, this would hit exporting SMEs more than large corporations.

10. Does the free movement of persons erode Swiss sovereignty? There is no clear definition of the term sovereignty. It has constantly evolved in the course of history. With global issues becoming increasingly complex, Switzerland also has to consider the extent to which its sovereignty should be transferred from the national level to an overarching level. In a highly interconnected world, sovereignty also means involvement at the international level.

In summary, Switzerland clearly benefits from the free movement of persons.



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Livestream from 6.00pm on avenir-suisse.ch

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