

SWITZERLAND

- Since 2008, real GDP per capita and productivity have been growing at a pace similar to the upper half of OECD countries. Income per capita remains above the average of advanced economies but productivity is lagging.
- Progress has been made in agricultural reform with direct payments being shifted towards biodiversity and sustainable resource utilisation, as part of the 2014-17 policy framework. In education, an inter-cantonal agreement has been reached regarding harmonisation of scholarships and loans, and limited tax deductibility of training fees for professionals has been adopted.
- Shifting the weight of taxation from income to indirect taxes could lift growth via increased labour utilisation and productivity. Stepping up pre-school funding, especially for migrant children, and boosting tertiary education graduation, would increase human capital accumulation and hence productivity growth. There remains a wide scope for reducing the cost of health care provision.
- Eliminating price support in agriculture and taxing polluting inputs and outputs would accelerate the transition to a sustainable agriculture. Increasing public spending on childcare and encouraging access for children from disadvantaged backgrounds could raise women's labour force participation and reduce inequality.

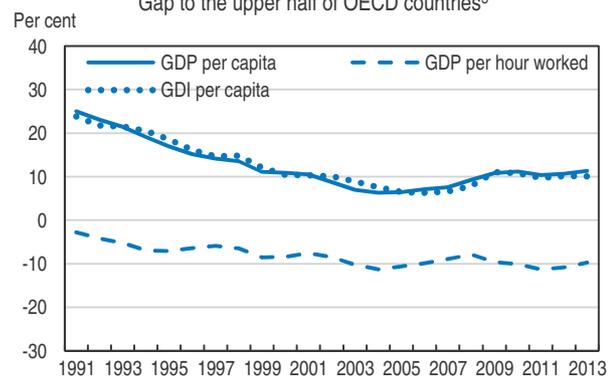
Growth performance indicators

A. Average annual trend growth rates

Per cent

	2003-08	2008-13
Potential GDP per capita	1.1	0.7
Potential labour utilisation	0.2	0.3
of which: Labour force participation rate	0.1	0.2
Employment rate ¹	-0.1	0.0
Trend employment coefficient ²	0.2	0.2
Potential labour productivity	0.8	0.4
of which: Capital deepening	-0.3	-0.3
Labour efficiency	0.9	0.4
Human capital	0.2	0.2

B. A productivity gap persists

Gap to the upper half of OECD countries³

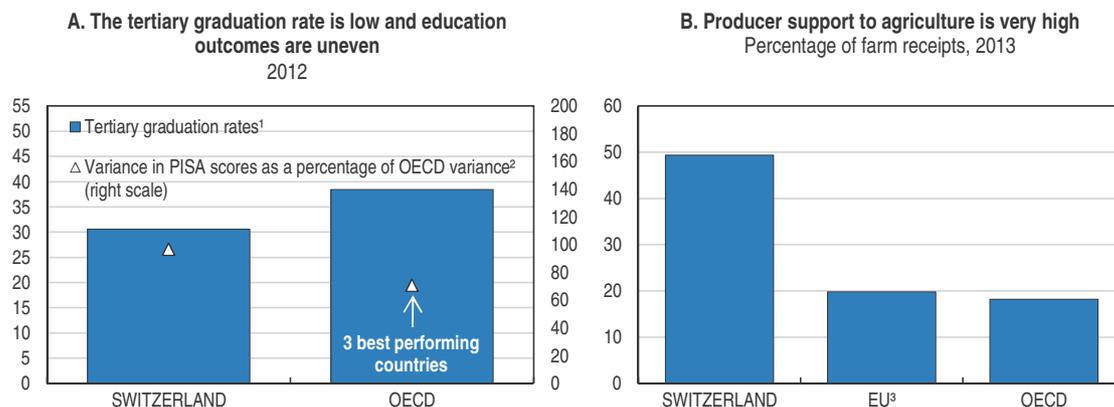
1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. Percentage 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: Panel A: OECD, *Economic Outlook 96 Database*. Panel B: OECD, *National Accounts and Productivity Databases*.

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SWITZERLAND

Policy indicators



1. Graduation rate for typical age at tertiary type-A level (first-time graduate). Tertiary type-A graduation rates in Switzerland are low by OECD standards, in part explained by the predominance of vocational streams with over 60% of students taking this track on upper-secondary level.
2. OECD = 100. The variance components in mathematics, 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 sample of students used in the analysis.
3. For this measure, EU refers to all 27 members of the European Union.

