



2017 OECD ECONOMIC SURVEY OF SWITZERLAND

Boosting productivity and meeting skills needs

Bern, 14 November 2017

<http://www.oecd.org/eco/surveys/economic-survey-switzerland.htm>



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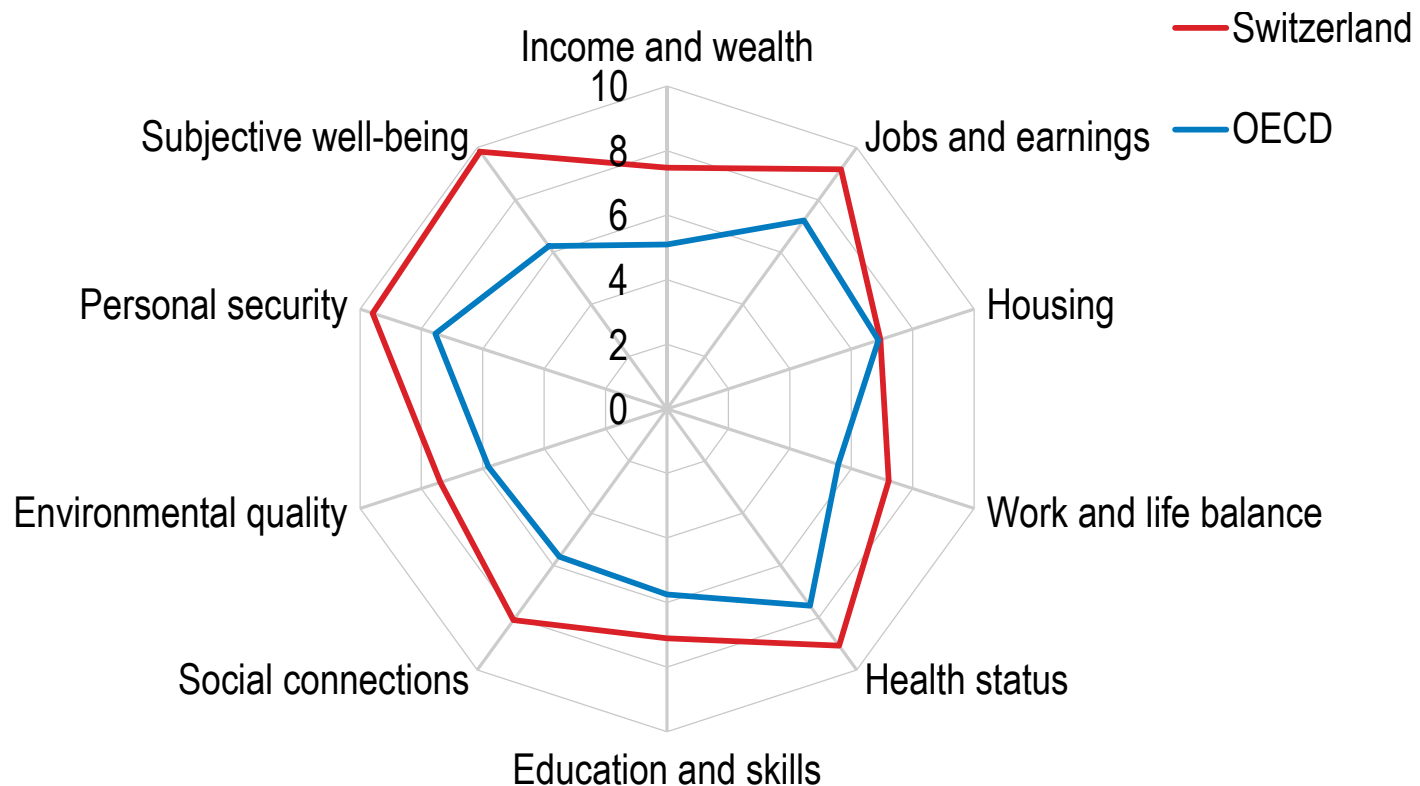




Living standards are high

OECD Better Life Index, 2017

Index scale, 0 (lowest) to 10 (best)



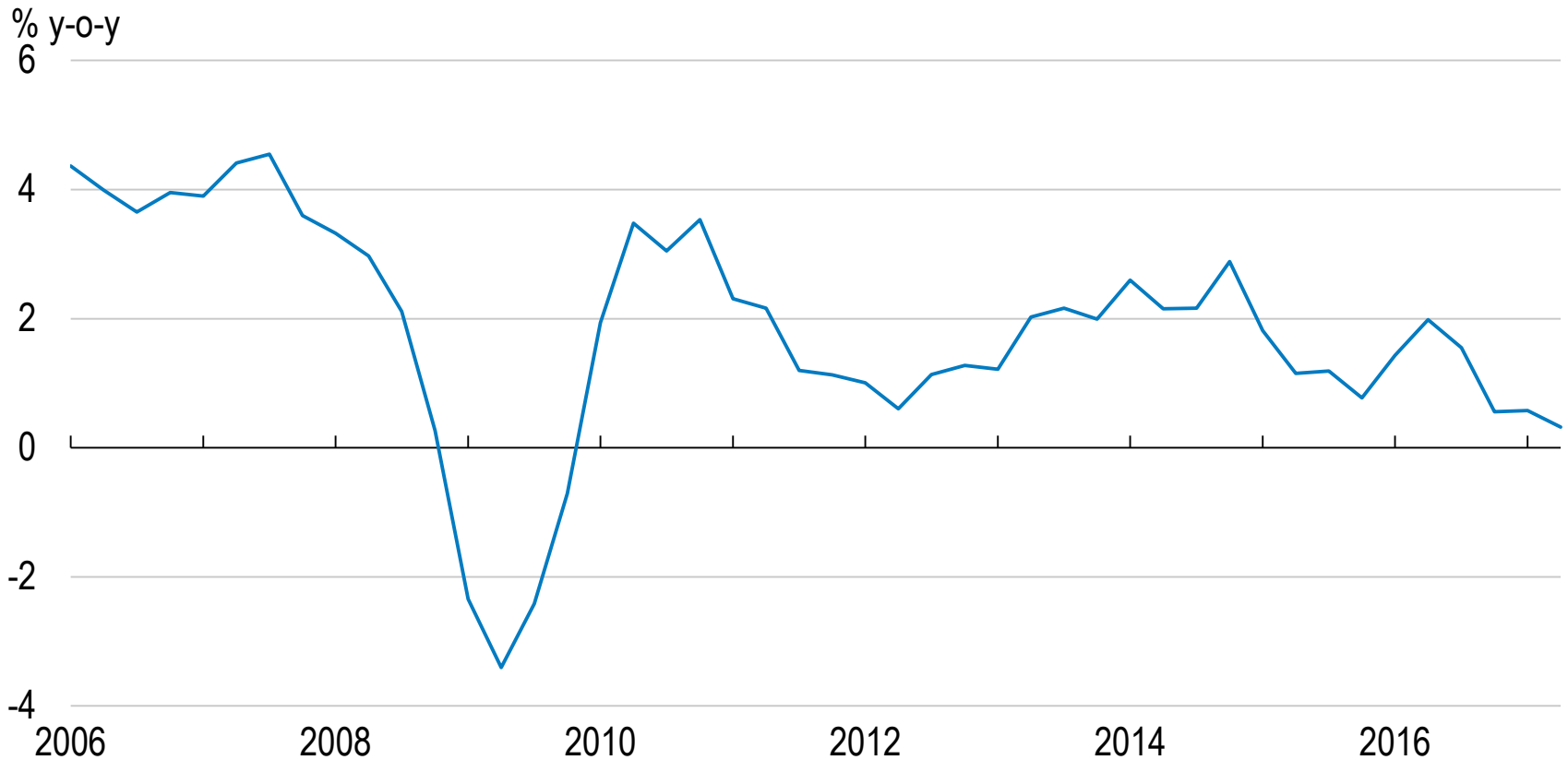
Note: For each dimension indicators are normalised and averaged.

Source: OECD, *Better Life Index*.



The economy is growing but only slowly

GDP growth

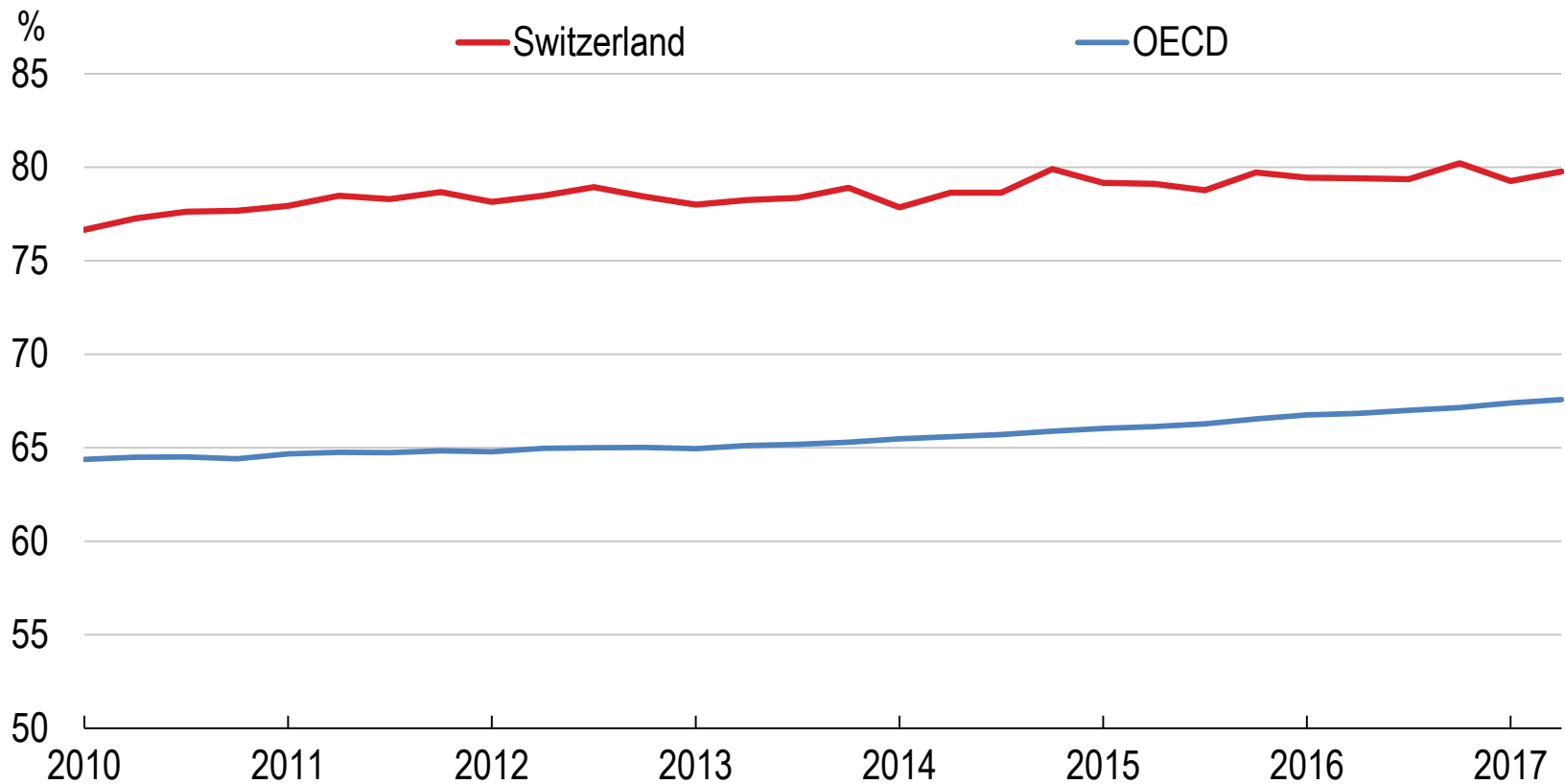


Source: SECO.



