

European Policy & Open Markets

Free Movement of Persons Strengthens the Labor Market and Social Welfare Systems

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At a glance

- Immigration under the free movement of persons is clearly driven by the labor market.
- Immigrants from the EU/EFTA region have a high labor force participation rate and ease the burden on our AHV and IV systems because they pay more in contributions than they receive in benefits.
- The free movement of persons is central to our economic success. Nevertheless, Switzerland must address its domestic challenges.

The State Secretariat for Economic Affairs (SECO) has published the 22nd Observatory Report on the Impact of the Free Movement of Persons on the Swiss Labor Market and Social Security Systems.

The free movement of people remains a key issue for Swiss companies

The results confirm once again that immigration from the EU/EFTA region is predominantly labor-market-driven and is therefore closely aligned with the demand from local companies. Many job openings—for example, in knowledge-intensive sectors of the service industry, in healthcare, in manufacturing, as well as in the hospitality and construction industries—often cannot be filled without foreign workers.

At the same time, as in previous years, the report shows that immigration under the free movement of persons supplements—rather than displaces—the domestic labor force. Overall, labor force participation has continued to rise in recent years, particularly among women. Immigration has therefore not hindered the full utilization of the domestic labor force. Structural unemployment has not increased either. Setting aside cyclical effects, neither native-born residents nor immigrants are more likely to be unemployed today than they were 15 years ago.

Workers from the EU support our social welfare system

Workers from the EU/EFTA region also make an important contribution to alleviating the burden on our social welfare system. In 2025, the labor force participation rate for this group of people aged 15 to 65 was 87.3, and their average employment rate was 89 percent. This means that, on average, they are employed more frequently and work longer hours than Swiss nationals.

Accordingly, they contribute disproportionately to the financing of AHV and IV, paying about 28 percent of the contributions but receiving only about 15 percent of the benefits. Immigration can thus play an important role in stabilizing the system, but it does not replace necessary structural reforms in the pension system. Rather, it buys time to address the necessary adjustments and secure the long-term financing of social security programs.

Switzerland must get its own house in order

Labor migration under the free movement of persons is and remains a key factor in Switzerland's economic success. This assessment is consistent with other studies that examine, for example, the consequences of a possible termination of the First Bilateral Agreements.

At the same time, it is clear that Switzerland must consistently address its domestic challenges. We need to make even better use of our domestic labor force. Against the backdrop of demographic trends, investment in the training and continuing education of skilled workers remains essential. Negative incentives to work, such as higher payroll taxes, must be avoided at all costs. Instead, we need targeted incentives to encourage people to work longer, as well as structural reforms that adapt our pension system to demographic realities.

It is equally urgent to boost productivity by reducing the bureaucratic burden and through digitalization, to eliminate traffic bottlenecks, to simplify permitting procedures for housing construction, and to apply current asylum laws more consistently. Only with a package of targeted measures will we succeed in securing our prosperity and finding sustainable solutions to the challenges facing Switzerland.

Pascal Wüthrich
Project Manager International Relations