

## SWITZERLAND

While Switzerland is still a prosperous country, growth of income per capita has been weak and considerably below the OECD average for a number of years, essentially because of lacklustre productivity gains.

### Priorities supported by indicators

#### **Further reduce barriers to competition in network industries**

Network industries have been only partially liberalised, with uneven progress across sectors and at a slower pace than the reform process underway in the European Union.

**Actions taken:** In telecommunications, the unbundling of the local loop has been decided, even though it will be only temporary for some services. In electricity, a reform package, which provides for a progressive opening of the market in a way compatible with EU rules, is being examined by parliament. A draft reform aiming at a complete liberalisation of postal services is being prepared.

**Recommendations:** Accelerate the liberalisation process, in particular in the electricity, gas and postal sectors, including by removing barriers to entry so as to bring efficiency gains and lower prices. In telecommunications, extend the unbundling of the local loop on a permanent basis.

#### **Reduce producer support to agriculture**

In 2005, the level of producer support represented just under 70% of farm receipts, which is over two times the OECD average. A lack of foreign competition has led to higher food prices than abroad and the maintenance of resources in low-productivity activities.

**Actions taken:** Support has shifted to more market-friendly instruments, even though progress in this respect remains slow. Milk quotas are set to be abolished by 2009.

**Recommendations:** Accelerate the reduction of producer support to agriculture and de-link subsidies from production.

#### **Facilitate full-time labour force participation for women**

Hours worked by women remain low in international comparison because of the prevalence of part-time jobs which reflect strong disincentives to participate more actively in the labour force.

**Actions taken:** A reform to remove the existing tax disincentives for married women to work was adopted in autumn 2006 and will be implemented as of 2008.

**Recommendations:** Action is required at all levels of government to develop affordable full-time care for both very young and school-age children.

### Other key priorities

- Technical regulations deviating from those of EU members in areas such as production, packaging and labelling, which make imported products more expensive, should be reduced by accepting products conforming to EU standards (the "Cassis de Dijon" principle).
- Health system costs should be contained through better regulations, in particular by abolishing the requirement of insurers to contract with all health care providers so as to enhance the scope for differentiating fees across healthcare providers and to better control medical interventions. Effective competition would also be stimulated by removing barriers created by the canton-based organisation of both health supply and the insurance system.

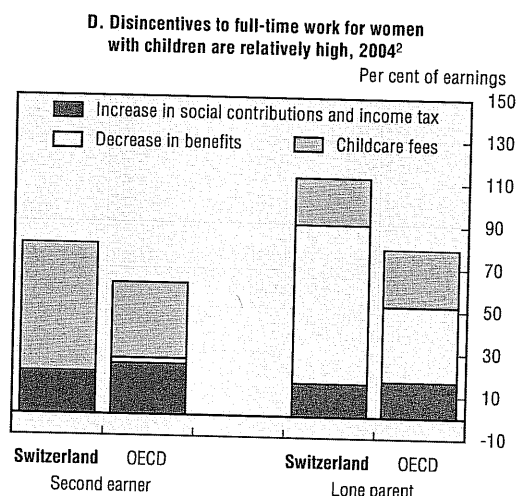
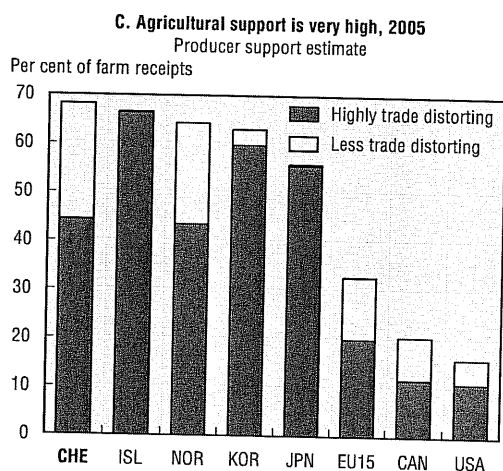
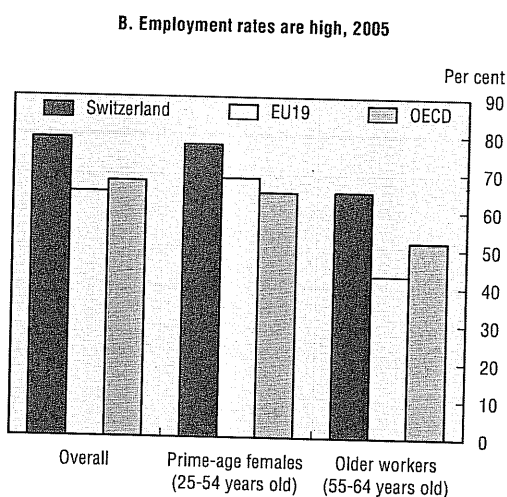
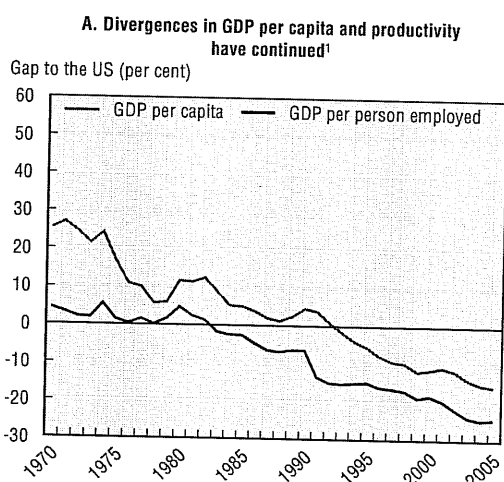
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### Structural indicators

Average annual trend growth rates, per cent

	1995-2005	1995-2000	2000-05
GDP per capita	0.9	0.9	0.8
Labour utilisation	-0.2	-0.4	0.0
of which: Employment rate	0.0	-0.1	0.1
Average hours	-0.3	-0.3	-0.2
Labour productivity	1.1	1.3	0.9
of which: Capital intensity	0.8	1.0	0.5
Multifactor productivity	0.3	0.3	0.4

Source: Estimates based on OECD Economic Outlook, No. 80.



1. Percentage gap with respect to US GDP per capita and per person employed (in constant 2000 PPPs).
  2. Based on implicit tax on returning to work, defined as the cost of childcare, reductions in income-related benefits and increases in social contributions and personal income taxes, all relative to earnings in the new job. Measured for second earners and for lone parents with income equal to two-thirds of average earnings.
- Source: Chart A: OECD, *National Accounts of OECD Countries*, 2006; Chart B: OECD, *Labour Force Statistics*, 2006; Chart C: OECD, *Producer and Consumer Support Estimates database*; Chart D: OECD, *Benefits and Wages: OECD Indicators*, 2007, forthcoming.

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