Employment is high

Employment-to-population ratio

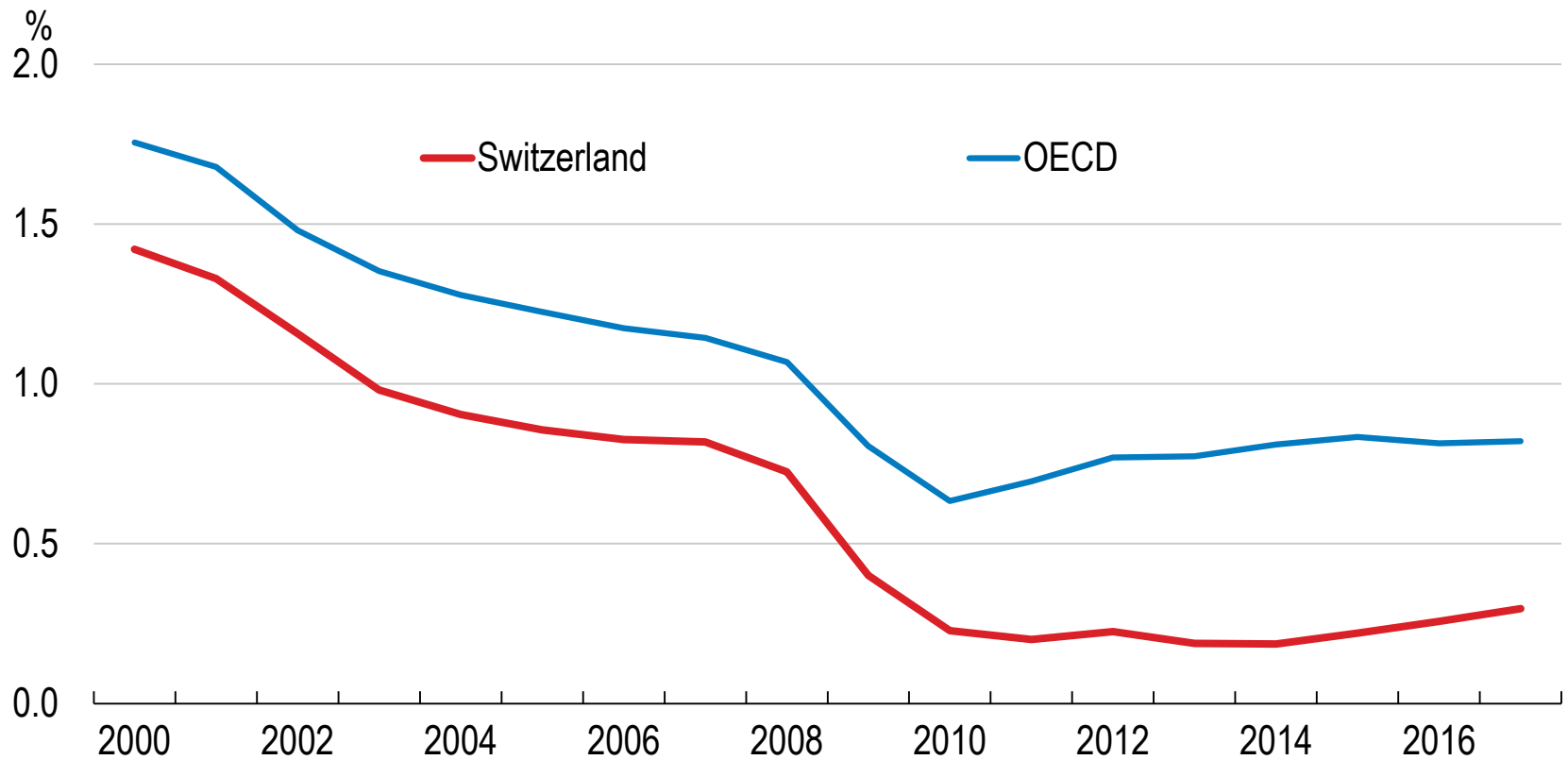


Source: OECD, *Labour Force Statistics database*.



Productivity has stalled

Trend labour productivity growth

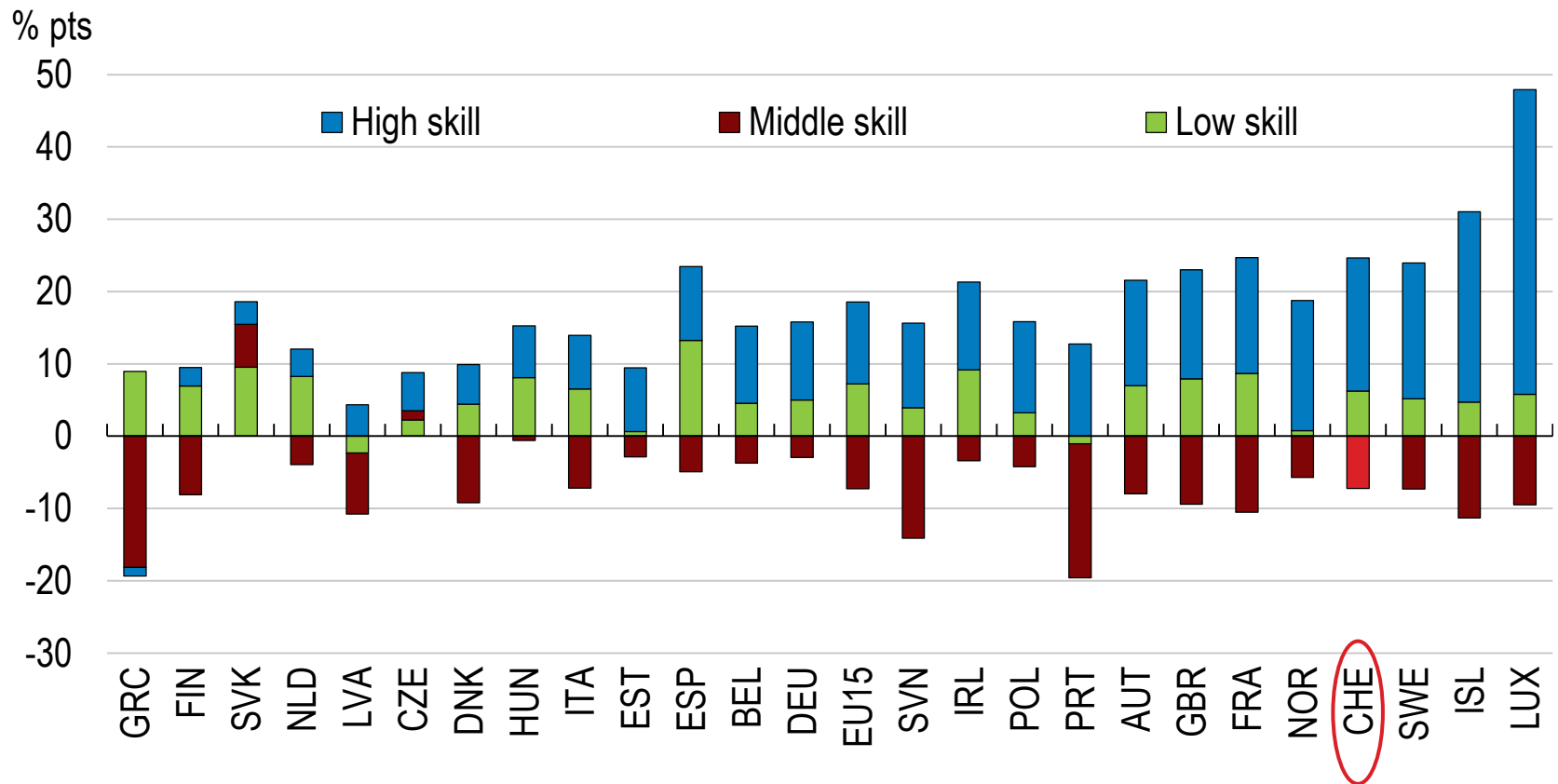


Source: OECD, *OECD Economic Outlook 102* database, preliminary version.



The demand for skilled workers has been strong

Contributions to changes in total employment growth over 2000-16



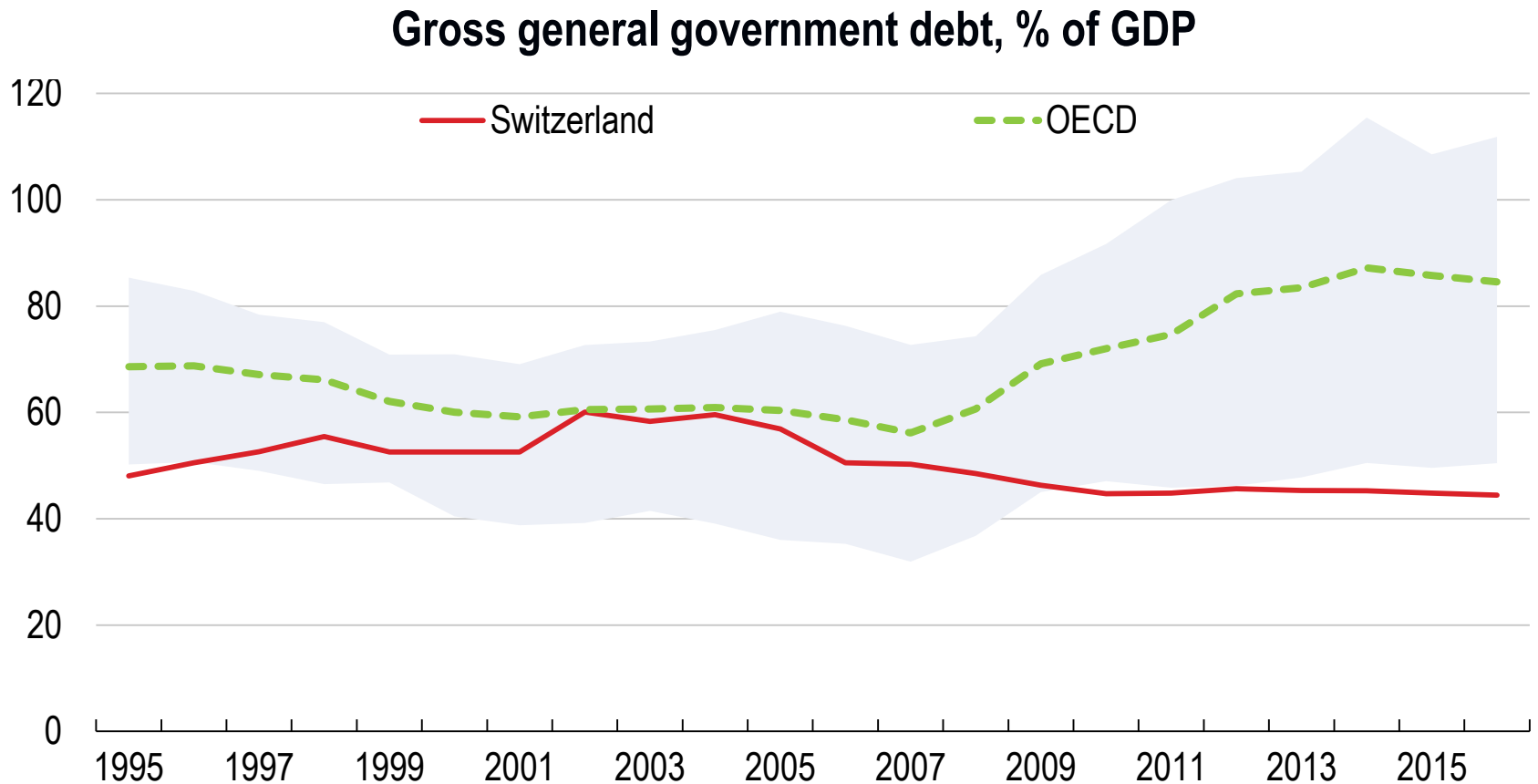
Note: Countries are ordered by the contribution of high-skill employment

Source: Eurostat.

Entrenching the expansion



Fiscal policy is sound and public debt low



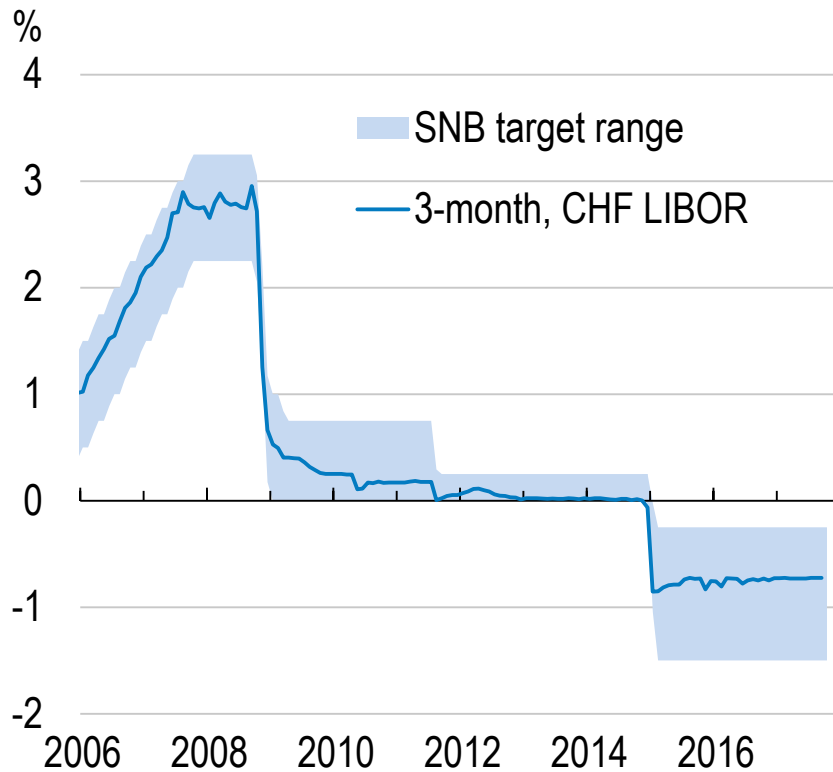
Note: The shaded area denotes the 25th to 75th percentile range for OECD countries. OECD is an unweighted average of data for available countries.

