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The decline in real GDP per capita vis-á-vis the best performing OECD countries has stopped due to a relative increase in labour utilisation while the gap in productivity remains. Actions have been taken in several areas, notably regarding the prudential supervision of systemically important banks, including through stricter capital and liquidity requirements. Reforms in the following areas are still needed to improve trend economic growth.

Priorities supported by indicators

Remove barriers to competition in network industries

Anti-competitive regulation hinders entry and generates insufficient incentive to reduce costs, hence contributes to modest productivity performance.

Actions taken: Draft legislation aims at further reducing the scope of the legal monopoly in postal services and at introducing price cap regulation in services remaining subject to the legal monopoly. It is planned to further improve access of competitors to the rail infrastructure.

Recommendations: Strengthen the regulator's powers, strengthen vertical separation and introduce benchmark regulation in the electricity sector. Remove legal restrictions on competitors' access to the incumbent's local loop in telecommunications. Sell remaining government stakes in electricity generation, and telecommunications. Privatise the incumbent postal services provider.

Reduce producer support to agriculture

High subsidies and import protection of agricultural goods generate high costs to taxpayers and distort prices.

Actions taken: Milk production quotas have been abolished.

Recommendations: Further lower the border protection of domestic production. Remove impediments to shifting agricultural land to other use. Accelerate the replacement of subsidies by direct income support and tie support to individual incumbent farmers to avoid biasing inheritance decisions. Eliminate collusion among producers.

Facilitate full-time labour force participation for women

Limited access to pre-school facilities and unfavourable second earner income taxation reduce work incentives for women.

Actions taken: The central government will continue to co-fund childcare facilities until 2014. Parliament has approved a tax allowance for child care expenses. Many cantons have agreed to start compulsory schooling at four years.

Recommendations: Introduce a nation-wide voucher scheme to subsidise childcare services. Move from joint to individual tax assessment of each spouse's income.

Other key priorities

Increase the efficiency of the health system

Health care spending per capita is among the highest in the OECD, especially in hospital care, even in comparison with countries with similarly high health outcomes.

Actions taken: Hospital funding based on diagnosis-related groups will be introduced by 2012. The government will implement measures to reduce medication-related health insurance costs.

Recommendations: Abandon the mixed hospital funding and make insurers responsible for all hospital funding. Allow insurers more freedom to contract with individual providers, and widen the extent to which insurers are compensated for differences in risk characteristics.

Improve access to tertiary education

Few government-sponsored loans are available to finance tertiary studies, limiting access, especially in tertiary vocational education where study fees are high. Early tracking lowers opportunities for some pupils with high competency levels but low socio-economic background to obtain access to tertiary academic education.

Actions taken: A new law coordinates the policy of the Confederation and the cantons towards tertiary academic education and adopts best practice in accreditation and quality assurance. Most cantons have agreed to postpone tracking of pupils to age 13.

Recommendations: Make government sponsored loans to students widely available, coupled with an income-contingent repayment scheme, but raise fees in tertiary academic education. Review the mix of vocational and academic education content within upper secondary vocational tracks. Postpone tracking to at least 13 years.

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Structural indicators

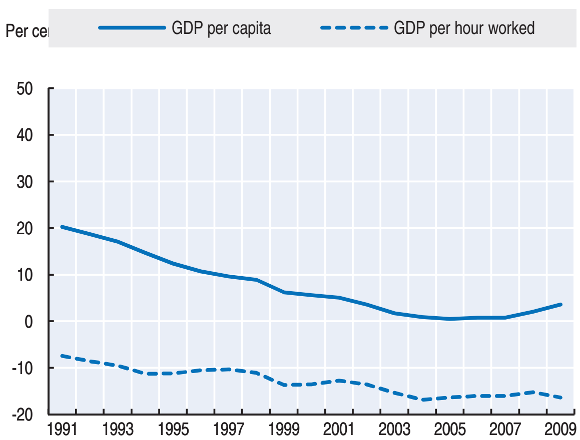
Average annual trend growth rates, per cent

