

## SWITZERLAND

- Real GDP per capita has grown somewhat more strongly than in the best performing countries over the past five years, notably on account of labour utilisation, driven by immigration. However, the productivity gap has persisted.
- Considerable progress has been made in opening up network industries to competition and strengthening the independence of sector regulators, which should help raise productivity growth.
- Some shifting of taxation from income taxes to indirect taxes could be beneficial for economic growth, through increased labour utilisation, investment, innovation, as well as through firm entry and expansion. There remains wide scope for reducing the cost of health care provision and the protection of agricultural production so as to increase productivity growth through more efficient resource allocation.
- On top of the positive effects on growth, shifting the tax burden from labour income towards environmental taxes and further decoupling producer support from agricultural production would also help achieving environmental objectives. Further improving education outcomes would not only increase human capital accumulation and hence productivity growth, but would also reduce inequality.

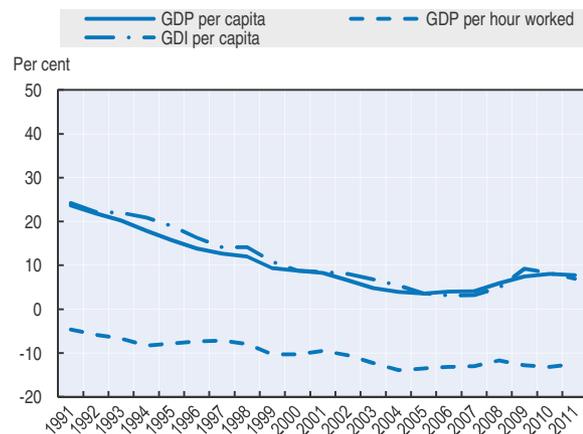
### Growth performance indicators

#### A. Average annual trend growth rates

Per cent

	2001-06	2006-11
Potential GDP per capita	0.8	0.8
Potential labour utilisation	-0.1	0.0
<i>of which:</i>		
Labour force participation rate	0.0	0.1
Employment rate <sup>1</sup>	-0.1	0.0
Potential labour productivity	0.9	0.8
<i>of which:</i>		
Capital intensity	0.3	0.3
Labour efficiency	0.5	0.3
Human capital	0.1	0.1

#### B. A productivity gap persists Gap to the upper half of OECD countries<sup>2</sup>



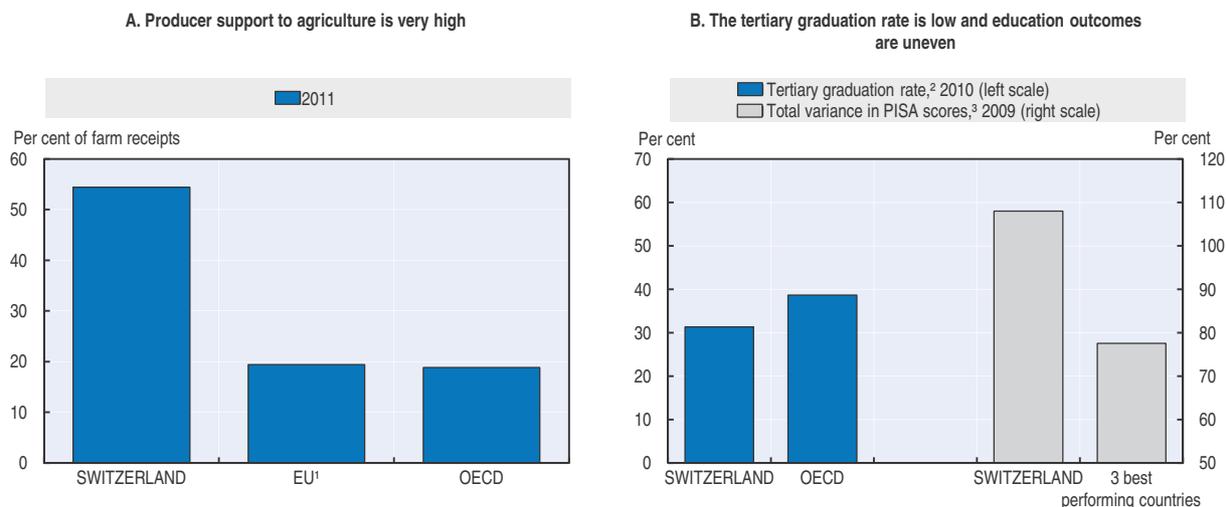
1. The employment rate is defined with respect to the economically active population and therefore captures the (inverse) changes in the structural unemployment rate.
2. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: OECD, National Accounts and OECD Economic Outlook 92 Databases.

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## Policy indicators



1. Average of 21 EU countries members of the OECD.
2. First-time graduation rates for typical age at type A level.
3. Total variance of the average of PISA scores in mathematics, science and reading as a percentage of the OECD variance. The variance components in maths, sciences and reading were estimated for all students in participating countries with data on socio-economic background and study programmes. The variance in student performance is calculated as the square of the standard deviation of PISA scores in reading, mathematics and science for the students used in the analysis.

Source: OECD, *Producer and Consumer Support Estimates*, PISA 2009 Databases and *Education at a Glance 2012*: OECD Indicators.

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Identifying *Going for Growth 2013* priorities

## Priorities supported by indicators

**\*Reform the tax system\***.<sup>1</sup> Shifting some of the tax burden away from direct towards indirect taxation could be more beneficial for economic activity and would help meeting greenhouse gas emission targets at lower cost.

