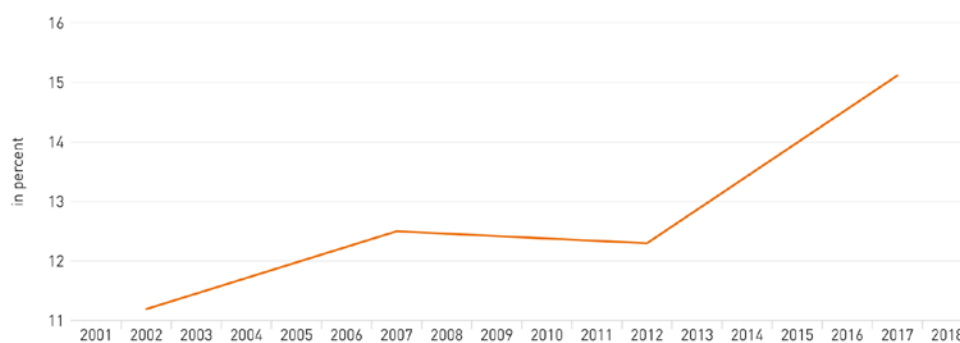


FACT SHEET: DIGITALISATION AND LABOUR MARKET DYNAMICS

→ DIGITALISATION:
A real threat to the future of jobs or subject of a distorted perception?

Robots and computers taking over the labour market is what most people think about when they are asked how modern technology could impact their job. And it is the same fear that is currently playing a key role in the debate on digitalisation. A number of different surveys show that many people are worried about automatisisation replacing them sooner or later. A recently published Swiss health survey revealed that 15 percent of the working population are very or quite anxious about losing their current job, which is equivalent to an increase of 23 percent versus 2012. And last but not least, the anxiety barometer of Credit Suisse has repeatedly indicated that unemployment is one of the biggest fears amongst the Swiss population.

Share of workforce afraid of losing their current job



Sources: Federal Statistical Office, Swiss Health Survey 2017
www.economiesuisse.ch

The fact that new technologies can fundamentally change entire industries in an economy is undisputed. New digital service providers such as Uber or Airbnb are challenging established industries. Artificial intelligence, 3D printing, robotics and other new technologies will substantially shape and transform the future economic structure. Such major transformations are resulting in a growing sense of insecurity among the population. Naturally, the idea of an imminent job loss raises existential fears.

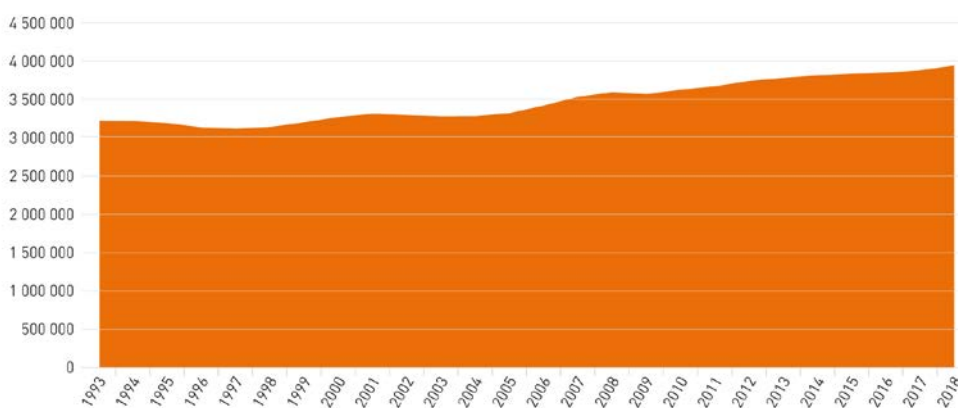
1. No general displacement of labour

A look at history reveals that fear of mass unemployment triggered by technological progress is not new at all. Already at the beginning of the nineteenth century, English workers had been afraid of losing their jobs and expressed their displeasure by destroying machines in the factories. But despite all concerns, none of the industrial revolutions ultimately led to widespread unemployment or poverty. From an analysis of the developments in the labour market, it can be stated that fear of unemployment resulting from technological progress is unjustified. Since the end of the nineteenth century, the number of employed people in Switzerland has increased fivefold, despite significant technological achievements.

Evidence for an extensive displacement of labour caused by digitalisation can neither be found when analysing employment in terms of full-time equivalents, nor in the unemployment rate or the labour force participation rate.

With respect to employment, there was an increase from 3.2 to 3.9 million full-time equivalents between 1993 and 2018 (i.e. a plus of 22 percent). Consideration of full-time equivalents has the advantage that it captures the overall work volume of an economy.

Employment in full-time equivalent

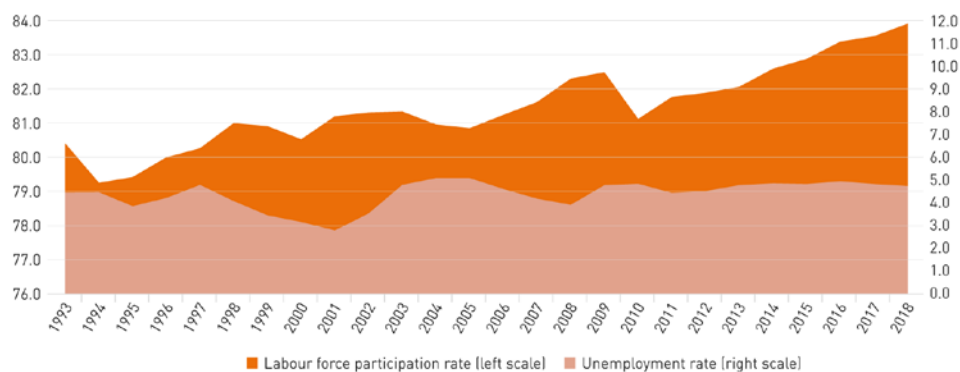


Sources: Federal Statistical Office, Job Statistic [JOBSTAT]
www.economiesuisse.ch

Since an increase in employment can also be a consequence of population growth, while unemployment may in fact be rising, a further analysis with the aid of other economic indicators is essential. However, since 1993 the unemployment rate has mainly remained constant, with fluctuations ranging from 2.8 to 5.1 percent, depending on the respective economic situation. This means it does not provide evidence of extensive displacement. Simultaneously, the labour force participation rate has increased from 80 to 84 percent.

