2017 OECD ECONOMIC SURVEY OF SWITZERLAND

Boosting productivity and meeting skills needs

Bern, 14 November 2017

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

Source: SECO.
Employment is high

Employment-to-population ratio

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

**Source:** Swiss National Bank; Thomson Reuters Datastream; OECD, *OECD Economic Outlook 102 database*, preliminary version.
Low interest rates increase risks

House prices, 2010 = 100

Source: OECD, House Price database.
Household credit is high

Source: OECD, Vulnerability Indicators database.
Age-related public spending will become a fiscal burden

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

*By type of spending*
- Long-term care
- Health care
- Pensions (AHV/IV)
- Education

*By level of government*
- Communes
- Cantons
- Social security
- Confederation

The current account surplus is large

Current account balance in OECD countries with a surplus, 2016

% of GDP

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

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.
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

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, %

Regulatory barriers to competition are high

Product market regulation indicator

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

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.
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

Immigration has helped to meet the rising demand for skilled workers

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

Swiss citizens

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Other nationalities

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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.

Source: Federal Statistical Office.
Tertiary education should further expand

Entry rates for bachelor’s degree or equivalent

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.

Participation in life-long learning is high

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

Participation in life-long learning is not broad-based

Difference in participation rates of those with high and low levels of education, 2016


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.
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.
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