

## SWITZERLAND

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

### Priorities supported by indicators

#### **Further liberalise professional services**

The domestic market for professional services is characterised by excessive segmentation. Various cantonal regulations, such as special permits to work, constitute entry barriers and reduce competition.

**Actions taken:** A framework law for the domestic market has attempted to reduce this segmentation by imposing general guidelines for cantonal regulation affecting professional activities. Recognition of credentials across cantons has improved, but authorisation requirements are still widespread.

**Recommendations:** Revise the Domestic Market Act (DMA) to include a specific reference to freedom of establishment in all the cantons. The Competition Commission should be allowed to appeal to the court in the case of restrictive practices and to enforce the consistency of cantonal rules with the DMA principles.

#### **Reduce barriers to entry in network industries**

Liberalisation of network industries has been only partial and varies across sectors, leaving room for further productivity gains and price reductions, as prices are generally well above the OECD average.

**Actions taken:** A reform of the electricity sector was rejected in a referendum in 2002. A partial opening of postal services to competition is being discussed.

**Recommendations:** In telecommunications, the unbundling of the local loop is a priority. In the electricity and gas sectors, liberalise the markets in a manner compatible with the EU reform, and create strong and independent regulators to ensure equitable access to the market. Accelerate the liberalisation of postal services.

#### **Reduce producer support to agriculture**

The total level of support to agriculture has been the highest in the OECD since the mid-1990s. A lack of foreign competition leads to higher food prices than abroad and maintains excess resources in low-productivity activities.

**Actions taken:** Policy initiatives have shifted support to more market-friendly instruments, although market price support remains high. Aid to agriculture, which depends now more on direct payments, has been partly linked to environmental goals.

**Recommendations:** Reduce the protection and excessive assistance enjoyed by agriculture, and accelerate the de-linking of subsidies from production. Well-identified environmental objectives should be pursued directly rather than being used as a rationale for continuing with very high aid to agriculture.

### Other key priorities

- The sharp rise in the tax burden since the 1990s needs to be halted, which calls for altering public outlay trends on a lasting basis. This requires structural reforms of social programmes, in particular the invalidity pension scheme to curb the rising number of disability pensions.
- The growth of medical costs should be contained by increasing competition in health care. In the ambulatory sector, abolishing the obligation of insurers to contract would stimulate competition between providers and enhance the control of supply. Obstacles to effective foreign competition in pharmaceuticals should be removed.

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## Structural indicators

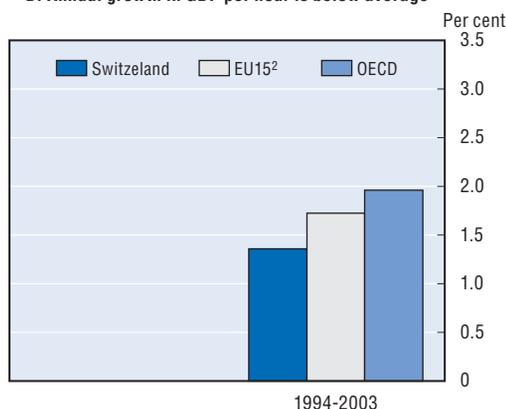
	1990	1995	2000	2003
Trend GDP per capita (% growth rate)	1.4	0.2	1.0	0.6
Trend employment rate	84.0	84.7	84.9	85.3
Trend participation rate	85.5	86.9	86.9	87.2
Structural unemployment rate (NAIRU)	1.7	2.5	2.2	2.2

Source: Estimates based on OECD Economic Outlook, No. 76.

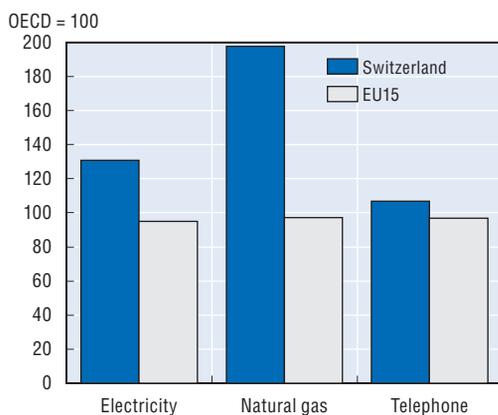
**A. Relative GDP per capita is on a declining trend<sup>1</sup>**  
Gap to the US (per cent)



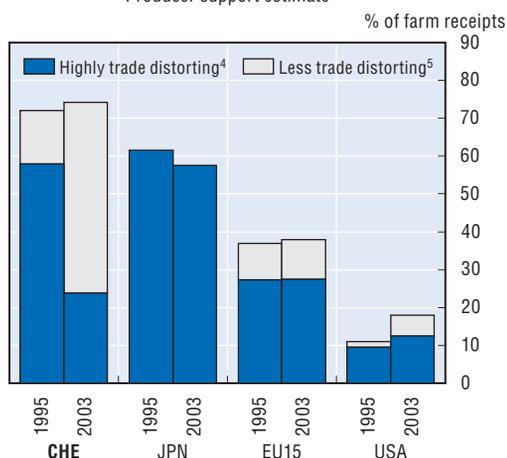
**B. Annual growth in GDP per hour is below average**



**C. Prices of utility services are high<sup>3</sup>**



**D. Agricultural support is high**  
Producer support estimate



1. Percentage gap with respect to US GDP per capita (in constant 2000 PPPs).

2. Excluding Austria and Luxembourg.

3. 2003 or latest available data for electricity and natural gas; May 2004 for the OECD composite basket of business telephone charges.

4. Market price support and payments based on output and input use.

5. Payments based on area planted/animal numbers, historical entitlements and overall farm income.

Source: Charts A and B: *National Accounts of OECD Countries*, 2004; *OECD Labour Force Statistics*, 2004; *OECD Economic Outlook*, No. 76; Chart C: *OECD Energy Prices and Taxes*, 2004 and OECD Communications Outlook database; Chart D: OECD, Producer and consumer support estimates database.