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Culture and work attitude

Variations in unemployment duration
across the Swiss language border

Josef Zweimüller Professor of Economics, University of Zurich

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In a nutshell

To what extent can differences in culture and attitudes towards work explain differences in unemployment across time and space? This policy brief examines variations in the time that unemployed people in Switzerland spend looking for work, comparing residents of Swiss nationality who speak German with residents who speak French or Italian. According to survey evidence and voting results, the Swiss language border separates two social groups with different cultural backgrounds and attitudes towards work. Despite similar local labor markets, French and Italian speakers who lose their job spend almost seven weeks longer in unemployment than their German-speaking neighbors. This effect is comparable to a large increase in the generosity of unemployment insurance.

Opportunities for action

1

Economic outcomes might vary in different cultural groups even when the institutional context and economic conditions are similar. In Switzerland, cultural differences arise among social groups that speak different languages but face very similar institutions.

2

Policy-makers should be aware that cultural groups might react differently to the same policy implementation.

3

To prevent economic divergence, policy-makers should strive for exchanges between different cultural groups, for example, in schools and the workplace.

In detail

Unemployment varies considerably over time and across space in ways that are not explained by labor market institutions or labor market conditions. The *OECD Employment Outlook 2005* documents strong differences in unemployment across countries even when institutional differences are taken into account. Similarly, different regions within the same country often experience large differences in unemployment

despite facing the same legal regulations. The view that unemployment only follows incentives and markets is too narrow.

Social scientists and some evolutionary biologists have long argued that culture – the set of beliefs, norms and preferences shared across social groups – is an important determinant of behavior. The nineteenth century writer Alexis De Tocqueville was

fascinated by the differences between Britain, France and the United States in terms of the core values that shape how democracies work. More recently, Boyd and Richerson (1985) discuss the process of cultural evolution from the perspective of evolutionary biology.

Economists have proposed theoretical arguments why culture and identity might affect unemployment (Akerlof, 1980; Lindbeck and Nyberg, 2006). Yet there is very little empirical evidence showing that cultural differences are quantitatively important for explaining observed differences in unemployment. This is due to a key empirical challenge: culture often co-evolves with laws and institutions (Benabou and Tirole, 2006). Hence, isolating the direct effects of culture from its indirect effects via laws and institutions is challenging.

Job search in Switzerland's different language regions

In joint research with Beatrix Eugster, Rafael Lalive and Andreas Steinhauer, we study the effect of culture on unemployment by comparing job search behavior across language regions in Switzerland. Language areas are divided by a sharp geographical border: the *Rösti* border, which is named after a popular potato dish in the German-speaking part of Switzerland and which has become a metaphor for the general cultural divide within the country (see Figure 1).

Switzerland's political system of direct democracy, where issues are often put to a national referendum, repeatedly reveals strong differences in political attitudes and preferences. These differences are particularly striking in votes related to regulations on working time: speakers of French or Italian are consistently more supportive in votes demanding fewer weekly working hours, longer vacations or less restrictive rules on early retirement.

Differences in values and work preferences are also very clear from survey data. In a 1997 survey, 77% of respondents from the German-speaking part of Switzerland agreed with the statement that 'I would enjoy having a paid job even if I did not need the money'. In contrast, only 52% of French- or Italian-speaking respondents agreed with the statement.

Longer job search durations for the French and Italian-speaking Swiss population seem to be due to culture rather than markets or institutions

To understand how culture might affect unemployment, our empirical analysis studies differences in unemployment durations at the *Rösti* border. Two features of this border are of particular interest.

On the one hand, the dominant language spoken in a municipality changes sharply at the *Rösti* border (see Figure 2). Within a geographical distance of less than 5km, the fraction of native French or Italian speakers falls from more than 80% to less than 20% (and vice versa for native German speakers).

On the other hand, important segments of the language border do not coincide with canton (state) borders: the language-border contrast *within* cantons holds laws and institutions constant, while exploiting differences in culture. Hence the *Rösti* border represents an empirical design that addresses a key empirical challenge in studying the role of culture.

Differences in work attitudes and unemployment duration

Our empirical analysis uses data from the Swiss unemployment register covering everyone who became unemployed at some point during the period from 1998 to 2003. We focus on Swiss men in the age group 25–59. Our data set provides us with a large number of unemployment

spells, allowing us to zoom in around the language border: limiting the sample that we analyze to people living within 50km of the language border still provides us with more than 60,000 spells of unemployment.