Source: OECD, *OECD Economic Outlook 102 database*, preliminary version.

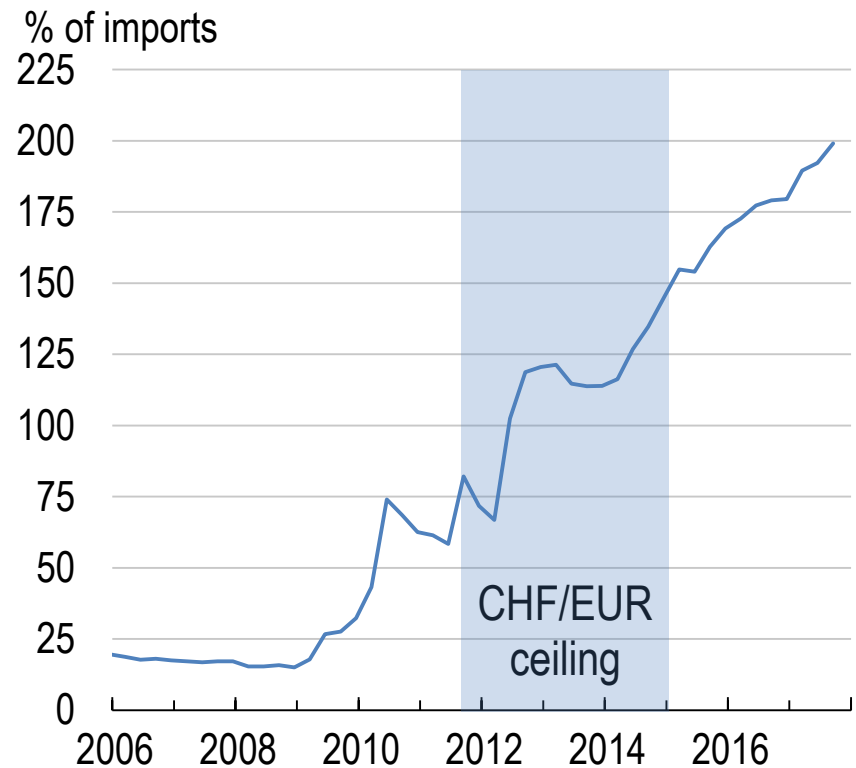


Unconventional monetary policy has supported growth

Interest rates



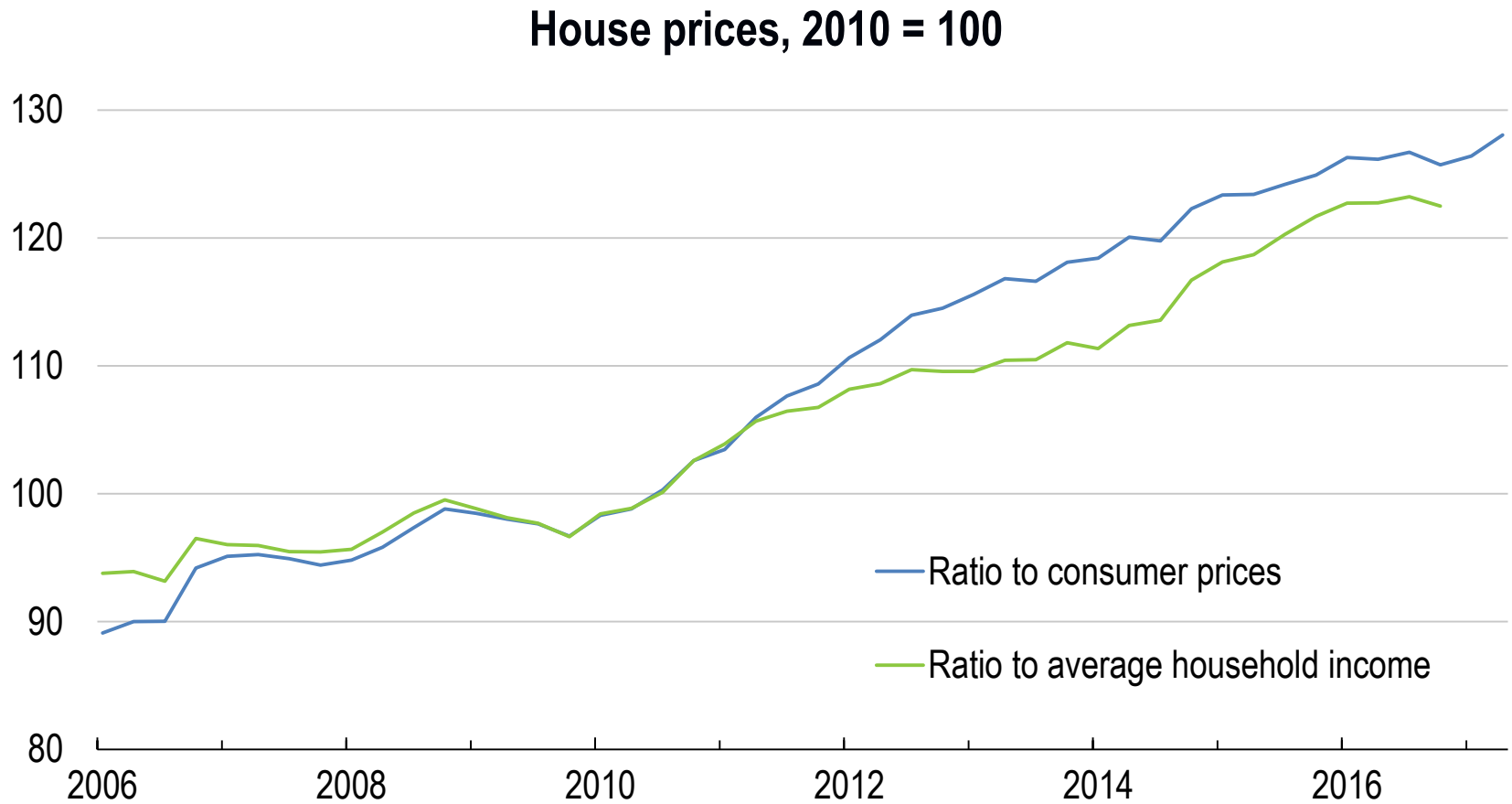
SNB's foreign exchange reserves



Source: Swiss National Bank; Thomson Reuters Datastream; OECD, *OECD Economic Outlook 102 database*, preliminary version.



Low interest rates increase risks

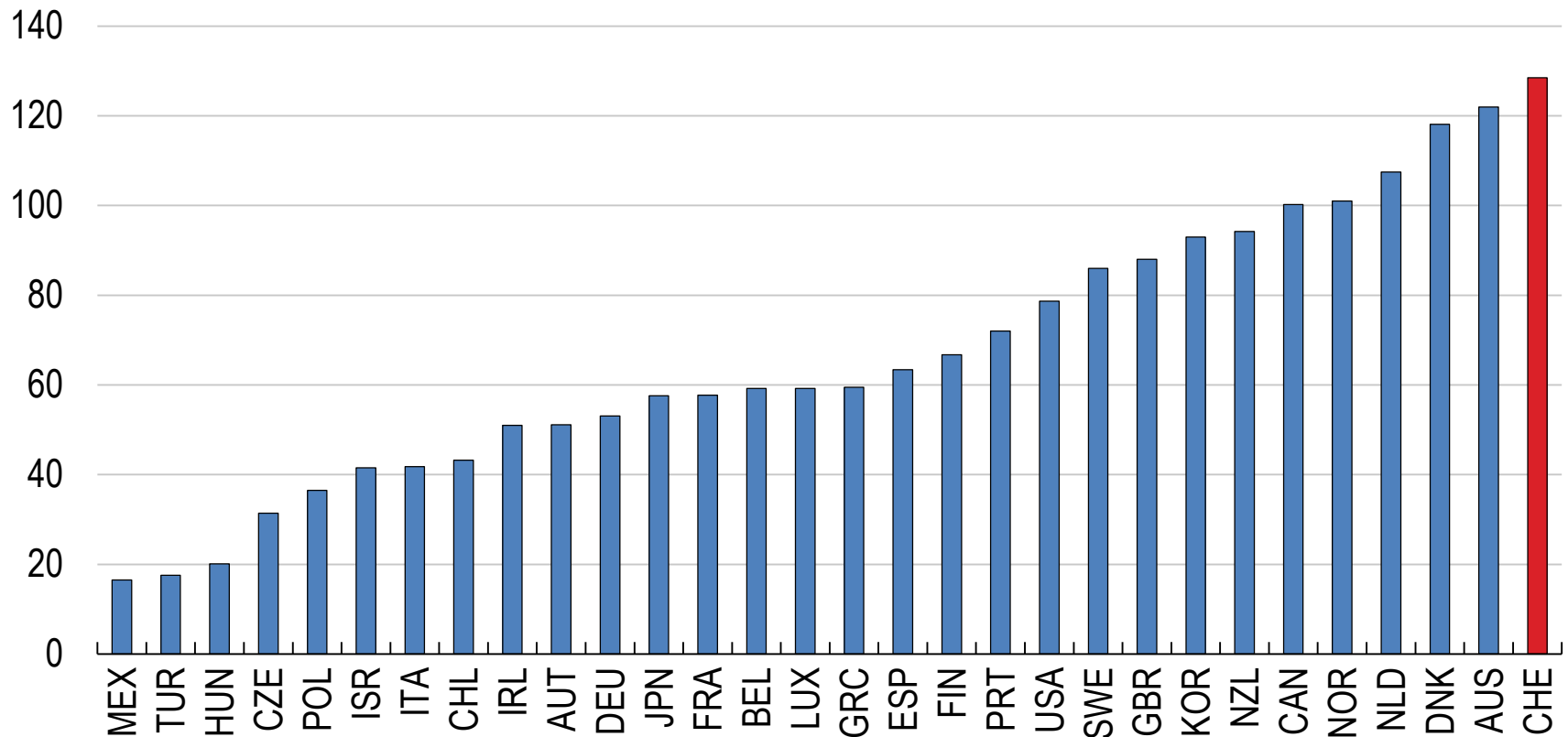


Source: OECD, *House Price database*.