Unemployment rate and labour force participation rate

▶ in percent



Sources: Federal Statistical Office, Swiss Labour Force Survey (SLFS)
www.economiesuisse.ch

Even though technological change obviously did not cause a general displacement on the Swiss labour market, it should be noted that demand for low-skilled labour has continuously been substituted by demand for high-skilled labour over the past 40 years.

2. Extremely dynamic labour market

The Swiss labour market is highly dynamic. A recent study conducted by [economiesuisse](http://economiesuisse.ch) revealed that, in 2016, on average 1,330 jobs were created in Switzerland each day. Thus the Swiss labour market registered 39,900 new jobs per month and 479,000 over the whole year. By implication, 10 percent of all employees started a new job in a newly created or expanding business. In contrast, in 2016, an average of 1,220 jobs were cut each day, which amounts to 36,500 jobs each month and 438,100 jobs for the whole year. Overall, this illustrates that, in 2016, 40,900 more jobs were created than lost, which is equivalent to 100 additional jobs per day (which is still a conservative estimate).

Job cuts and job creations in the Swiss labour market in 2016

| | in total | monthly | daily |
|------------------------------------|----------------|---------------|--------------|
| Job cuts | 438 085 | 36 507 | 1 217 |
| Trough company closures | 154 211 | 12 851 | 428 |
| Trough existing companies | 283 874 | 23 656 | 789 |
| Job creations | 479 007 | 39 917 | 1 331 |
| Trough newly established companies | 156 762 | 13 063 | 435 |
| Trough existing companies | 322 245 | 26 854 | 895 |

Sources: Federal Statistical Office, Statistics on corporate structure
www.economiesuisse.ch

Another interesting finding of the study is that, in 12 out of 15 analysed industries showing a disproportionately high amount of job cuts due to company closures, more jobs were created than lost. In 9 out of 15 industries, the amount of created jobs due to newly established companies was also disproportionately high. It seems counterintuitive and is very interesting to observe that an above-average number of jobs are created in sectors with an above-average number of company closures. Company closures are often the focus of public attention. But as already noted, these cannot be interpreted as an alarm signal, but rather form part of the dynamics of the labour market and structural change.

3. Distorted picture of reality

The figures presented above demonstrate that job cuts have been more than offset by the creation of new jobs. Furthermore, the analysis of various Swiss employment indicators did not deliver any signs of a general displacement of labour due to digitalisation. Nonetheless, the European Social Survey points out that Swiss respondents perceive the unemployment rate to be twice as high as it really is. Why does the Swiss population tend to considerably overestimate the level of unemployment? And why does the fear of unemployment caused by technological change still prevail in people's minds?

In order to assess the role of media coverage in the excessive perception of unemployment, economiesuisse evaluated the reporting on job losses and job creation in five leading Swiss newspapers during 2016. This revealed that the newspapers concerned reported three times as often, and much more prominently, about job losses than job creation, even though in the period under review 40,900 more jobs were created than lost.

Excessive reporting about job cuts is very likely attributable to the fact that these typically occur on a larger scale and therefore attract greater media attention. Job

creation, on the other hand, often occurs gradually and thus receives less attention from the media and the public. Furthermore, companies normally do not communicate the creation of jobs as directly and media-effectively as the closure of their business. These are all plausible reasons why the general public has a distorted perception of unemployment in Switzerland.

4. Conclusions and outlook

Generally speaking, company closures and job cuts receive much more public attention than positive news such as job creation. This leads to a distorted perception of the situation on the Swiss labour market. Despite the fact that anxiety over unemployment due to technological progress is high, figures clearly show that Switzerland does not suffer from a shortage of jobs.

Digitalisation is likely to further accelerate unstoppable structural changes on a global scale. To ensure that jobs can also be created in the future, good framework conditions are highly relevant. The growing uncertainty within the Swiss population is resulting in unreasonable calls for stronger regulatory and protectionist measures for the labour market. Such measures, however, pose a real threat to the Swiss economy and its smoothly functioning labour market, and therefore to the employment situation in the country.

Switzerland is characterised by openness and diversity, a strong tradition of individual responsibility, a pronounced sense of community and a widespread culture of consensus. These factors lay the foundations which have allowed us to cope with previous structural transformations. We have to continue to build on these values. Technological progress can neither be stopped nor regulated. Looking ahead, there is a need for favourable framework conditions that promote both room for manoeuvre and appropriate boundaries. A liberal labour market, however, is one of the main factors that make Switzerland an attractive business location.

5. Further information

- Website of the Federal Statistical Office containing statistics on anxiety over job loss
<https://www.bfs.admin.ch/bfs/en/home/statistics/catalogues-databases/tables.assetdetail.7586243.html>
- Website of the Federal Statistical Office containing statistics on employment (full-time equivalents)
<https://www.bfs.admin.ch/bfs/en/home/statistics/industry-services/businesses-employment/jobs-statistics.assetdetail.10947178.html>
- Website of the Federal Statistical Office containing statistics on unemployment and labour force participation
<https://www.bfs.admin.ch/bfs/en/home/statistics/work-income/unemployment-underemployment-vacancies/ilo-unemployed.assetdetail.10567942.html>

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