		1999-2009	1999-2004	2004-09
GDP per capita		1.1	1.2	1.0
Labour utilisation		0.1	0.0	0.3
of which:	Employment rate	0.3	0.2	0.4
	Average hours	–0.2	–0.2	–0.1
Labour productivity		1.0	1.2	0.8
of which:	Capital intensity	0.6	0.8	0.5
	Multifactor productivity	0.4	0.4	0.3

Source: Estimates based on OECD (2010), *OECD Economic Outlook* No. 88: *Statistics and Projections Database.*

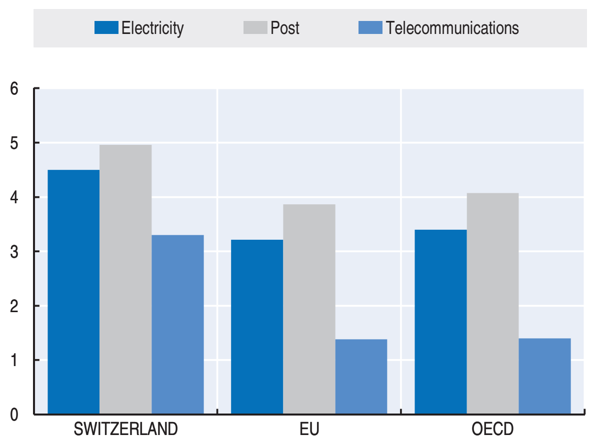
A. A productivity gap persits

Gap to the upper half of OECD countries[1]

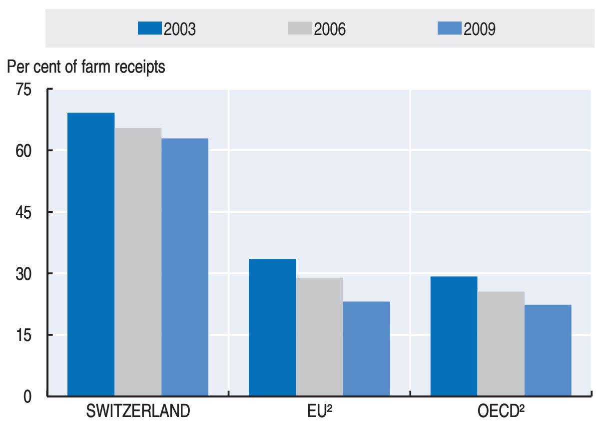


B. Public ownership in network industries remains high, 2008

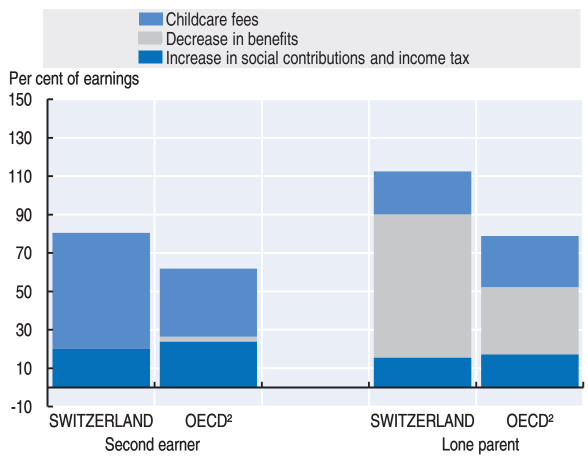
Index scale of 0-6 from least to most restrictive



C. Agricultural support remains very high



D. Disincentives to full-time work for women with children are high, 2004[3]



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs).
2. Average of European countries in the OECD. EU and OECD averages exclude Chile, Estonia, Israel and Slovenia.
3. 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 parent with income equal to two-thirds of average earnings.

Source: Chart A: OECD, *National Accounts* and *OECD Economic Outlook* No. 88 *Databases*; Chart B: OECD, *Product Market Regulation Database*; Chart C: OECD, *Producer and Consumer Support Estimates Database*; Chart D: OECD (2004), *Benefits and Wages: OECD Indicators*.

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