

Winners and losers of the 2015 Swiss exchange rate shock: Unveiling heterogeneous worker responses

Abstract

This paper studies the labor market responses to a large and sudden appreciation of the Swiss Franc in 2015 at the worker level.

We link detailed data of Swiss workers with firm-level information on exports and imports.

Measuring a firm's trade exposure through its (i) import competition, (ii) imported input access, and (iii) export market access, we document that all three channels of trade exposure matter for labor market outcomes. Moreover, strong responses materialize even within narrowly-defined industries: when workers are affected by the exchange rate shock through their employer's improved access to imported inputs, their earnings increase and their unemployment propensities fall. When workers are affected through their employer's export market exposure, their earnings decrease and their unemployment propensities rise.

Important worker heterogeneity also emerges within firms: income losses are mainly borne by the lowest quartile of the within-firm wage distribution. Finally, wage changes largely materialize via job switching across firms and sectors.

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