Our empirical analysis establishes three main results. First, based on survey and voting evidence, we show that attitudes towards work change sharply at the *Rösti* border (see Figure 3). Support for regulations on working time in national votes is consistently higher among residents on the French and Italian-speaking side. Differences in voting outcomes are often strikingly large, not only on average but also at the language border, indicating a strong discontinuity in work norms, values and preferences at the border.

This finding is supported by survey evidence suggesting that French and Italian speakers are much less likely to think that hard work leads to success. They are also much more likely to think that external forces shape what happens in their lives.

Economic and institutional forces do not automatically lead to cultural convergence

Our second finding is that there is a robust difference in unemployment durations at the language border. People living in French and Italian-speaking border communities leave unemployment nearly seven weeks later than their counterparts living in German-speaking communities (see Figure 4).

This effect is quantitatively large compared with the estimates obtained in empirical studies of unemployment durations. It is of an order of magnitude comparable to a drastic increase in the generosity of unemployment insurance – that is, of an increase in the potential benefit duration of more than one year or an increase in the benefit level of more than 20%.

The third focus of our study is whether differences in labor demand can account for the duration gap. We find no differences in earnings, either in pre-unemployment earnings or in average wages of employed workers. We find that there is substantial commuting around the language border, suggesting that labor markets are fairly well integrated.

We document that there is no significant discontinuity at the language border in variables reflecting labor demand conditions, including the job separation rate, the unemployment inflow rate, vacancies per worker, growth in the number of jobs and growth in the number of firms. We conclude that differences in labor demand indicators are too small to account for the large gap in unemployment duration at the border.

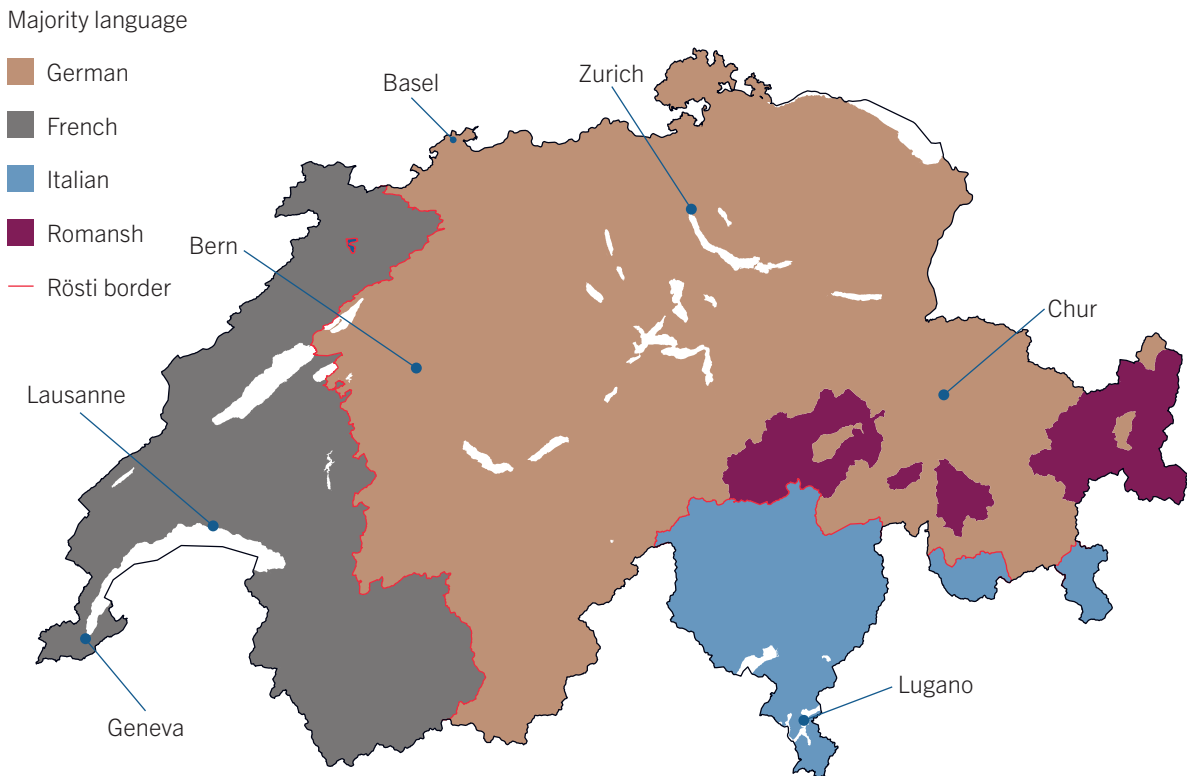
The impact of religion, initiative, and language proficiency

Cultural attitudes towards work may be due to religion (Basten and Betz, 2013) and its impact on education (Boppert et al, 2013). Religion might be important in the Swiss context since the proportion of Catholics is significantly higher on the French and Italian side of the language border.

