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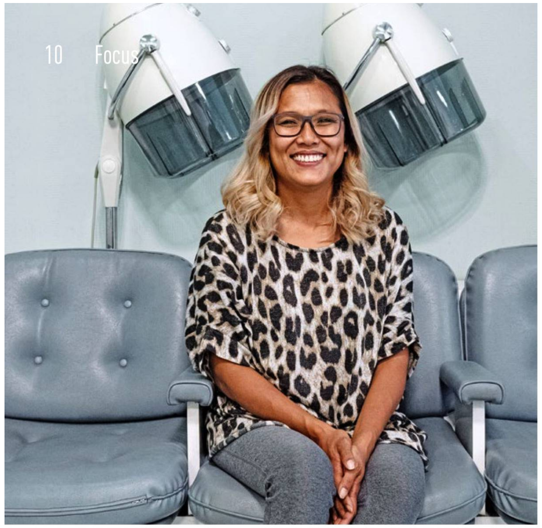

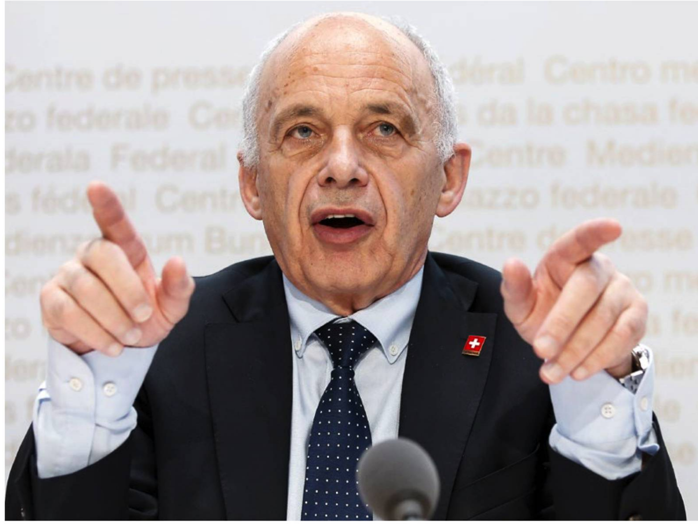

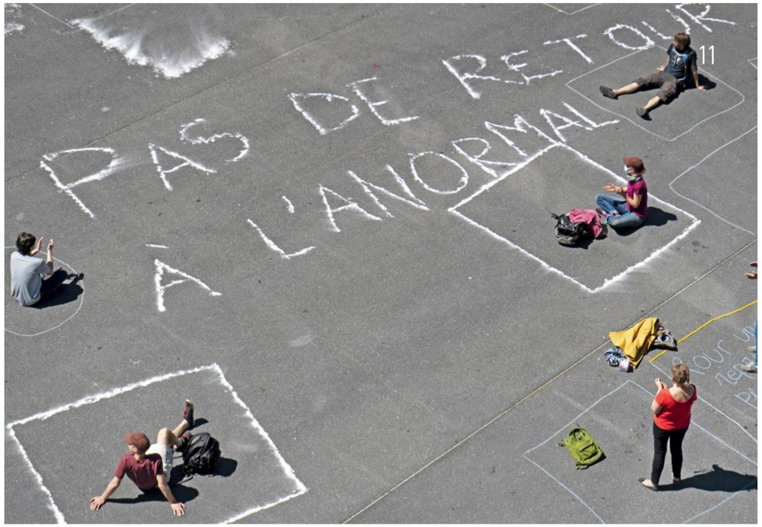

The lockdown was a "huge shock" for Berne-based hairdresser Namgyal Studer. Thankfully, help was at hand (left).

Federal Councillor and Finance Minister Ueli Maurer put together a multibillion aid package (middle).

These protestors in Lausanne have no wish to return to the "abnormal normality" of pre-pandemic life (right).
Photos: Danielle Liniger, Keystone

COVID-19 and the Swiss job market

"Help is on its way" – Switzerland's multibillion bailout

COVID-19 brought parts of the Swiss economy to a standstill, affecting a third of all employees. Tens of thousands of shops had to close. Almost two million people were put on short-time working hours. The Federal Council drew up an unprecedented financial support package.