Household credit is high

Household credit, % of GDP, 2017 Q1

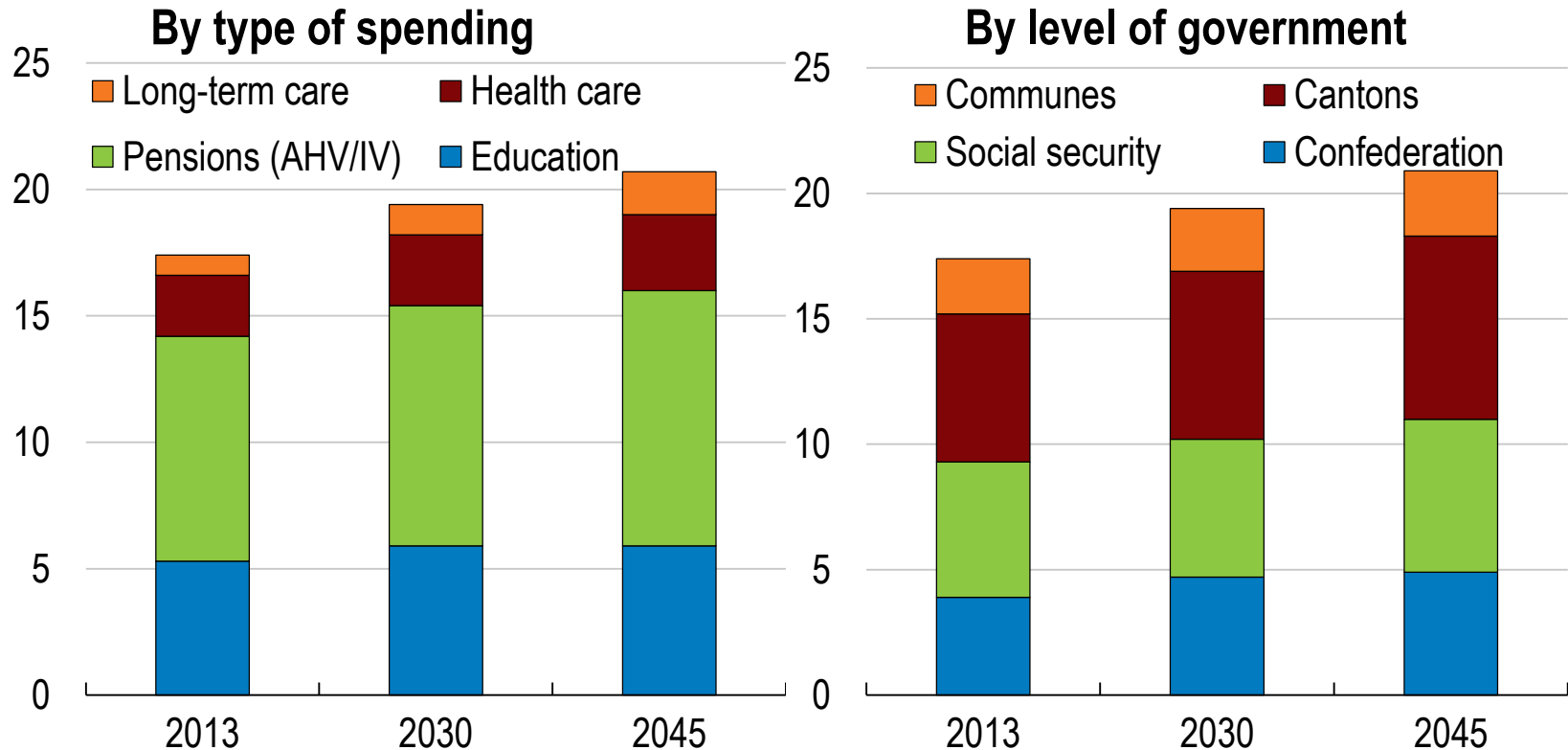


Source: OECD, *Vulnerability Indicators database.*



Age-related public spending will become a fiscal burden

Long-term projections for age-related spending, % of GDP

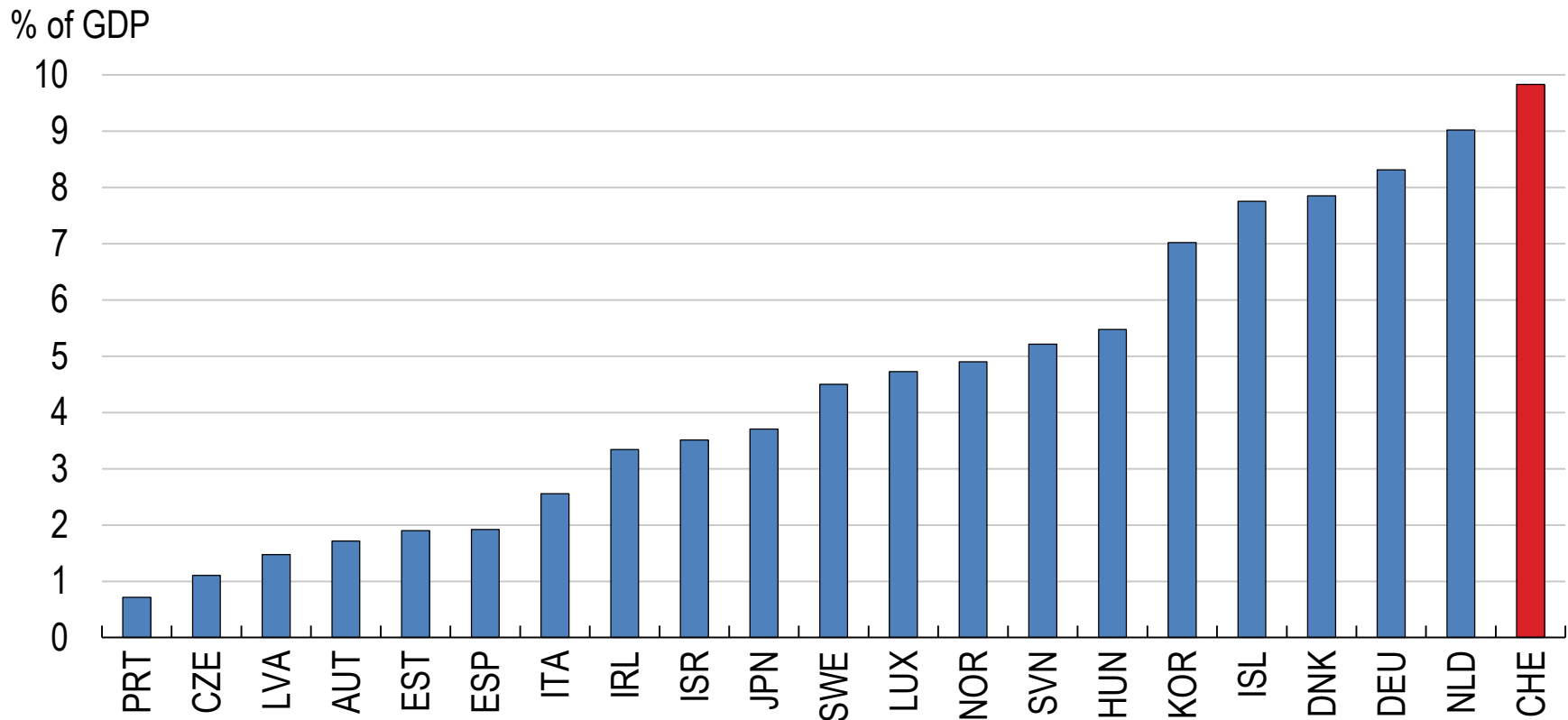


Source: Federal Department of Finance (2016), *Report on the Long-term Sustainability of Public Finances in Switzerland*.



The current account surplus is large

Current account balance in OECD countries with a surplus, 2016

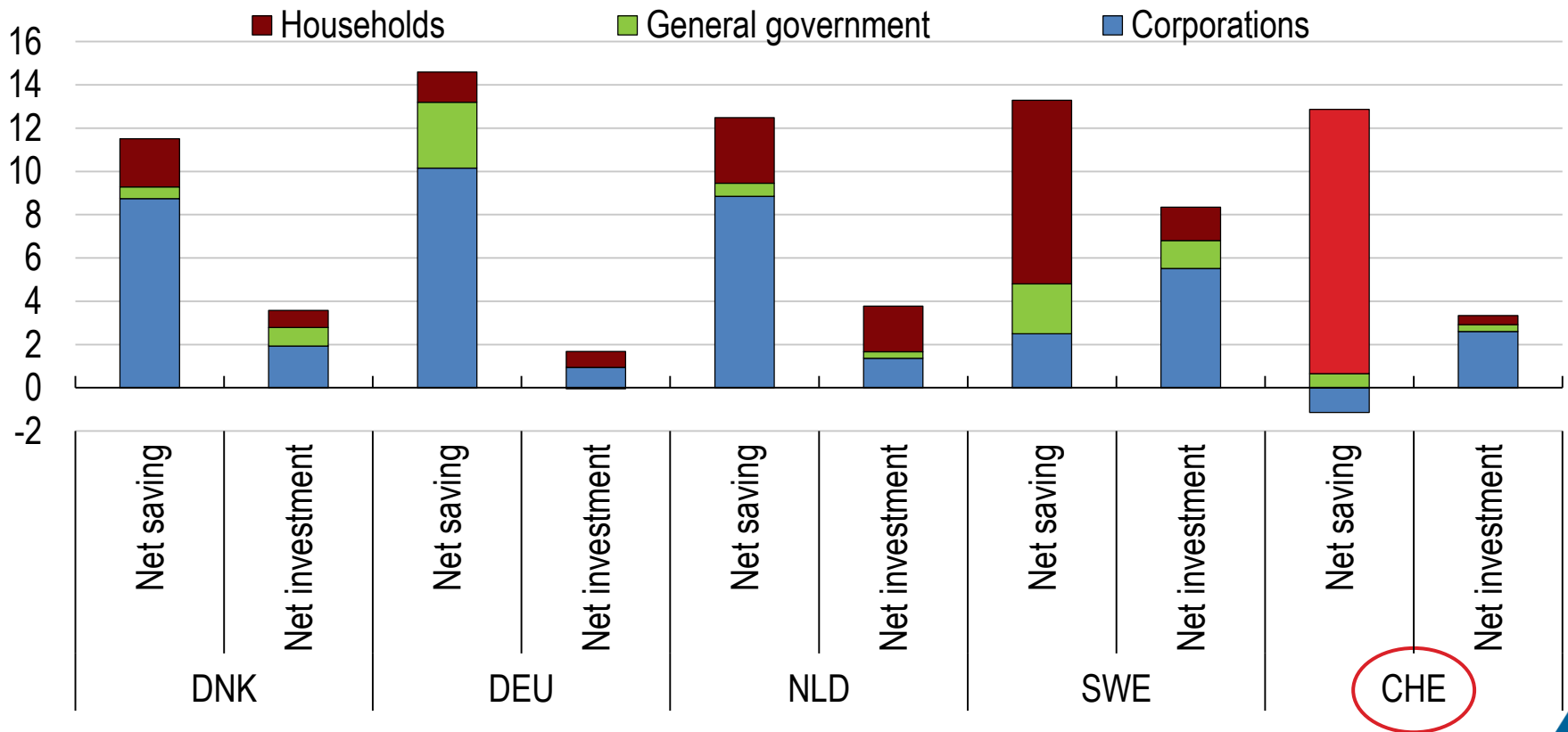


Source: OECD, *OECD Economic Outlook 102* database, preliminary version.



High household saving is contributing to the large current account surplus

Net saving and investment balances in selected countries with a current account surplus
% of GDP



Source: OECD, *Annual National Accounts database*; Federal Statistical Office; OECD calculations.



Key fiscal and financial recommendations

➤ To support growth:

- ✓ Avoid persistent budget underspending through better co-ordinating procedures at federal and sub-national levels.
- ✓ Reduce agricultural subsidies and pursue efficiency gains in public spending to free up funds for measures that enhance growth and inclusiveness.

➤ To reduce risks:

- ✓ Eliminate remaining explicit cantonal government guarantees to their public banks.
- ✓ Establish a formal framework for setting mortgage lending limits that takes affordability into account and is enforced on a comply-or-explain basis.



Key fiscal and financial recommendations (cont.)

