Universität Basel

Research Project

Consequences of the Demographic Change for the Swiss Labour Market

Third-party funded project

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According to the most recent population forecasts for Switzerland (Bundesamt für Statistik 2015), the share of old-age dependants (older than 65 years) relative to the working age population (20-64) is going to increase from 29.1% in 2015 to 48.1% in 2045. In the same time span, total population is expected to grow from 8.3 million to 10.2 million while the potential workforce is growing from 4.8 million to 5.3 million. As a result, potential labour supply per capita is decreasing and at the same time the share of old-age dependants as well as the average age of the population are increasing rapidly. Among other problems, this is going to lead to significant distortions on labour markets; such as labour shortages or shifts in the structure of labour demand due to shifts in final goods demand. Furthermore, the current political climate in Switzerland tends towards restricting immigration. Since the Swiss economy already relies heavily on foreign workers, a restriction of immigration might aggravate the predicted labour supply shortages even further.The goal of this research project is to evaluate the consequences of population ageing for the Swiss labour market. A special focus lies on the labour demand side, specifically on medium and long term sectoral and occupational shifts caused by a decrease in (skilled) labour supply and a change in consumer demand structure due to the demographic change. Moreover, the general equilibrium effects of different policy reforms will be evaluated and compared. To achieve this goal we construct a dynamic overlapping generations (OLG) computable general equilibrium (CGE) model of Switzerland and calibrate it with current Swiss data. Models of this type are the conventional approach to evaluating inter- and intra-generational effects of population ageing. However, only few studies focus on the labour market and even fewer emphasise the demand side. The evidence is particularly scarce for Switzerland, where only a handful of general equilibrium analyses relating to population ageing have been conducted.In order to facilitate estimating realistic parameters of the model as well as calibrating the model to expected short and medium term industry-specific developments we plan to conduct a customised firm level survey, which, on its own, already constitutes a significant contribution to the relevant literature. The finalised model does not only allow us to predict transitional and long-term effects of the demographic change on the economy and the industry structure. It also provides us with the ability to evaluate and compare different reform proposals, such as an increase in the retirement age, reforms of the pension and healthcare systems and different immigration scenarios. As such, we will be able to give recommendations for optimal policy choice and provide valuable inputs to the political debate.

Keywords computable general equilibrium model; dynamic overlapping generations model; demographic change; policy simulations
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