THEODORA PETER

In Namgyal Studer's words, the lockdown was a "huge shock". Studer owns a hairdresser's salon in Berne. Her business was going well. From one day to the next, she had to shut up shop, cancel customer appointments and send her two employees home. Tens of thousands of shop owners, tradespeople, restaurateurs and other service providers shared this predicament in mid-March. Some 190,000 businesses around the country – including Studer's private limited company – consequently applied to the unemployment insurance (ALV) to put almost two million employees on short-time working hours. The ALV subsidised 80 per cent of the resultant wage shortfall in order to prevent redundancies. More than a third (37 per cent) of employees in Switzerland were furloughed in this way during the coronavirus crisis. In Ticino, the canton hit particularly hard by the epidemic, the proportion was more than half (54 per cent). Over 14 billion Swiss francs will flow from the federal coffers into the ALV in order to fund this bailout. Had the government not stepped in, employees would have faced higher wage cuts to prevent a welfare imbalance.

Multibillion loans

"Help is on its way," promised Economics Minister Guy Parmelin (SVP) at the beginning of the crisis. In addition to the furlough scheme, loans were used to keep businesses afloat. With minimal fuss, companies were able to apply for emergency liquidity from their banks – covered by a government-guaranteed credit worth up to 40 billion francs. Hairdresser Namgyal Studer also obtained a small bridging loan. Despite a complete loss of revenue, this allowed her to pay her outstanding bills and give her two employees an advance on their wages before unemployment benefit kicked in. Studer herself received a lump-sum allowance during the lockdown, which the Federal Council had capped at 3,320 francs per month for all people in a position similar to that of an employer. She had been fretting for a long time about whether she would have to pay full rent for her salon during the six weeks she remained closed: "I hope my landlord shows some goodwill." Parliament finally came down on her side in June, because landlords are now obliged to deduct or waive a significant portion of the rent that was due during the government-enforced lockdown.

Up to twice as many unemployed

The self-employed are in a precarious situation, with no entitlement to furlough. They were able to obtain compensation if the lockdown had prevented them from working or severely restricted their ability to work. Yet, for many, these allowances were barely enough to live on, forcing them to tap into their savings in order to make ends meet

Short-time working hours nevertheless allowed companies to avoid mass redundancies – in the initial few months at least. The number of unemployed rose to over 155,000 by the end of May – up 50,000 year-on-year. At the beginning of June, experts were cautiously optimistic that the nightmare scenario of up to 200,000 unemployed could be averted – which would have been twice as high as in 2019, when the jobless rate fell as low as 2.1 per cent at one stage.

Severe recession likely

The consequences of the pandemic will hit the Swiss economy hard. According to the Swiss Economic Institute (KOF) at ETH Zurich, GDP will fall by 5.5 per cent in 2020. Unlike previous recessions, which mainly came at the expense of exports, service industries such as hospitality and tourism will also suffer this time. Business analysts predict a slow economic recovery from summer onwards. Due to the economic downturn, the Confederation, cantons and municipalities expect significant declines in tax revenue totalling more than 25 billion francs, says KOF. Coping with the fallout from COVID-19 has been extremely costly for the public sector. In some cantons such as Berne, there are increasing concerns that new austerity measures may be necessary due to the imminent hole in public finances. (TP)

Controversial dividends

What caused considerable displeasure within parliament and among the general public was that companies were still paying shareholder dividends for the 2019 financial year despite the ALV subsidising most of these companies' wage costs. The National Council voted in favour of a parliamentary motion calling for a ban on dividends during the furlough period. However, the Council of States ultimately blocked this decision, viewing it as an unacceptable restraint on economic freedom.

Studer can only dream of dividends. After six weeks in lockdown, she was able to reopen her salon at the end of April – naturally adhering to safety protocols. She had plenty of appointments during the first couple of weeks. However, her shop in Berne's Länggasse university quarter relies on walk-in trade. It may be some time before students and staff pop in again for a haircut. Studer remains unperturbed. "I will take things as they come."