We study whether the language border effect interacts with religion by comparing this effect within a Protestant canton (Berne) and within two Catholic cantons (Fribourg and Valais). We find that the language border effect is somewhat smaller in the Catholic cantons compared to the Protestant canton but the difference is insignificant, suggesting that the language border effect is not driven by religion.

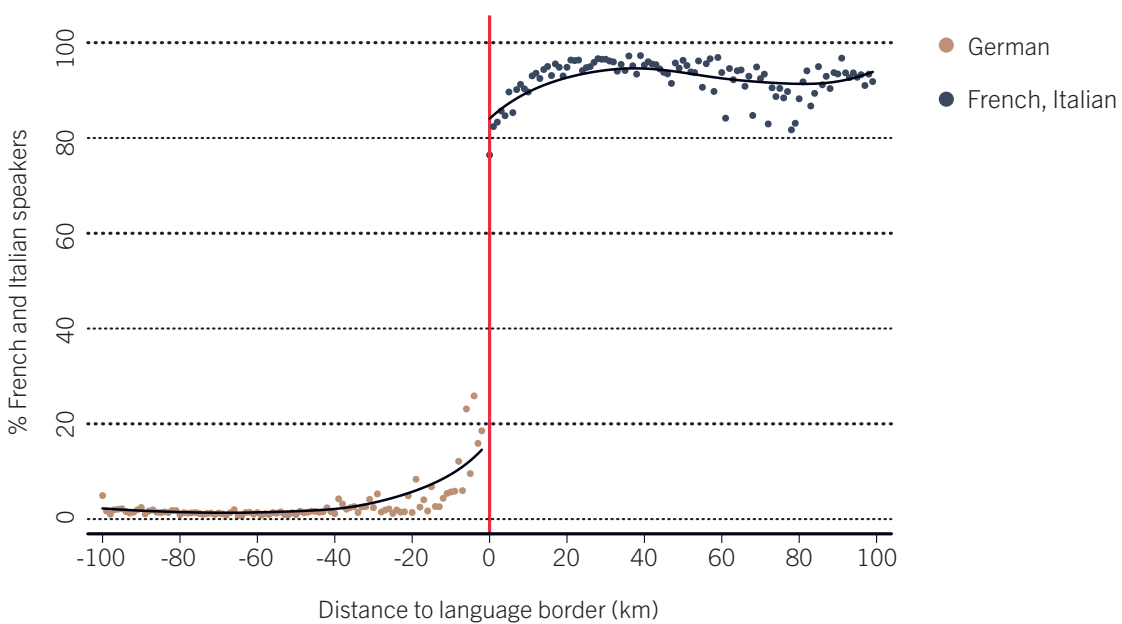
We do find, however, that longer unemployment durations arise mainly because French and Italian speakers are less likely to find jobs on their own initiative. Although this may, in part, be driven by employer discrimination, we argue that this probably reflects a lower intensity

