

Frontalieri and the labour market

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

The banks also needed staff. The Ticinese labour market could not supply the clerks, cashiers, accountants and secretaries that forty banks required, and the banks recruited from three sources: young Ticinesi who left agriculture and craft trades, Swiss Germans transferred from the head offices of the big banks, and Italian cross-border commuters (*frontalieri*) from the provinces of Como and Varese. The number of *frontalieri* working in Ticino rose steeply in the 1960s and early 1970s, in construction and industry first and increasingly in services.¹ Switzerland and Italy concluded on 3 October 1974 an agreement on the taxation of cross-border workers, under which the salaries of cross-border workers could be taxed only in the State where the work was performed. In return the cantons of Graubünden, Ticino and Valais transferred to the Italian border municipalities a share of the gross tax levied on those salaries, 20 per cent for 1974, 30 per cent for 1975 and 40 per cent for the following years. The agreement remained in force until the new agreement of 2020 took effect (Chapter H.I).²

The financial sector became one of the canton's largest employers. At the end of the period the banks alone employed more than seven thousand people, and in the early 2010s the financial sector including fiduciaries and independent asset managers was estimated to employ about ten thousand.³ For comparison, the largest industrial employer in Ticino in the early 1970s, the Monteforno steelworks in Bodio, had about 1,750 workers.⁴ Wages in banking were higher than in industry or tourism. The banks paid substantial taxes to the canton and the municipalities, financed cultural institutions and created a demand for lawyers, notaries, accountants, translators, couriers and hotels.

1 Lugano and Geneva compared

The Geneva volume describes a parallel history. France maintained exchange controls for most of the period from 1939 to the end of the 1980s, and French savers, fearing the Popular Front, the Fourth Republic's instability, the Algerian war and later the Socialist-Communist government of 1981, carried money across the border to Geneva in the same way as the Lombards carried it to Lugano.⁵ The mechanics were similar: couriers, banknotes, compensation and the numbered account. The differences lay in scale, in the structure of the receiving centre and in the professional culture. Geneva had a tradition of private banking going back to the eighteenth century, with partnerships of unlimited liability and an international clientele that included the French but was never limited to them. Lugano had no comparable tradition. Its private banking was built in a single generation, largely by new institutions founded with Italian capital and by the branches of the big banks of Zurich and Basel, and its clientele was concentrated on one country to a degree Geneva never knew.

This difference explains why Lugano was more exposed than Geneva to the turning points that followed. When Italy introduced its tax amnesties after 2001 and when the exchange of information made undeclared accounts untenable, the share of the Lugano business that depended on undeclared Italian money was larger than the corresponding share of French money in Geneva. The decline of banking employment in Ticino after 2009, discussed in Chapter E.I, was the price of that concentration. The comparison also shows a constant. In both centres the flight capital of a neighbouring State with exchange controls was the initial engine of growth, and in both the Swiss legal order treated the foreign controls as irrelevant until the international environment changed.

2 The price of dependence

The lira economy had its critics in Ticino from the beginning. The Socialist and leftwing press attacked a financial centre that profited from Italian tax evasion and from the fear of the Italian left, while Italian workers commuted daily across the same border for wages lower than those of Swiss residents.⁶ Economists pointed to the dependence of the canton on a single foreign market and on Italian political and fiscal conditions it could not influence. As real estate prices and rents rose faster than local incomes, the old centre of Lugano lost much of its residential population. These tensions resurfaced in later decades in the debates on *frontalieri*, on the "Prima i nostri" initiative of 2016 and on the decline of banking employment after

2009 (Chapters E.I and H.I). They have their origin in the boom of 1950 to 1975.

Essentials. Lugano became Switzerland's third financial centre in the 1960s and 1970s because it specialized in one market, Italy, which it served in the client's language. The boom transformed the town, which merged with neighbouring municipalities in 1972, raised land prices through domestic and foreign demand for real estate and made banking one of the canton's leading employers. It depended on a workforce that included Swiss Germans and Italian *frontalieri*, whose taxation was settled by the Swiss-Italian agreement of 3 October 1974. The same specialization made the financial centre vulnerable to changes in Italian law and politics.

3 Notes

1. Ufficio di statistica del Cantone Ticino (USTAT), time series on *frontalieri* (foreign cross-border commuters) by sector. ↩
2. Agreement between Switzerland and Italy on the taxation of cross-border workers and the financial compensation in favour of the Italian border municipalities of 3 October 1974, SR 0.642.045.43, Art. 1 (taxation only in the State of work) and Art. 2 (compensation of "20 % für das Jahr 1974, 30 % für das Jahr 1975 bzw. 40 % für die folgenden Jahre"), text at <https://www.droit-bilingue.ch/de-fr/0.6/0.64/0.642.045.43-1-4.html> and <https://www.droit-bilingue.ch/de-fr/0.6/0.64/0.642.045.43-2-5.html>. On its replacement by the Agreement of 23 December 2020 see Chapter H.I. ↩
3. Berbenni (as above), 329 (1982: more than 7,000 employees in 44 banks); finews.ch, Claude Baumann, "La nuova magia del denaro a Lugano", 20 November 2021, <https://www.finews.ch/ticino/48771-la-nuova-magia-del-denaro-a-lugano> (financial sector including fiduciaries and independent asset managers employed about 10,000 people a decade earlier). ↩
4. Sandro Guzzi-Heeb, "Monteforno", in DSS, version of 18 June 2007, <https://hls-dhs-dss.ch/it/articles/041948/> (largest industrial employer of Ticino in the 1970s and 1980s with 1,750 workers). ↩
5. On French exchange controls, which applied between 1939 and 1967 and again from 1968 until the decree reintroducing them was abolished in 1989, see Wikipedia (French), "Contrôle des changes", https://fr.wikipedia.org/wiki/Contr%C3%B4le_des_changes ("Ce n'est qu'en 1989 que le décret de 1968 réinstaurant le contrôle des changes est finalement aboli"), used as a last resort. On the flow of French capital

Frontalieri and the labour market

to Geneva see the Geneva volume, Part on private banking, and for the general Swiss context Sébastien Guex, "Piazza finanziaria" (as above).

↩

6. On the left-wing critique of the financial centre see the Socialist daily Libera Stampa and the debates in the Grand Council in the 1970s; on the later judicial cases see Lepori (as above). ↩

For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.

Online version: helveticaregister.com/lugano-frontalieri-and-the-labour-market