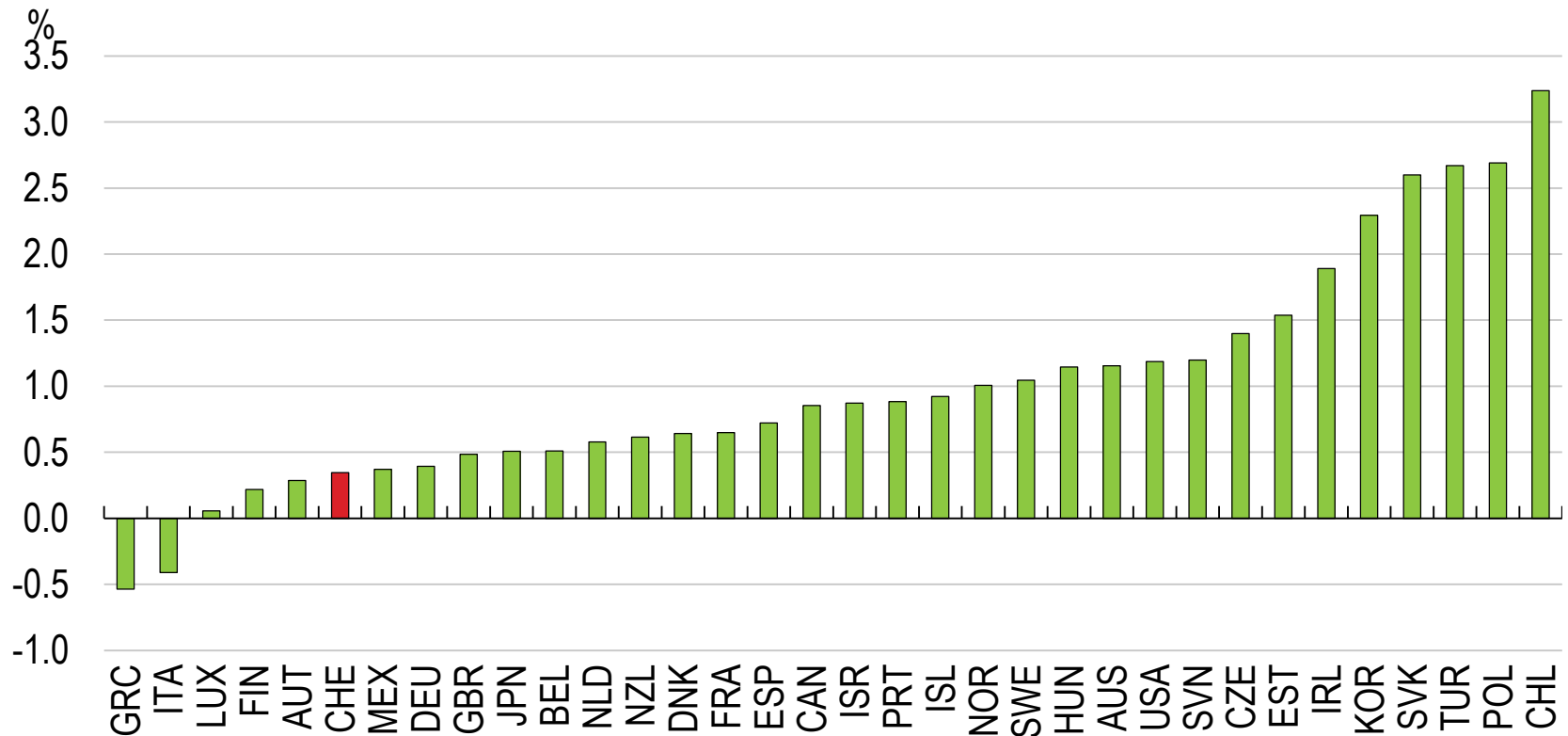
- To address ageing-related challenges:
 - ✓ Fix the retirement age at 65 for both sexes, and thereafter link it to life expectancy.
 - ✓ Increase financial incentives to work longer before retirement.
 - ✓ Promote programmes to lengthen healthy working lives, including preventative health programmes.
 - ✓ Promote lifelong training, career planning and tailored job-search assistance to enhance workers' resilience to change.

Boosting productivity for long-term growth



Productivity is high, but sluggish

Average annual rate of trend labour productivity growth over 2006-16

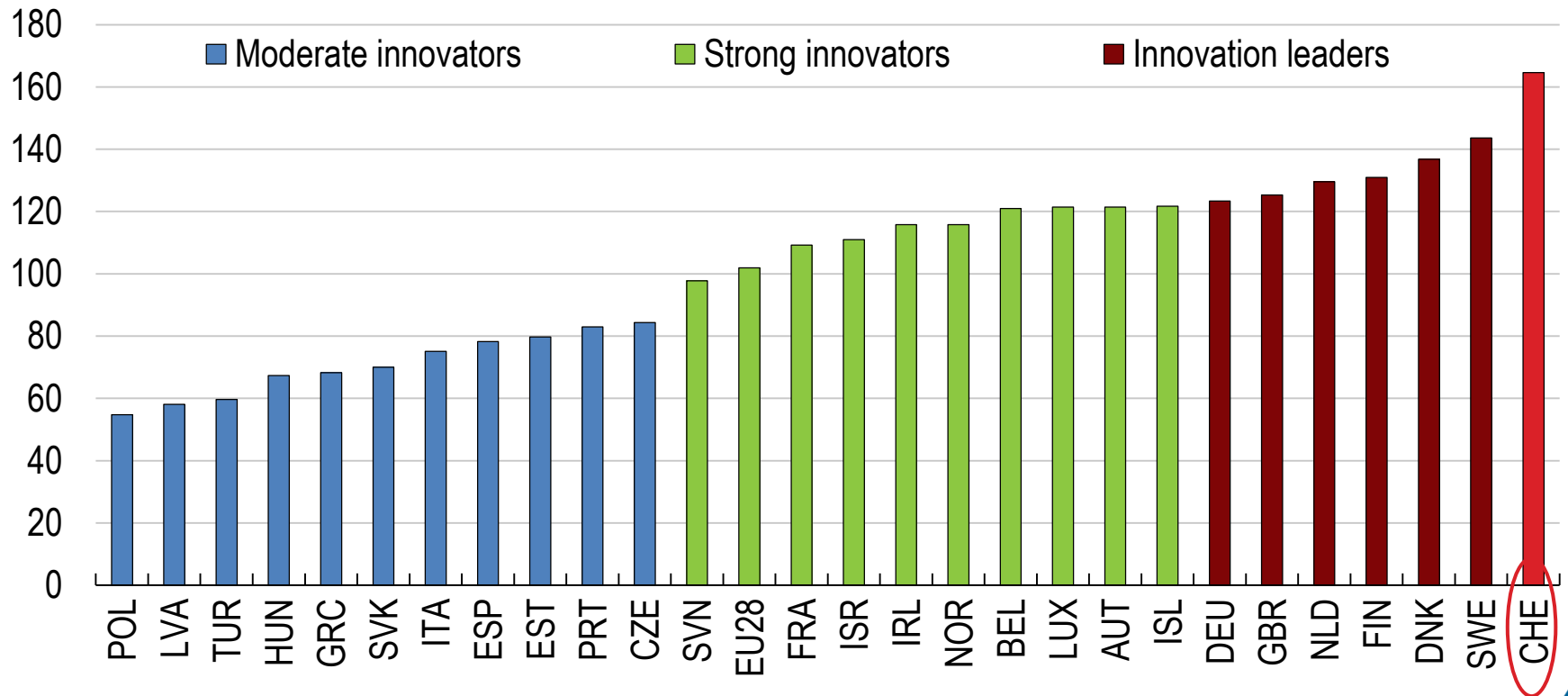


Source: OECD, *OECD Economic Outlook 102 database*, preliminary version.



Switzerland is a leader in R&D and innovation

Innovation performance indicator
EU average level in 2010 = 100

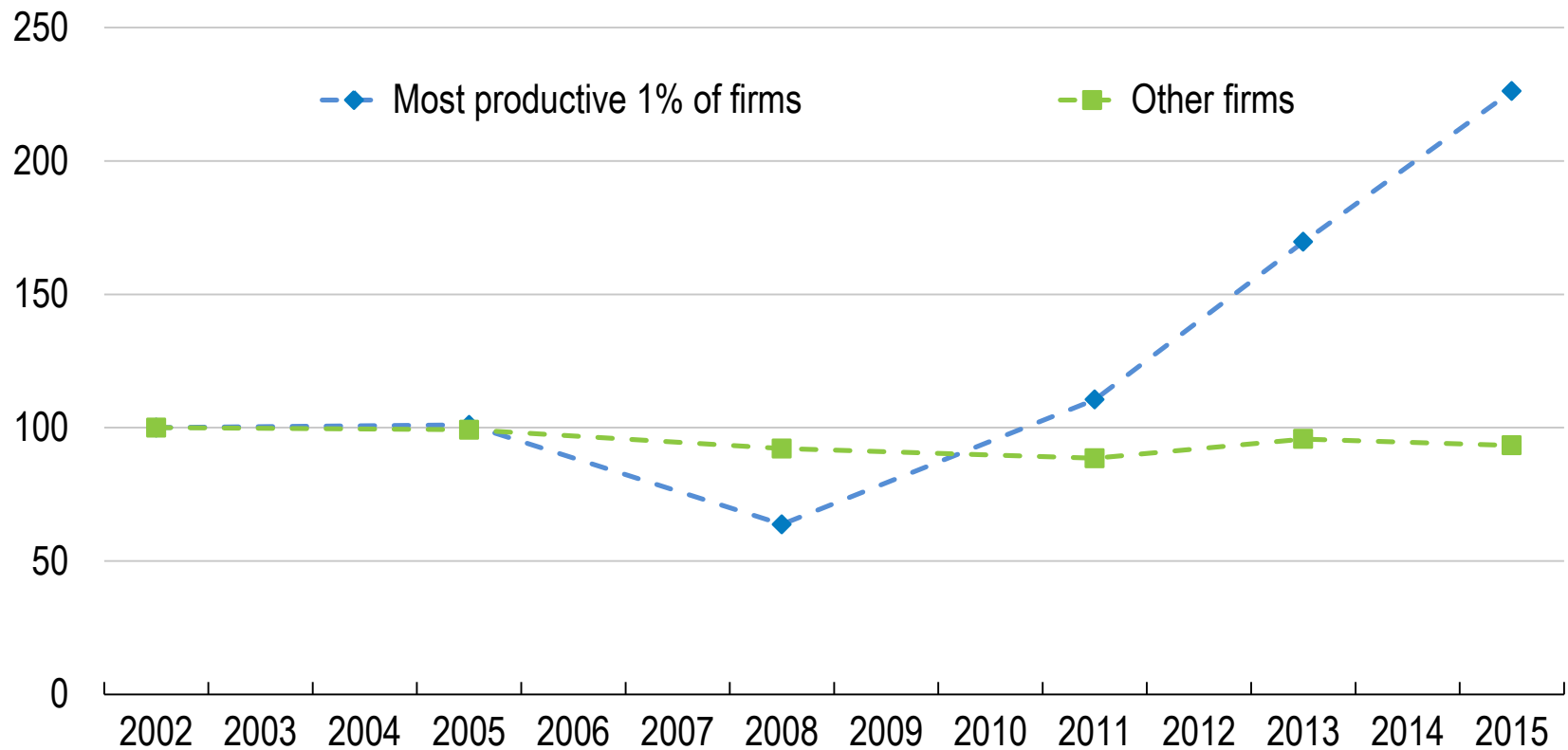


Source: European Commission (2017), *European Innovation Scoreboard 2017*.



The productivity of frontier firms has diverged from the rest

Labour productivity, 2002 = 100



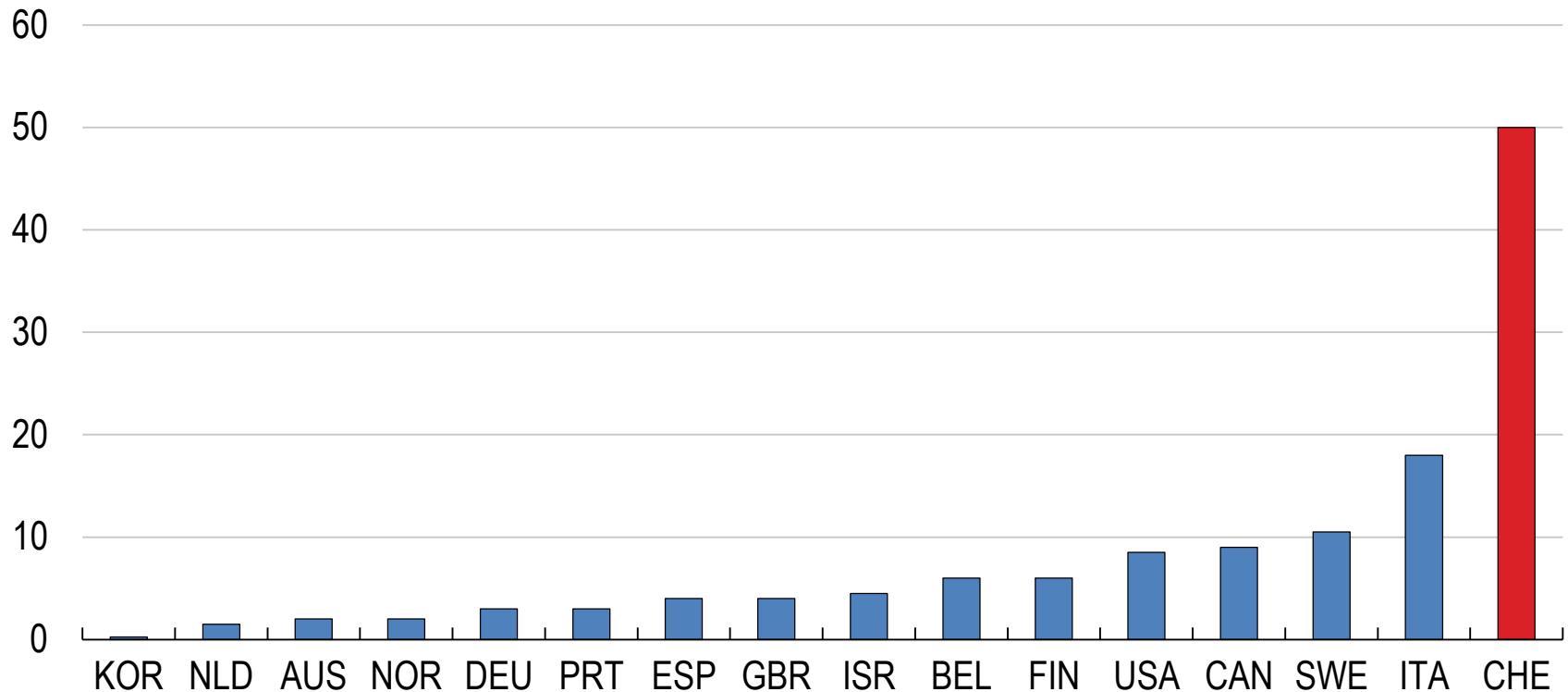
Note: Markers denote survey years. Labour productivity is calculated as value added per employee.

