

SWITZERLAND

GDP growth has been among the weakest in the OECD over the past two decades, reflecting mainly meagre productivity growth. Nonetheless, income per capita remains high.

Policy priorities

Further liberalise professional services

Challenge and recommendations: To enhance competition in professional services and stimulate productivity in the sheltered sector, it was recommended that a revision of the Domestic Market Act be carried out, in order to recognise explicitly the freedom of establishment of professionals in all cantons and to allow the Competition Commission to appeal to the court in the case of restrictive cantonal practices.

Actions taken: A draft reform along these lines submitted to Parliament in December 2004 is currently being discussed. It also ensures the recognition of certificates for exercising a profession across cantons.

Reduce barriers to entry in network industries

Challenge and recommendations: To promote greater competition in product markets, it was recommended that barriers to market contestability be removed in network industries where liberalisation has been limited.

Actions taken: Concerning the telecommunications sector, Parliament is currently discussing the unbundling of the local loop. A draft reform liberalising the electricity market in line with the EU reform and creating a strong and independent regulator was submitted to Parliament in December 2004.

Reduce producer support to agriculture

Challenge and recommendations: To improve economy-wide efficiency and reduce food prices for consumers, which are much higher than abroad, it was recommended that the expensive producer support to agriculture be reduced and the de-linking of subsidies from production be accelerated.

Actions taken: The milk quota system will be abolished by May 2009. The next agricultural policy programme (AP 2011) will continue shifting support to more market-friendly instruments.

Curb the rising number of disability pensions

Challenge and recommendations: To restrain the growth of social spending, which has led to a sharp rise in the tax burden in the 1990s, it was recommended that reforms be implemented, in particular to the invalidity pension scheme to check the rising number of disability pensions.

Actions taken: A draft reform of the invalidity pension scheme that aims at reducing the number of new pensioners by 20% was submitted to Parliament in June 2005 and is being discussed. The early detection of individuals concerned will be enhanced to maintain their labour market attachment, while measures easing their re-entry into the labour market will be developed. Conditions under which disability pensions are granted will also be tightened.

Better contain the growth of medical costs

Challenge and recommendations: To restrain the rise in medical costs which has been strong in international comparison, it was recommended that competition be enhanced in the ambulatory sector, where the obligation of insurers to contract with all providers weakens the control of supply, and in the drug market where obstacles to effective foreign competition persist.

Actions taken: A draft reform that proposes to abolish the obligation of insurers to contract in the ambulatory sector has been submitted to Parliament.