

The Insubric Economy: Milan, Lugano and the Cross-Border Region — overview and summary

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In the second quarter of 2026 the Canton of Ticino counted 79,121 cross-border commuters, persons who live in Italy and cross the border to work in the canton. Across Switzerland as a whole the Federal Statistical Office counted 414,262 such commuters, of whom 22.1 per cent lived in Italy.¹ At the end of 2025 the commuters represented roughly one third of all persons employed in Ticino, a share without parallel in any other Swiss canton. On the other side of the border lies Lombardy, a region of about ten million inhabitants whose gross domestic product of some EUR 480 billion would place it, as a state of its own, among the ten largest economies of the European Union.² Between these two facts lies the subject of this chapter. Lugano is a Swiss financial centre, governed by Swiss federal and Ticinese cantonal law, but its labour market, its clients, its traffic and a good part of its politics are shaped by the metropolitan economy of Milan and by the border provinces of Como, Varese and Verbano-Cusio-Ossola.

The chapter asks how this cross-border region works as an economic system and how law organizes it. Its argument is that the Insubric economy rests on a set of legal differences that are deliberately maintained by both States and constantly renegotiated: differences in wages, in taxation, in social insurance, in customs status and in the treatment of residence. The chapter first describes the space and its institutions, from the old name *Insubria* to the Regio Insubrica working community founded in 1995 and the Interreg programmes. It then measures the Lombard and Milanese economy that forms Lugano's hinterland, including the Milan stock exchange under Euronext and the city's growth after Brexit. The central sections treat the *frontalieri*: their number, sectors and wages, the debate about wage dumping, the free movement of persons and Ticino's political reactions in 2014 and 2016, and the two agreements on the taxation of cross-border workers of 1974 and 2020 with their transitional regime, the telework protocol and the dispute over the Italian "health tax" of 2026. The

chapter closes with social security and health insurance, the special case of Campione d'Italia, infrastructure and housing, and the practical consequences for employers, advisers and the financial centre.

Several neighbouring chapters carry related material. Chapter H.II treats Italian entrepreneurs who move to Ticino, the Italian exit tax and the doctrine of *esterovestizione*. Chapter H.III, which covers the double taxation convention between Switzerland and Italy of 9 March 1976 and everyday tax practice, refers back to the present chapter for the taxation of cross-border workers. Chapter H.IV deals with litigation, the Lugano Convention and mutual assistance. Chapter E.I gives the figures on cross-border commuters in the banks, while Chapter D.II describes the historical role of the *frontalieri* in the post-war boom.

1 Conclusion

The Insubric economy is a cross-border system held together by legal differences. Lombardy supplies the scale: an industrial and financial region of some ten million people with a GDP more than ten times that of Ticino, a stock exchange integrated into Euronext, an international airport handling more than thirty million passengers and a metropolis that has gained institutions and wealthy residents since Brexit. Ticino supplies higher wages, a different tax system, Swiss social insurance and a Swiss financial centre. The cross-border commuters connect the two. Their number has more than doubled since the early 2000s to about 79,000, about a third of all persons employed in the canton. Their presence has extended from construction and industry to health care, commerce and finance.

The law that governs this system has changed more in the last decade than in the previous forty years. The agreement of 1974, with its exclusive taxation in Switzerland and its compensation payments to the Italian border municipalities, has been replaced by the agreement of 23 December 2020, which taxes new cross-border workers in both States and ends the compensation in 2033. The transitional regime for the old crossborder workers, the substitute tax for the new municipalities, the telework protocol in force since February 2026 and the Italian health levy show how much of the regime is still being settled in practice. The free movement of persons, confirmed by the national votes of 2014 and 2020 and resisted by Ticino's own vote of 2016, sets the frame within which the canton's instruments against wage dumping, from standard employment contracts to the cantonal minimum wage, must operate.

For Lugano as a financial centre the lesson is twofold. Its banks, fiduciaries and asset managers are employers in this cross-border labour market and must master its rules on permits, source taxation, telework and social security. They also serve a clientele that comes from the same hinterland and is now fully transparent to the Italian tax authorities, so that the old advantages of proximity have to be replaced by the advantages of competence, language and service. The next chapter turns to one group of these clients: the Italian entrepreneurs who move their residence or their companies to Ticino.

2 In five sentences

Lugano's hinterland is Lombardy, a region whose GDP of about EUR 480 billion is more than ten times that of Ticino and whose capital, Milan, has strengthened its financial infrastructure through Euronext and its position after Brexit. About 79,000 Italian residents, roughly a third of the canton's employment, commute to work in Ticino and now work as much in services, health care and finance as in construction and industry. Ticino's voters reacted to free movement with the mass immigration vote of 2014 and the "Prima i nostri" initiative of 2016, but federal law and the free movement agreement left room only for a vacancy notification duty, minimum wages and stricter labour inspection. The agreement of 23 December 2020, in force since 17 July 2023 and applied since 1 January 2024, replaced the exclusive Swiss taxation of 1974 for new cross-border workers with concurrent taxation, while old cross-border workers keep the former regime and the compensation to Italy ends in 2033. The telework protocol of 2024, the Italian health levy and Ticino's withholding of compensation payments in June 2026 show that the cross-border regime remains a field of active negotiation between Bellinzona, Bern, Rome and Milan.

3 Notes

1. Federal Statistical Office figures for the second quarter of 2026 as reported in "Frontalieri: calano ancora in Ticino", Tio.ch, 6 August 2026, <https://www.tio.ch/ticino/attualita/1942262/frontalieri-calano-ancora-in-ticino> (Ticino 79,121, – 0.6 per cent year on year; Switzerland about 414,000; 58.4 per cent resident in France, 22.1 per cent in Italy, 16.3 per cent in Germany); "Cala il numero dei frontalieri italiani, in aumento quelli francesi", swissinfo.ch, 6 August 2026, <https://www.swissinfo.ch/ita/cala-il-numero-dei-frontalieri-italiani%2c-in-aumento-quelli-francesi/91855132> (414,262 in total). ↩

2. "Lombardy, Italy's leading economy, alone would be tenth in the EU", Il Sole 24 Ore (English edition), <https://en.ilsole24ore.com/art/lombardy-italys-leading-economy-alone-would-be-tenth-in-the-eu-AGi8I3i> (GDP of EUR 480.6 billion in 2023). The population figure of 9.94 million (2022) is taken from Wirtschaftskammer Österreich, Regionaler Wirtschaftsbericht Lombardei (March 2023), <https://www.wko.at/oe/aussenwirtschaft/italien-regionaler-wirtschaftsbericht-lombardei.pdf>. The share of commuters in employment is documented in the section on the frontalieri below. ↩

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