Figure 1:
The language regions of Switzerland



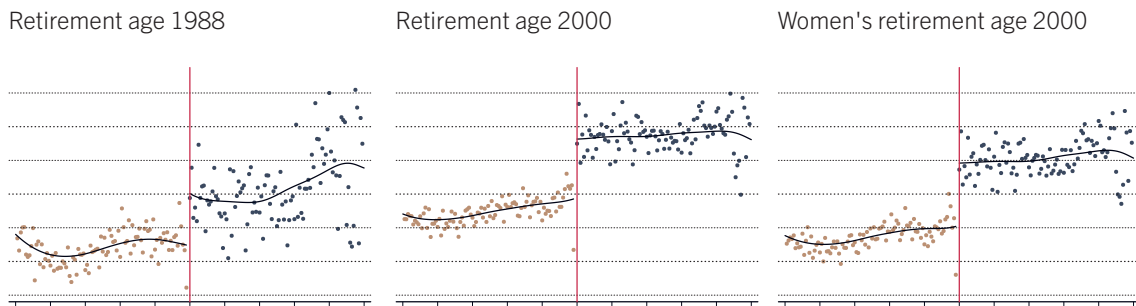
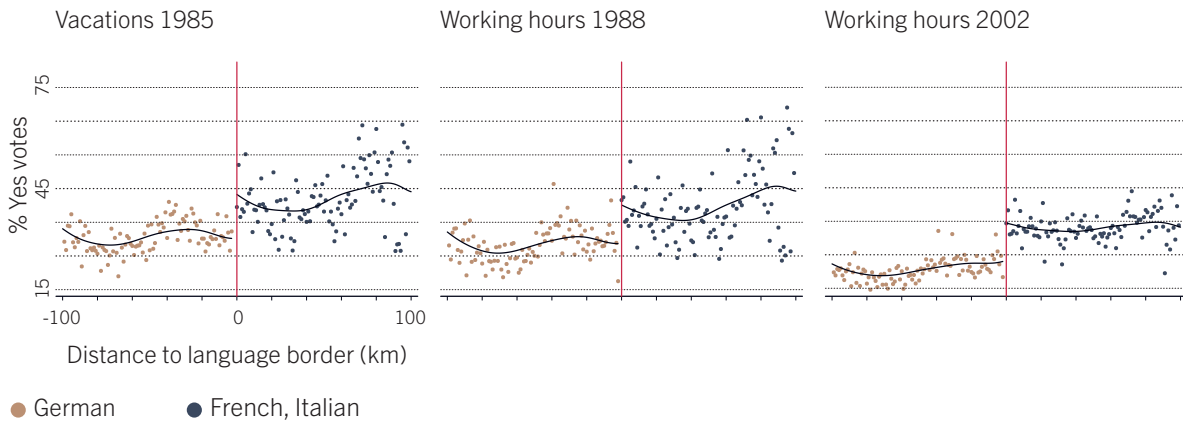
Notes: Colored regions indicate the majority language. The red line indicates the Röstli border between German and French/Italian-speaking regions. White areas identify lakes. Source: Swiss Census 2000, Federal Statistical Office, and Swissboundaries3d geo data, Swiss Federal Office of Topography.

Figure 2:
Languages at the Röstli border



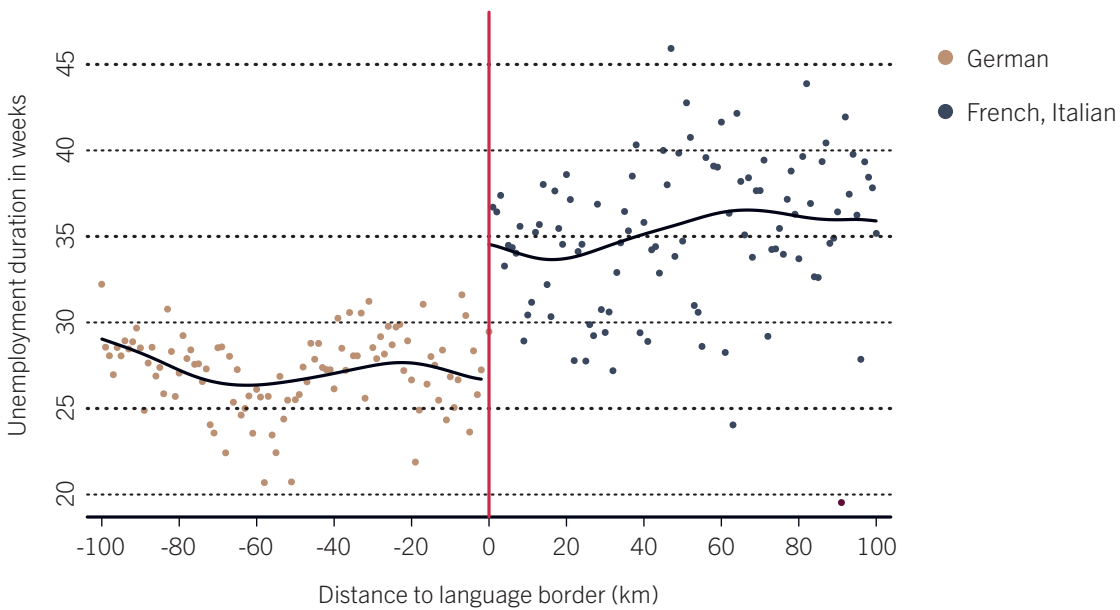
Notes: Percentage of French and Italian speakers, by distance to language border. Negative distance equals German-speaking municipalities, positive distance equals French and Italian-speaking municipalities. Source: Swiss Census 2000, Federal Statistical Office, Distances from search.ch

Figure 3:
Federal votes on work issues



Notes: The figures report percentage of yes votes in six national referenda or voter initiatives. Note the significant differences in voting outcomes at the language border.

