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The Facts of the Matter Distilled

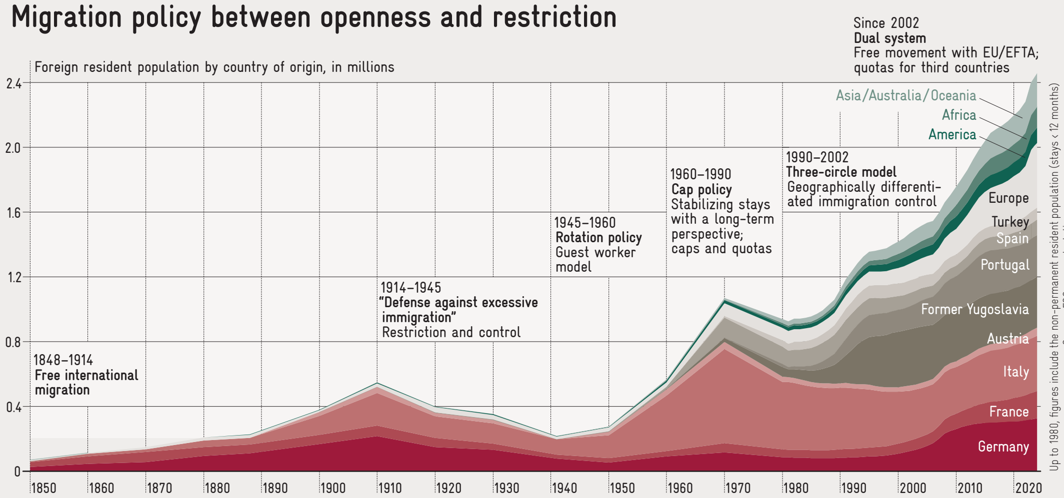
# Managing Immigration Efficiently

*Those seeking to limit immigration should avoid rigid quotas. Quotas encourage bureaucracy and lobbying. An immigration levy offers greater flexibility and efficiency – though not without risks.*

## Situation

Persistently high immigration has sparked debate about the best way to limit inflows. Two key questions are at the center: Should the government regulate quantity (e.g., quotas with a fixed cap) or price (e.g., an immigration levy)? And should controls be permanent or only apply temporarily once a threshold is exceeded? The answers determine whether the system remains flexible – or mainly locks in existing structures.

### Migration policy between openness and restriction




*Beginning with the First World War, Switzerland sought to regulate what had previously been a largely liberal immigration regime. Nevertheless, the number of foreign residents increased steadily over time, with the exception of the interwar period and the economic crisis of the 1970s.*

## Facts

**68,000**

Since 2000, net immigration to Switzerland has averaged approximately 68,000 foreign nationals per year. Three out of five immigrants have come from the EU/EFTA area.

■ **Quotas** impose a fixed cap and create a sense of control. Yet the "right" number is hard to determine because economic conditions and structural change continuously affect labor demand. Allocating scarce permits among regions, industries, and firms is equally difficult – encouraging lobbying, bureaucracy, and the preservation of existing structures.

**■ Immigration levy: market-oriented rather than bureaucratic**

An immigration levy does not directly limit inflows but puts a price on them. This allows migration by those who benefit most from moving or whose employment creates the greatest value for firms. The levy requires little bureaucracy, remains flexible, and generates revenue that can be redistributed to the public. Risks remain: setting the right level is difficult, and the instrument has not yet been tested internationally.

**■ Timing matters: permanent rules outperform temporary measures**

An "on-off" system – such as a safeguard clause – only activates once a threshold is exceeded. While flexible, it creates anticipatory and catch-up effects: many migrants arrive before activation, while delayed hiring is made up afterward. The result is volatility in both directions, along with greater uncertainty.

## Recommendations

For Switzerland's highly specialized economy, **an efficient immigration system is essential.** The distortive effects of quotas are often overlooked in the debate. A **safeguard clause** that only intervenes occasionally does not improve matters: it creates uncertainty while delivering little net benefit. Compared with that, unrestricted **free movement** with the EU is likely the economically superior system. If immigration is to be managed, however, a permanent **immigration levy** is the best option: it is more flexible, leaner, and more targeted than rigid quantitative restrictions.

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