

Skilled or Unskilled? An occupation-based approach of classifying workers in Switzerland.

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Abstract

Most research on substitutability between high- and low-skilled labor uses data from the United States. As such, high- and low-skilled labor is usually defined as having attained a college or high school degree respectively. However, this distinction is much less sensible in a country like Switzerland, where, due to its dual education system, many high-skilled workers do not possess a traditional college degree or even a tertiary education. I suggest an alternative distinction between high- and low-skilled workers based on occupations and estimate the elasticity of substitution between high- and low-skilled workers in the aggregated Swiss economy as well as in specific sectors using data from 1992 to 2017. Using traditional, education-based identifiers for skill levels in Switzerland I find insignificant or unusually high elasticities of substitution. However, using my new, occupation-based approach I find elasticities in the range of established estimates from the United States.