Source: OECD calculations based on KOF, Swiss Innovation Survey.



The administrative burden is heavy

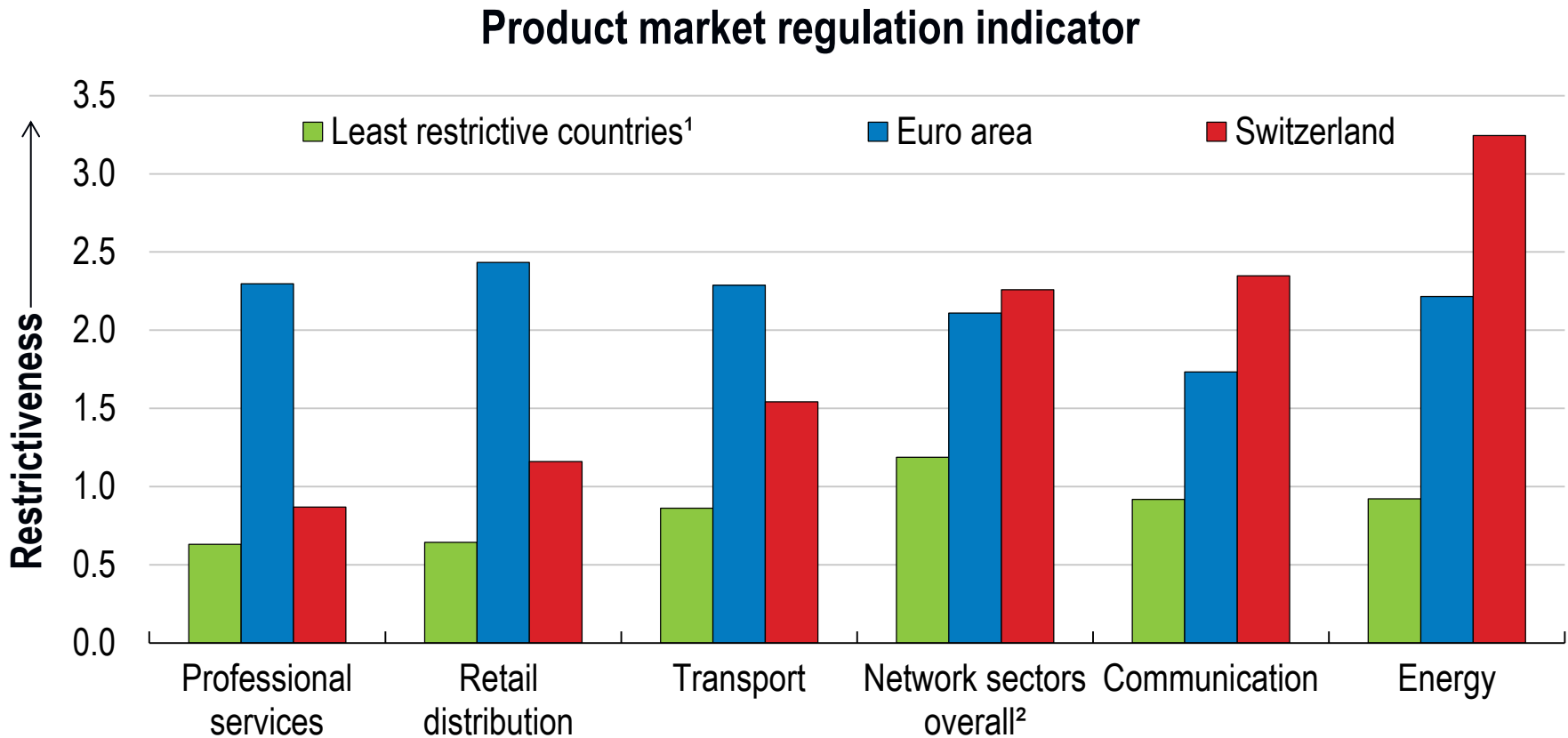
Share of firms that discontinued their business citing bureaucracy as the main cause, %



Source: Global Entrepreneurship Monitor 2015/2016, Report on Switzerland.



Regulatory barriers to competition are high



1. "Least restrictive countries" is the average of the three countries with the lowest score in each sector. Scores range from 0 to 6 and increase with restrictiveness.

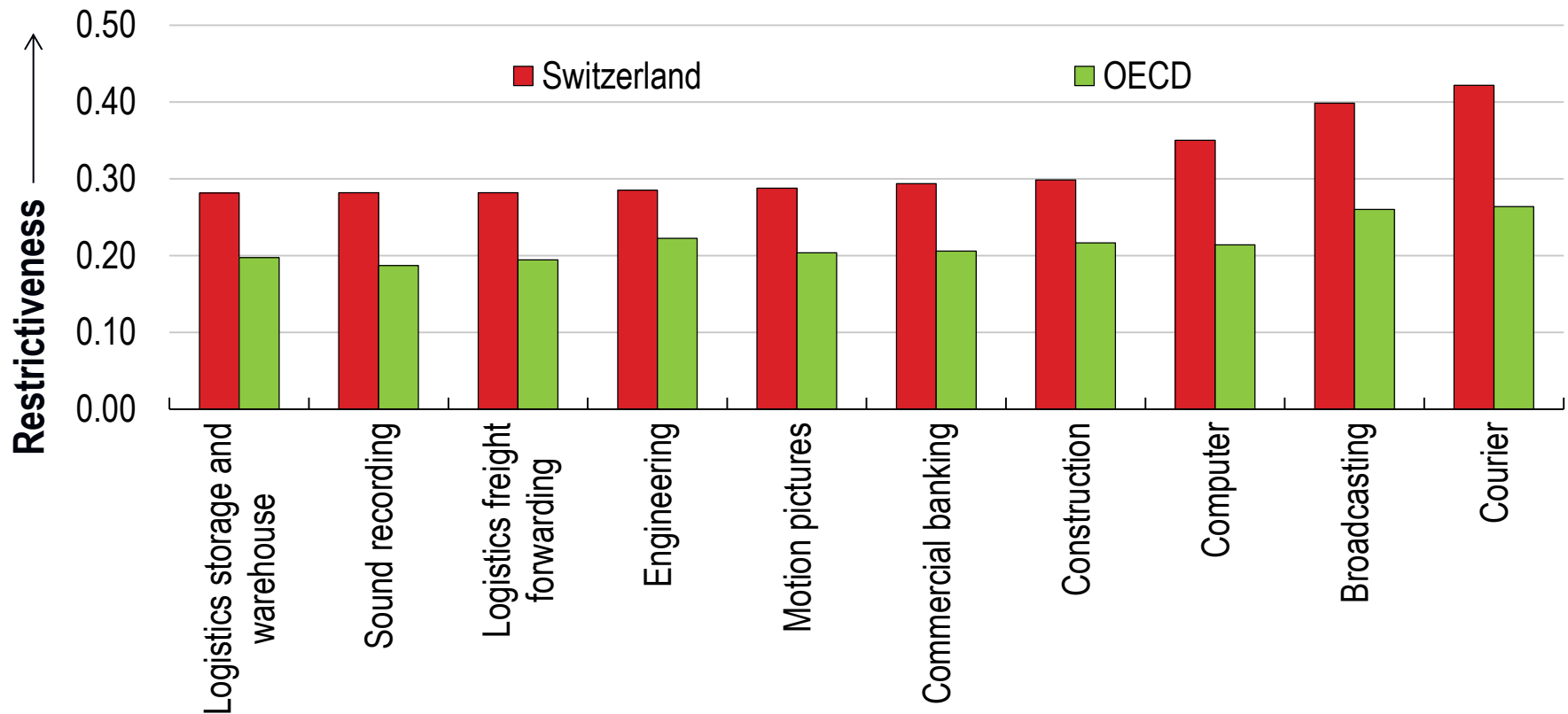
2. Network sectors overall is the unweighted average of transport, communication and energy.

Source: OECD, *Product Market Regulation database*.



Barriers to trade inhibit competition and productivity

Services Trade Restrictiveness Index, for sectors with largest gaps

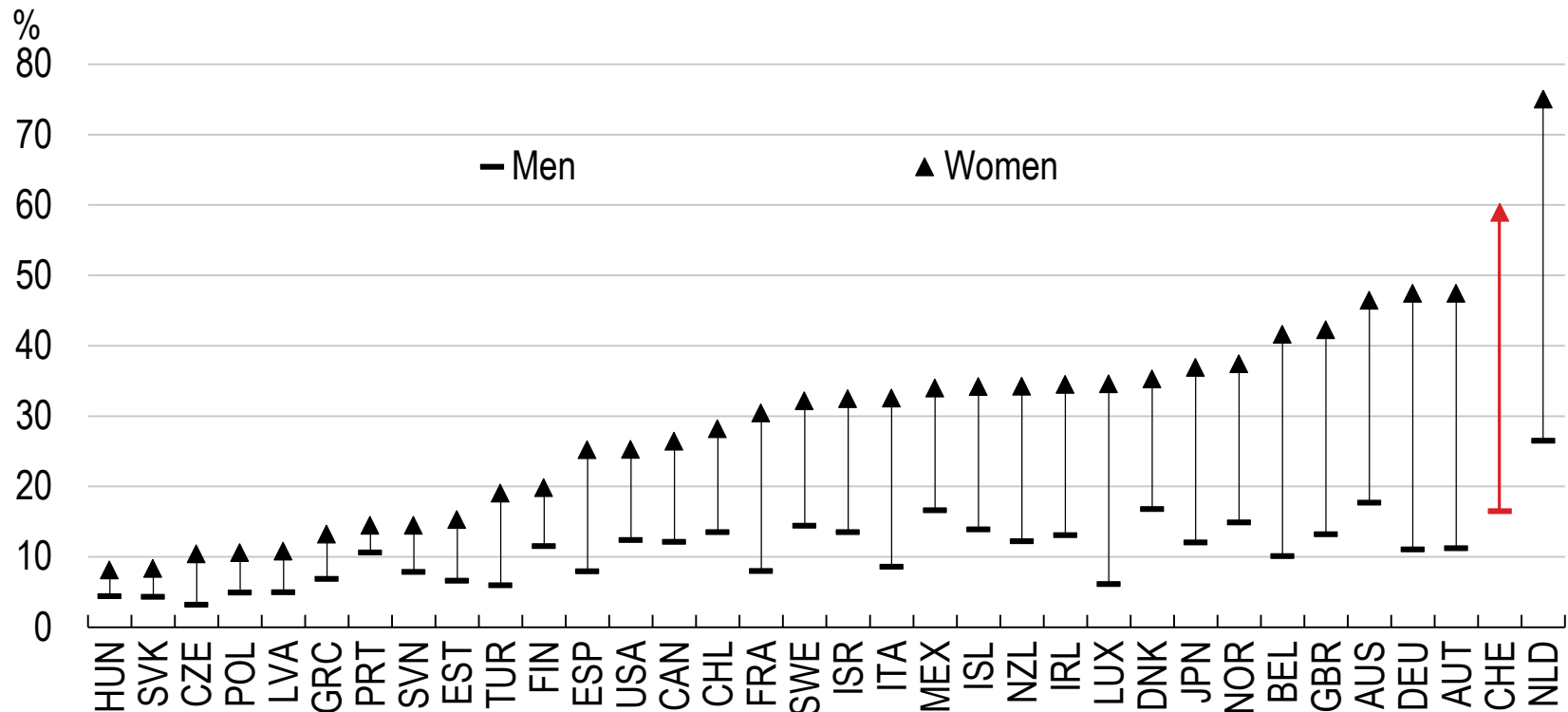


Source: OECD, *Services Trade Restrictiveness Index database*.