**Recommendations:** Increase the standard value-added tax rate and remove exemptions from it. Introduce a CO<sub>2</sub> levy on transport fuels, combined with a variable congestion charge. Give more room for local governments to generate revenues from real estate taxes. Lower personal income taxes and improve the corporate tax structure to remove disincentives for small firms to grow.

**Reduce producer support to agriculture.** High producer support to agriculture has adverse effects on productivity and the environment.

**Actions taken:** 2012 legislation foresees to continue shifting from input and output-based subsidies towards direct payments to farmers, and towards support for environmentally-friendly production processes, although a significant share of support will remain linked to inputs or outputs.

**Recommendations:** Further reduce input- and output-based support and target remaining support at those projects with the least economic and environmental distortions. Consider introducing a levy on inputs generating pollution emissions. Remove impediments to

1. New policy priorities identified in *Going for Growth 2013* (with respect to *Going for Growth 2011*) are preceded and followed by an “\*”.

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shifting agricultural land to other uses. Further lower the border protection of domestic production.

**Improve access and equity in education.** Low graduation from tertiary education and weak educational outcomes of pupils from low socio-economic background limits growth in the long term.

**Actions taken:** In 2011, the Swiss Conference of Cantonal Ministers of Education adopted national education standards for compulsory education in key competencies.

**Recommendations:** Make government-sponsored loans to students widely available, coupled with an income-contingent repayment scheme, and raise fees in tertiary academic education. Review the mix of vocational and academic education content within upper-secondary vocational tracks. Promote access for children from low socio-economic background to childcare facilities.

**Other key priorities**

**Increase the efficiency of the health system.** Health care spending per capita is among the highest in the OECD, even in comparison with countries with similarly high health outcomes.

**Actions taken:** Possible ways to introduce uniform hospital funding are being discussed.

**Recommendations:** Do away with the mixed hospital funding, making insurers responsible for all hospital funding. Allow insurers more freedom to contract with providers individually, and widen the extent to which insurers are compensated for differences in risk characteristics.

**Facilitate full-time labour force participation of women.** Costly childcare and high marginal income tax for second-income earners hold back female labour force participation.

**Actions taken:** The central government's co-funding of childcare facilities will continue until 2014.

**Recommendations:** Further increase funding for childcare facilities and provide it through a national voucher scheme to pay for accredited facilities. Move from joint to individual tax assessment of spouses' incomes.

**Previous Going for Growth recommendation no longer considered a priority**

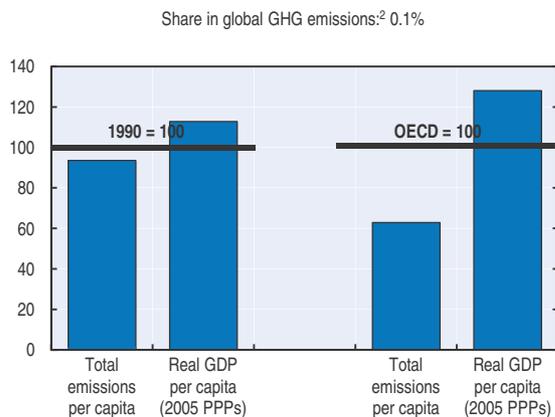
**Remove barriers to competition in network industries.** To seek efficiency gains in network industries, it was recommended that the power of regulators be strengthened, vertical separation be further pursued, and benchmark regulation be introduced in electricity. In telecommunications, it was recommended to remove legal restrictions on competitors' access to the local loop. It was also recommended to sell government stakes in both industries and to privatise the incumbent postal service provider.

**Actions taken:** Opening up of network sectors to competition has continued in recent years, in particular of postal services as well as electricity generation, transport and trade. 2012 legislation made of the postal and the electricity market regulator independent.

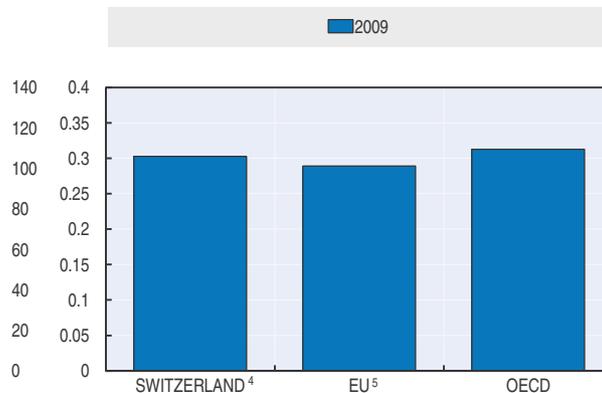
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## Other dimensions of well-being: Performance indicators

A. Emissions per capita are below 1990 level and OECD average  
Average 2006-10<sup>1</sup>



B. Income inequality<sup>3</sup> is close to the OECD average  
Gini coefficient



1. Total GHG emissions including LULUCF in CO<sub>2</sub> equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data and is an average of years 2005, 2008 and 2010.
3. Income inequality is measured by the Gini coefficient based on equivalised household disposable income for total population. For Switzerland, a break in the series prevents comparison with earlier periods.
4. Data refer to 2008.
5. Average of 21 EU countries members of the OECD.

Source: United Nations Framework Convention on Climate Change (UNFCCC) Database; OECD, Energy (IEA) Database and OECD Income Distribution Database, provisional data ([www.oecd.org/social/inequality.htm](http://www.oecd.org/social/inequality.htm)).

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