

## **Fully Fit? – The Consequences of the Coronavirus Pandemic for the Swiss Labor Market**

**How has the Swiss labor market fared in the coronavirus crisis? Was the government response up to these difficult tasks? In its latest publication, Avenir Suisse finds that the hardest hit have been self-employed people, employees working a small number of hours, and young adults. These people would benefit most from more flexible employment legislation. Measures such as the extended eligibility period for short-time working compensation and the increase in the replacement rate inhibit structural change, while the expansion of daily benefits for jobless people prolongs unemployment. This is why a rapid return to the regular system is needed.**

To what extent has the coronavirus crisis represented a caesura for the Swiss economy and the Swiss labor market? Does the welfare state – especially unemployment insurance – or labor law need to be adapted? What changes are permanent? What changes are temporary? These questions are the focus of the latest publication from Avenir Suisse: “Voll fit? – Die Folgen der Corona-Pandemie für den Schweizer Arbeitsmarkt” (Fully Fit: The Consequences of the Coronavirus Pandemic for the Swiss Labor Market).

### **Few Lay-offs, but Fewer Hours Worked**

Judging by the usual labor market indicators, Covid-19 has had surprisingly little immediate impact. The labor force participation rate declined only briefly during the first lockdown, and the 0.8 percentage point increase in the unemployment rate in 2020 was comparatively moderate.

However, in 2020, the volume of work – i.e. the sum of hours actually worked – fell by 3.7%, which is significantly more than in previous recessions. Not everyone was affected to the same extent: According to study authors Marco Salvi, Valérie Müller and Patrick Schnell, young adults, the self-employed, and employees working a small number of hours felt the impact of the pandemic on the labor market more than others. While the concept of a “shecession” – a recession predominantly affecting women in the employment market – has had only limited validity in Switzerland, the pandemic has again clearly showed that women’s employment reacts more strongly to economic upheavals.

### **Short-Time Working Saves 120,000 Jobs**

Up to a quarter of the workforce was on short-time work during the first lockdown. Without this mechanism, about 120,000 jobs would have disappeared and the unemployment rate would have reached the 5.5% mark (instead of 3.3%). But this came at a price: In addition to costs in the billions, short-time

work always carries the risk of postponing unemployment and thus costly structural maintenance. Against this backdrop, in addition to the extension of the eligibility period to 24 months, the increase of short-time work compensation to 100% of the loss of wages for low incomes should be viewed critically. The extension of the period of entitlement to unemployment benefits by up to 180 daily allowances since the beginning of the pandemic is also partly responsible for the fact that those affected have remained unemployed for a longer period of time.

Wages did not decline in 2020. On the contrary: adjusted for inflation, they rose by 1.5% versus the previous year. There are still no tangible indications of a widening of the income gap. An evaluation of official data shows that pay also increased in the lower wage classes. The social welfare offices have also hardly observed any additional strain on the economic situation of low-income households so far.

### **Adapt the Law in Response to the Desire for Flexibility**

On the other hand, the pandemic has accelerated the trend to homeworking. While the trade unions are concerned that this will have a negative impact on employees, the vast majority of workers have had good to very good experiences with working from home. Even if more people work from home after the pandemic has subsided, time on premises will still be indispensable for the young, the mobile, and the career-conscious.

One hurdle to this flexibilization is the existing labor legislation, which includes concepts and terms that were typical of the industrial era but which have become obsolete owing to technology, the new content of work, and the habits of the working population.

**Media conference:** Friday, 29 October 2021, 9.30am, Rotbuchstrasse 46, 8037 Zurich;  
live stream on [avenir-suisse.ch](https://www.avenir-suisse.ch)

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