Companies are expecting the change in the Swiss exchange rate policy to negatively affect labour markets

Not even a month after the recent scrapping of the CHF/EUR exchange rate cap, companies are already preparing their cost-reduction actions for the year.

Zurich, 18 February 2015 – A month after the surprising « black Thursday » in Switzerland many firms are already forming views on how the removal of the exchange rate cap will affect their employment strategies. Aon Hewitt's survey on labour cost expectations of multinational companies in Switzerland found that:

- 25% of companies are now exploring plans to reduce their workforce in Switzerland
- 29% of companies have already decided to decrease their salary increases for the year - half of these have decided to freeze salaries
- in total 71% of companies expect to give lower salary increases than they had previously thought – most expect some salary freezes
- average salary increase expectations amongst the surveyed companies is now 1.25%, compared to a previous expectation of 1.9% as recently as December 2014.

Our recent study shows that 57% of these multinational companies in Switzerland have had several formal discussions about the possible consequences of the exchange rate change on their business. 27% of them have already drafted an action plan on how they will react.

“Currently, our feeling as HR consultants is that companies are out on a hunt to find every possible solution to balance out the sudden and unpredicted high costs that Swiss salaries will show in their payrolls”, says Marco Reiners, Aon Hewitt’s Reward Leader in Germany, Austria and Switzerland. “At the same time nerves are still heated and any small change can cause unnecessary employee turmoil”.

Beyond pay controls, other cost control measures being explored by some companies include:

- lower pay for cross-border workers’ (14% of respondents) - this action may not be the best recommendation but some companies have three-quarters of their workforce living outside Switzerland, who have just received a significant decrease in costs relative to income
- increased weekly hours (without increasing pay) – this may increase production, though it is more likely to be accompanied by workforce reductions
- reductions of pension contributions – though the reduction in bond yields that accompanied the exchange rate change is likely to result in a need for an increase in pension contributions if employees’ pension expectations are to be maintained
• reduced positions in the country, possibly leading to a lower overall workforce (25% of respondents) – the degree to which the exchange rate change has a broader impact on a business' sales will drive the degree to which this arises, and the degree to which roles would be replaced outside Switzerland

“It is also important not to allow the external environment to negatively affect your employee engagement. Rewarding high performers is even more important in times of economic uncertainty. Cutting salary increase budgets is a good start if merit increases are still considered. Instead of a full-fledged salary reduction, companies should re-evaluate the effectiveness of current pay programs. Aligning and optimizing the current total compensation and benefits offering to employees’ needs instead of eliminating them completely, might be another step”, suggests Marco Reiners.

Aon Hewitt provides advice on improving business results through performance, talent and rewards, including pensions and benefit packages. Aon Hewitt also supports Pension Funds in ensuring the security of pensions for employees and pensioners.

Aon Hewitt Flash-Survey on the effects of the CHF/EUR exchange rate on salaries and labour costs
Reacting to the need of having data on the possible market trends following the SNB decision to scrap the CHF/EUR cap, Aon Hewitt has launched a flash survey on the subject to their German and Swiss clients. This survey was launched on the 30th of January and had the participation of 52 large companies, all of which are active on a global scale and have offices in Switzerland. The average number of local employees per company among the participants of this survey is 6,289. More details of the findings are available on request.

About Aon Hewitt
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