Most women work part-time

Part-time employment as a share of total



Source: OECD, *Labour Force Statistics database*.



Key recommendations to boost productivity

- To improve framework conditions:
 - ✓ Increase private ownership and remove barriers to entry in energy, telecommunications and transport.
 - ✓ Remove representatives of economic associations from the competition authority's board.
 - ✓ Lower restrictions on trade in both goods and services, notably in agricultural products.
 - ✓ Complete the negotiations for free-trade agreements that are underway.
 - ✓ Finalise the virtual one-stop shop for administrative matters.
 - ✓ Establish cantonal physical contact points to improve delivery of advisory services and public financing programmes.



Key recommendations to boost productivity (cont.)

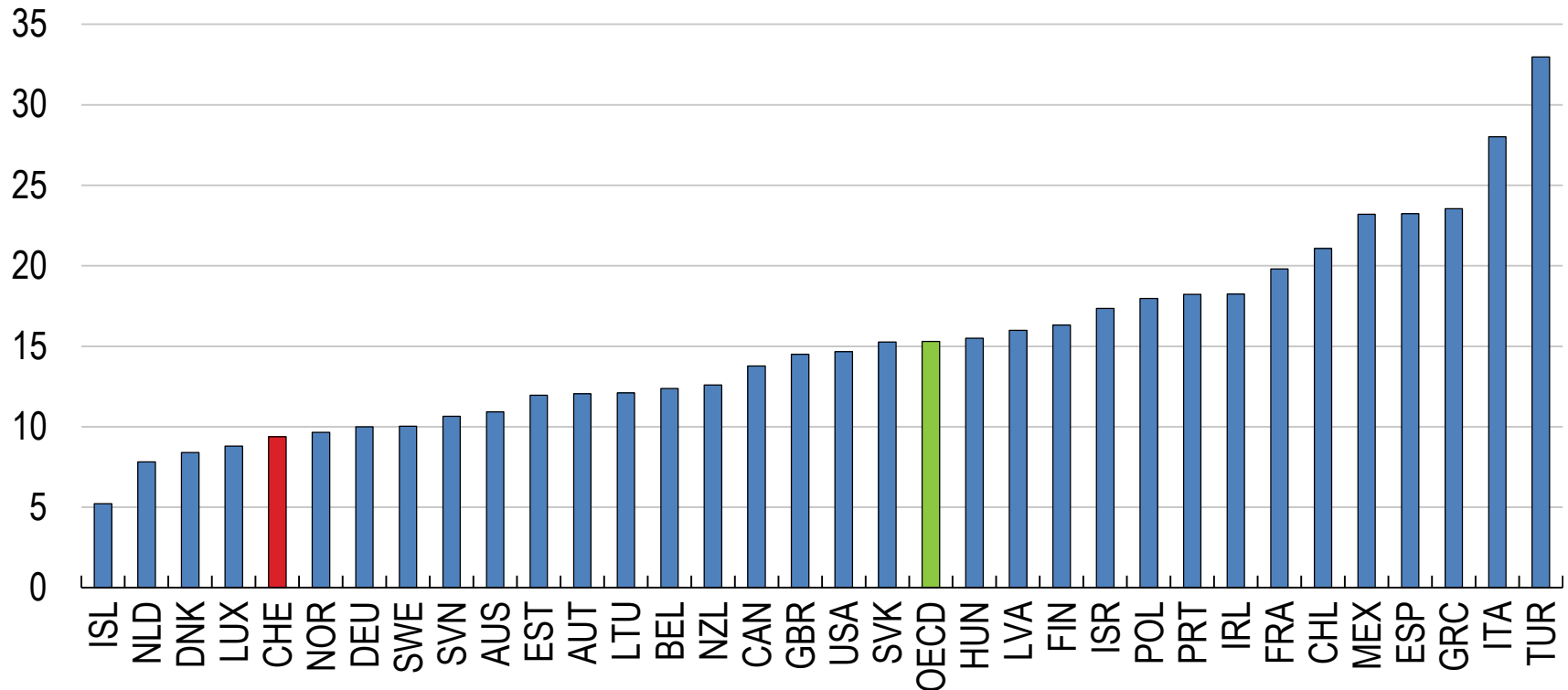
- To better use skills of women and immigrants:
 - ✓ Increase childcare affordability.
 - ✓ Shift income taxation to individual rather than household incomes, or implement equivalent measures.
 - ✓ Facilitate high-skilled immigration from non-EU countries to meet labour market needs.

Ensuring a dynamic skills training and life-long learning system



The education and training system is successful

Youth not in employment, education or training
% of 18-24 year-olds

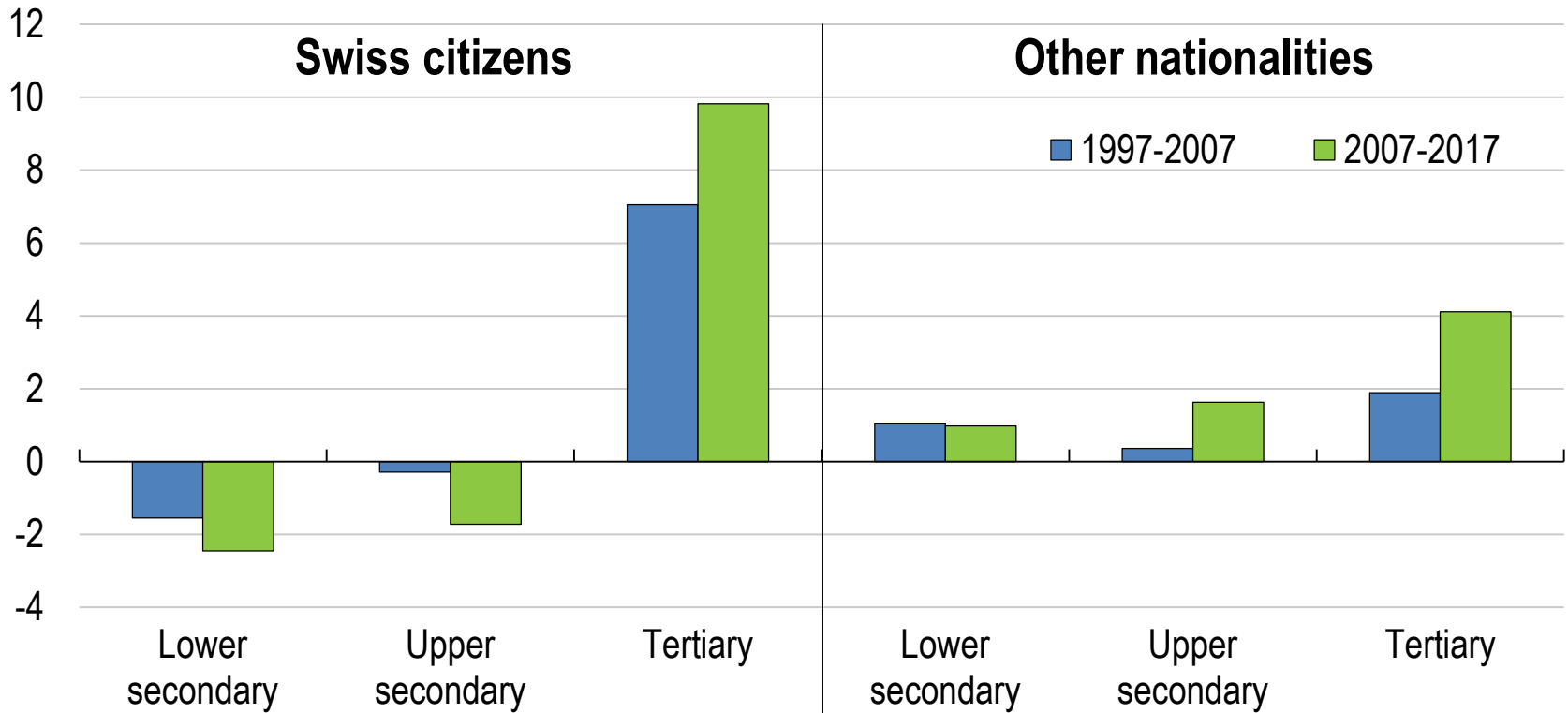


Source: OECD (2017), *Education at a Glance 2017*.



Immigration has helped to meet the rising demand for skilled workers

Contribution to working-age population growth by education and nationality, % points

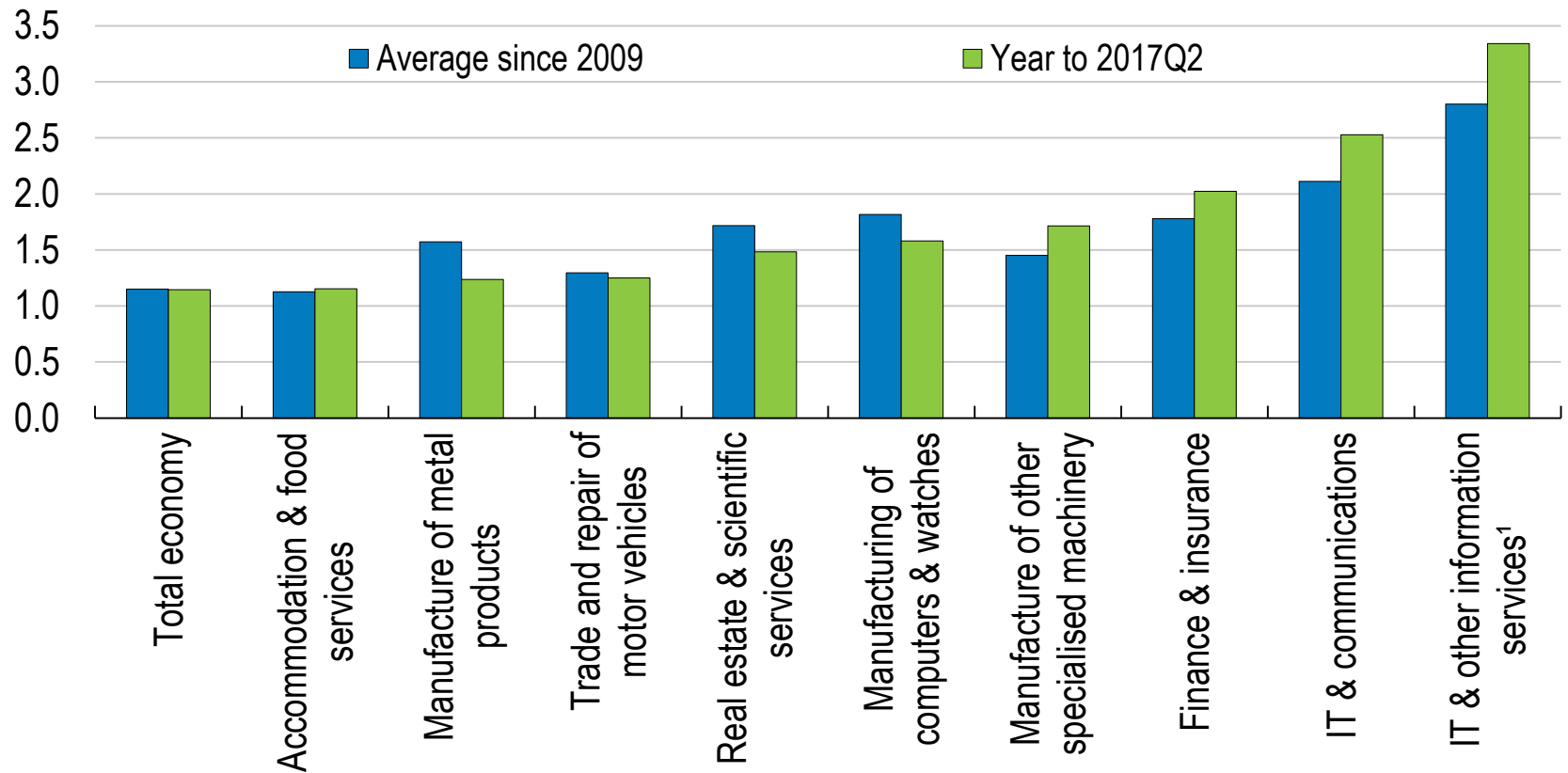


Source: Federal Statistical Office.



