

Wages, prices and the franc

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Commuting across the border is driven by differences in wages and prices. Swiss nominal wages are considerably higher than those in Baden and much higher than those in Alsace, while living costs, especially for housing, are lower on the German and French sides. A commuter who earns a Swiss salary and lives in Lörrach or Saint-Louis therefore enjoys a combination of high income and moderate costs that neither a resident of Basel nor a resident of Alsace employed locally can achieve.¹ The commuter's advantage depends on the exchange rate, since the salary is paid in francs while most expenses arise in euros.

The appreciation of the franc after the financial crisis transformed these relations. When the Swiss National Bank abandoned the minimum exchange rate of CHF 1.20 per euro on 15 January 2015, the franc rose sharply within hours. Commuters gained purchasing power overnight, since the euro value of their salaries rose by more than ten per cent.² Swiss employers faced the opposite effect, because their costs in francs became more expensive relative to competitors in the euro area. Some employers in the region, especially in exporting industries, responded with measures that included longer working hours or proposals to pay commuters part of their salaries in euros.

The proposals to pay commuters in euros or at lower wages raised questions of discrimination under the free movement agreement. Article 9 of Annex I of the agreement prohibits discrimination on grounds of nationality with respect to conditions of employment and remuneration. The Swiss Federal Supreme Court examined the question in proceedings concerning an employer that had reduced the salaries of cross-border commuters in reaction to the strong franc.³ The outcome of such disputes depends on the facts, including the question whether the employees had agreed to the changes. Employers in the trinational region generally avoid

differentiated salaries for commuters and residents because of these legal risks.

The wage differential also raised fears of wage dumping in Switzerland. Trade unions argued that the availability of cross-border workers willing to accept lower salaries would exert pressure on Swiss wages, particularly in construction, retail and services. The accompanying measures discussed below were designed to counter this risk.⁴ Empirical studies have found limited overall effects on wages, although some sectors and some regions have experienced greater pressure.

1 Notes

1. On the wage differentials between north-western Switzerland, southern Baden and southern Alsace, see the Swiss Earnings Structure Survey of the Federal Statistical Office, the earnings statistics of the Statistisches Landesamt Baden-Württemberg and the INSEE data on salaries. Figures to be verified. ↩
2. Swiss National Bank, press release of 15 January 2015 on the discontinuation of the minimum exchange rate of CHF 1.20 per euro introduced on 6 September 2011. On the exchange rate movements, see the SNB statistical data. To be verified. ↩
3. On the question whether wage reductions or payment in euros limited to cross-border commuters violate the prohibition of discrimination in Art. 9 of Annex I AFMP, see the case law of the Federal Supreme Court from about 2019 onwards and the literature on Swiss employment law. Case references to be verified. ↩
4. On the debate about wage pressure from cross-border commuters and the empirical studies on the effects of the free movement of persons on wages in the border regions, see the annual reports of the Observatory on the Free Movement of Persons (Observatoriumsbericht) published by SECO. To be verified. ↩

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