Figure 4:
Unemployment duration



Notes: Following job loss, the average duration of unemployment is seven weeks longer when moving from the German-speaking side of the Röstli border to the French and Italian-speaking side.

or efficiency of job search or both. This provides further support for the claim that differences in unemployment duration are to a large extent driven by work attitudes.

Differences in language proficiency could also explain some of the gap in job search outcomes. Indeed, we find that French and Italian speakers are less likely to be proficient in German than vice versa. Nevertheless, differences in language proficiency cannot explain the observed gap in unemployment duration. This is because the gap is equally large among workers who speak the language of the other region as among workers who do not.

The role of culture in labor market outcomes

Our study is related to a rapidly expanding body of research on the role of culture in various labor market outcomes.

For example, Alesina et al (2006) investigate why Americans work so much more than Europeans. They argue that European labor market regulations influenced leisure patterns and created a ‘leisure culture’ through a social multiplier (the returns to leisure are higher when more people take longer vacations). Analysis based on such complementarities in leisure performs better in explaining US-European differences in working hours than one based on differences in taxation.

Fernandez and Fogli (2006, 2009) find that the country of heritage significantly affects the work (and fertility) behavior of married second-generation immigrant women. This is consistent with the hypothesis that the culture of the country of origin affects current economic outcomes. Fernandez (2007) shows that attitudes in the country of ancestry towards women’s market work and housework help to explain current labor market participation.

Algan and Cahuc (2007) and Alesina and Giuliano (2010) investigate the particular

role of family ties in labor market outcomes. These studies find that strong family ties reduce labor force participation. Ichino and Maggi (2000) look at cultural differences in the propensity to ‘shirk’ (absenteeism and misconduct), using data from a large Italian bank. Clark (2003), Stutzer and Lalive (2004), and Kolm (2005) explore the role of social work norms for how people perceive unemployment.

Basten and Betz (2013) study how adhering to Protestantism, rather than Catholicism, affects preferences for leisure, redistribution and intervention along a spatial discontinuity in religion in Western Switzerland. Boppart et al (2013) document the complex ways in which religion may affect educational attainment.

A further related strand of research focuses on the emergence of and support for labor market institutions such as unemployment insurance. Algan and Cahuc (2009) argue that cultural differences can explain why some countries implement a different mix of employment protection and unemployment insurance. Lindbeck et al (2003) and Lindbeck and Nyberg (2006) consider the dynamics of work ethics and how these dynamics interact with the evolution of welfare state provisions.

Our research adds to this body of work by focusing directly on unemployment durations as an outcome. Moreover, we provide evidence of how the combination of the elements of culture matters for job search outcomes. Limiting the analysis to a narrowly defined geographical area, as we are able to do, helps to separate the cultural component from other potential explanations.

Crossing the Swiss language border from the German side to the French and Italian-speaking side is associated with an increase in the average duration of unemployment of nearly seven weeks. The evidence indicates that the longer job search durations for French and Italian speakers are likely to be due to culture and work attitudes rather than markets or institutions.

Culture can be an important impediment to convergence that may sustain permanent differences in economic outcomes

Our analysis highlights that economic and institutional forces do not automatically lead to cultural convergence. In the Swiss context, cultural differences arise among social groups that speak different languages but face very similar institutions and economic opportunities. This finding is important for researchers and policy-makers concerned with convergence among heterogeneous federations such as the European Union or the United States.

This UBS Center Policy Brief summarizes ‘Culture, Work Attitudes, and Job Search: Evidence from the Swiss Language Border’ by **Beatrix Eugster** (University of St Gallen), **Rafael Lalive** (University of Lausanne), **Andreas Steinhauer** (University of Edinburgh) and **Josef Zweimüller** (University of Zurich), published in the *Journal of the European Economic Association* 15(5): 1056–1100.

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Author



Josef Zweimüller
Professor of Economics, Department of Economics,
University of Zurich



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