High-skill vacancy rates are rising

Sectors with above-average vacancy rates, %

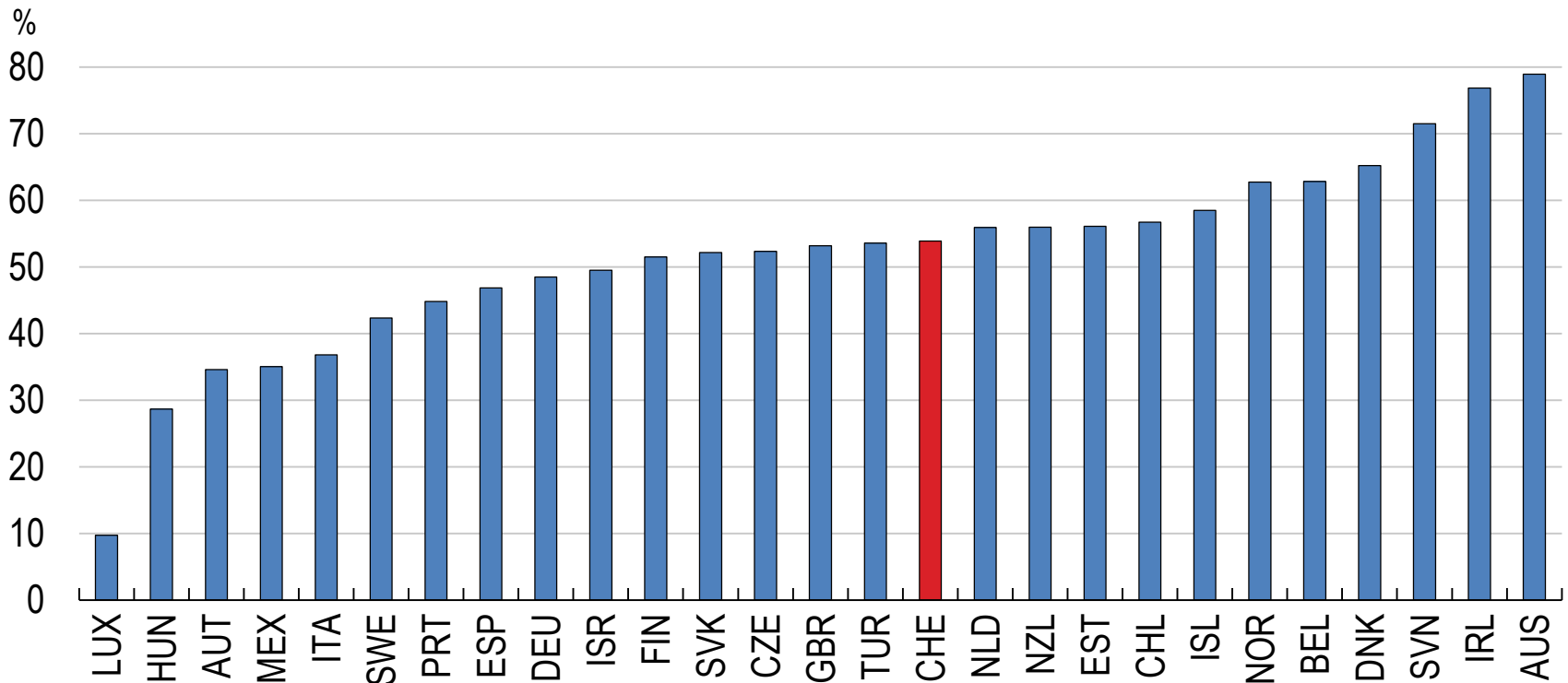


1. IT and Other Information Services is a subsector of IT and Communications.



Tertiary education should further expand

Entry rates for bachelor's degree or equivalent¹



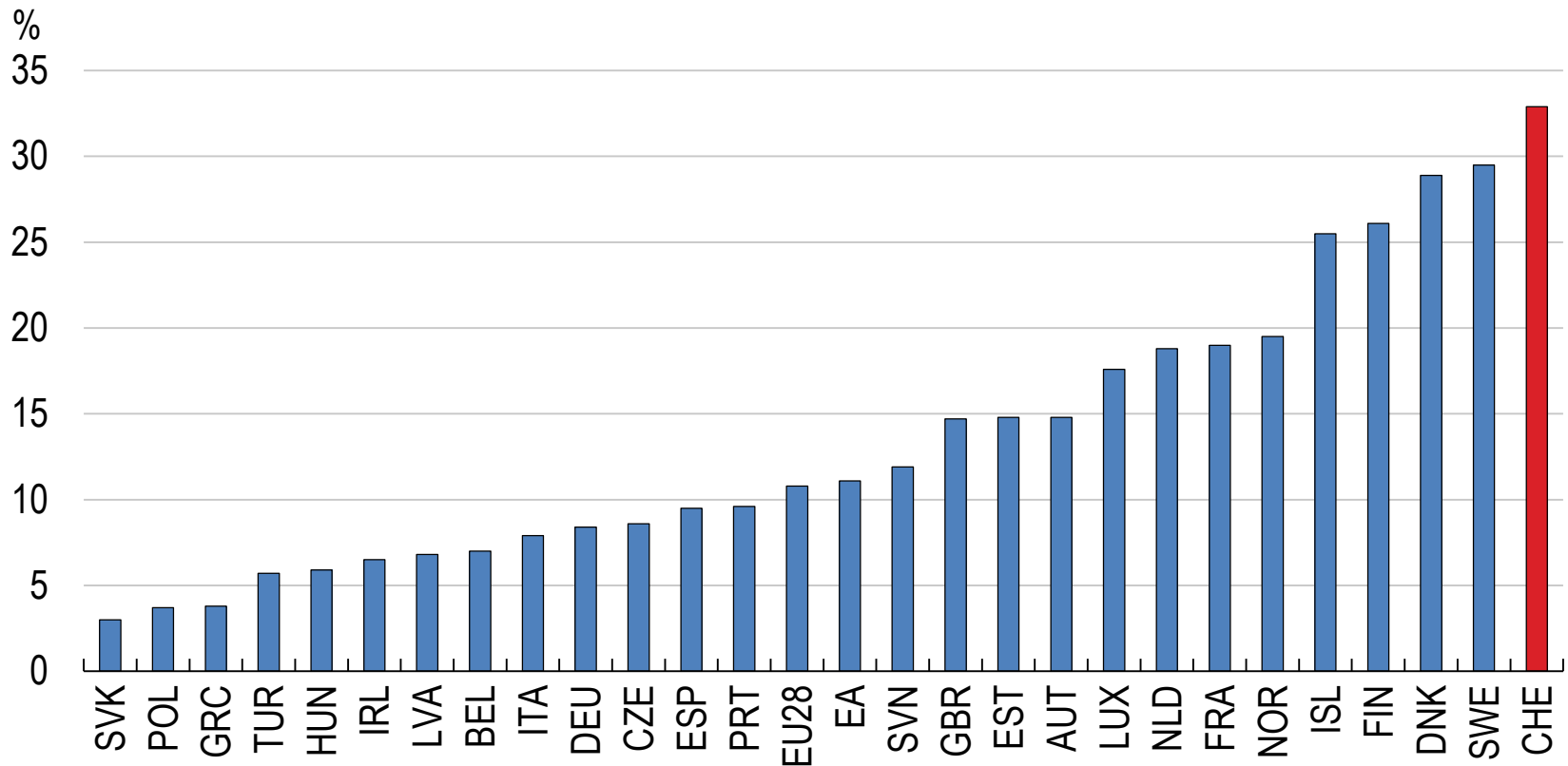
1. First-time entry rates, excluding international students. First-time entry rates indicate the share of young adults expected to enter that type of tertiary education programme during their lifetime.

Source: OECD (2017), *Education at a Glance 2017*.



Participation in life-long learning is high

25-64 year-olds participating in education and training in the preceding four weeks, 2016

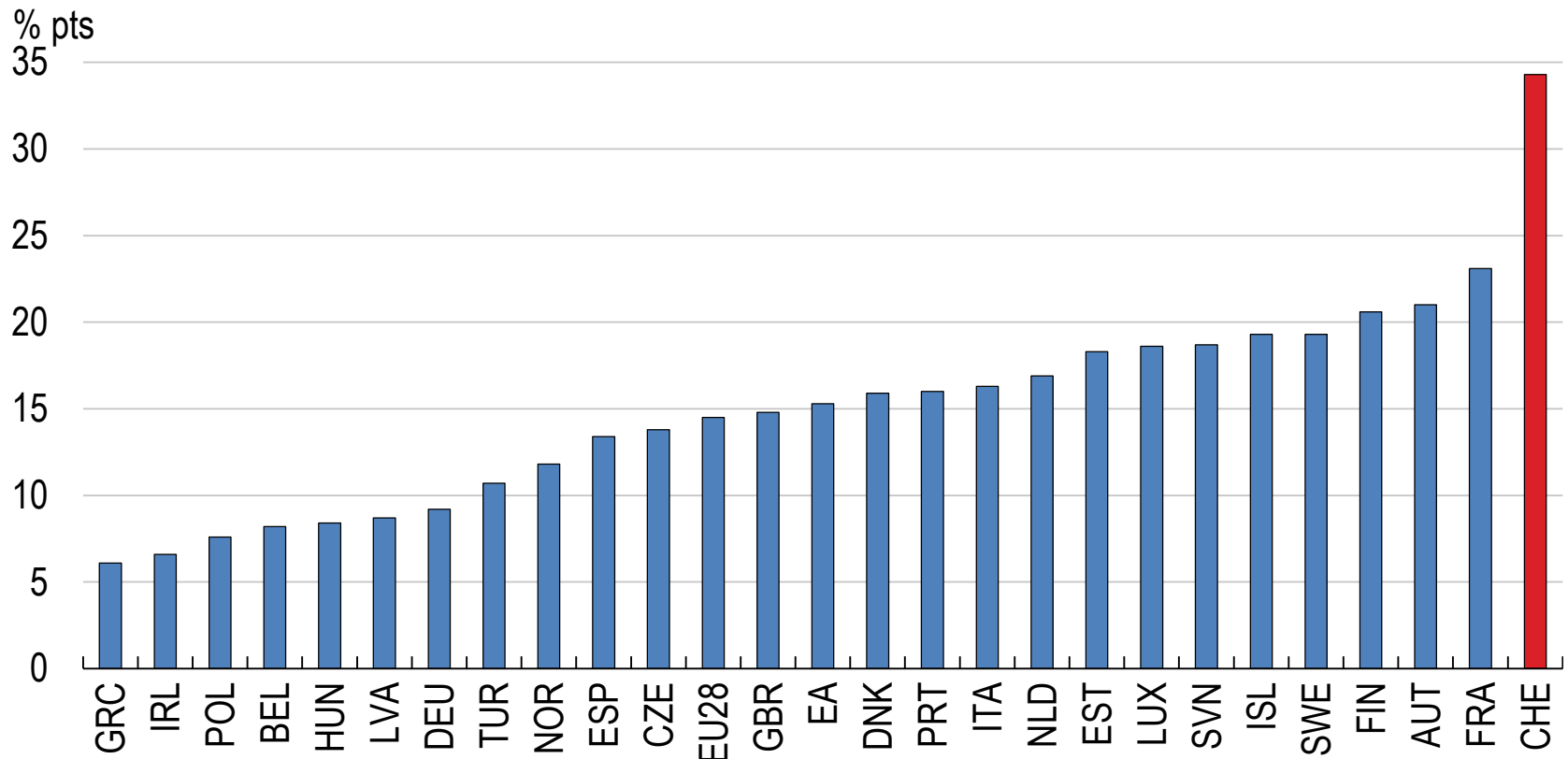


Source: Eurostat, *Labour Force Survey 2016*.



Participation in life-long learning is not broad-based

Difference in participation rates of those with high and low levels of education, 2016¹



1. 25-64 year-olds participating in education and training in the preceding four weeks. Difference in participation rate of those with tertiary education and less than upper secondary school.

Source: Eurostat, *Labour Force Survey 2016*.



Key recommendations for a dynamic skills training and life-long learning system

- ✓ Collect more detailed data on skills to facilitate adjustments to education in response to changing labour market needs.
- ✓ Enhance the effectiveness of pathways between vocational and general streams by increasing the academic component of the vocational curriculum and vice-versa.
- ✓ Encourage small firms to participate more in apprenticeships by promoting sharing of apprenticeship places between firms and training centres that undertake part of the training.
- ✓ Strengthen linkages between the vocational education and training system and employer associations in school-based vocational training.
- ✓ Use subsidies to encourage participation in continuing education and training for groups with low participation rates.



For more information

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