Source: Panel A: OECD (2014), *Education at a Glance 2014: OECD Indicators*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/eag-2014-en>; OECD (2014), *PISA 2012 Results: What Students Know and Can Do (Volume I, Revised edition, February 2014): Student Performance in Mathematics, Reading and Science*, PISA, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264208780-en>; and OECD (2013), *PISA 2012 Results: Excellence through Equity (Volume II): Giving Every Student the Chance to Succeed*, PISA, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264201132-en>. Panel B: OECD, *Producer and Consumer Support Estimates Database*.

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Going for Growth 2015 priorities

Priorities supported by indicators

Improve access and equity in education. Skills shortages, low enrolment in tertiary education and weak educational outcomes of pupils from low socio-economic background (especially migrants) limit growth in the long term.

Actions taken: The inter-cantonal agreement aiming at harmonising scholarships and loans entered into force in March 2013 with 16 out of the 26 cantons having ratified it. Training and advanced-training fees are now tax deductible up to CHF 12 000 for professionals.

Recommendations: Step up public funding of pre-schools and enrolment therein, and increase immigrant participation by introducing targeted pre-school cash support. Consider teacher-training programmes focusing on helping teachers develop practical remedial skills. Improve access to tertiary education for students from lower socio-economic and immigrant backgrounds through special financial support (e.g. means-tested grants).

Reduce producer support to agriculture. Producer support to agriculture is high and multiform: price support, direct payments, input subsidies, border protection, quotas and tariffs. It has adverse effects on productivity, trade negotiations, the budget and the environment.

SWITZERLAND

Actions taken: In March 2013, the Parliament approved a new policy regime for 2014-17 whereby direct payments (CHF 2¼ billion) will be shifted toward broader public-interest objectives, mainly supply security and the environment.

Recommendations: Eliminate all forms of farm price support, and condition all direct payments to environmental outcomes. Consider introducing a tax on inputs (fertilisers) or outputs (methane from livestock) generating pollution, and end farmers' exemption from the mineral oil tax. Remove impediments to shifting agricultural land to other uses. Further lower the border protection of domestic production. Remove impediments to structural change in land law, especially inheritance rules favouring the passing on of farms between generations.

Reform the tax system. Shifting some of the tax burden away from direct towards indirect taxation could lift labour utilisation and allocative efficiency, hence labour productivity.

Actions taken: In 2014 Switzerland agreed to sign up to a new global standard on automatic information exchange on bank accounts. A reform on corporate taxation was proposed in 2013 by the Swiss Federal Council to introduce internationally accepted measures to replace the current cantonal and federal tax regimes.

Recommendations: Implement the proposed corporate taxation reform. Increase the standard value-added tax rate, and remove exemptions from it. Lower personal income taxes, and introduce a CO₂ levy on transport fuels, combined with a variable congestion charge.

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: No action taken.

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 increase the compensation insurers receive for differences in risk characteristics.

Facilitate full-time labour force participation of women. The paucity and high cost of childcare, dissuasive effective marginal tax rates on second earners, weak corporate culture of gender diversity and a still positive wage gap contribute to women's high incidence of part-time work.

Actions taken: No action taken.

Recommendations: Increase public spending on childcare and amend regulations to increase the range of price-quality choices available. Implement a corporate governance code establishing gender goals in management. Set ambitious company board targets combined with the "Comply or Explain" practice or by setting quotas. Move from joint to individual tax assessment of spouses' income.

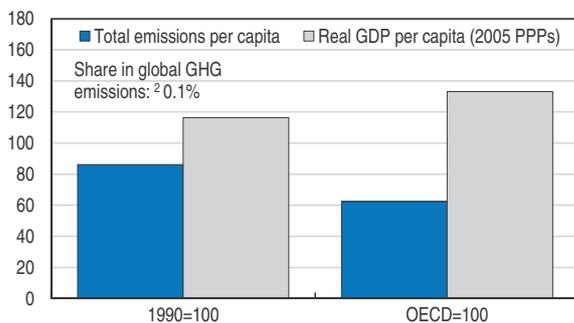
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Reform areas no longer considered a priority in *Going for Growth*

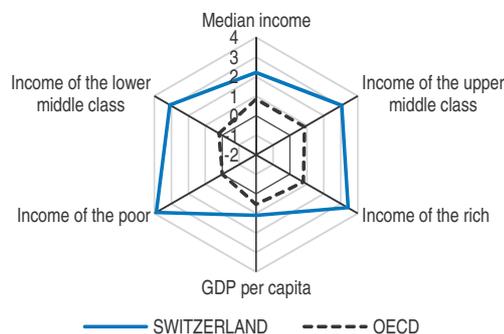
For Switzerland, all priority areas from the 2013 issue of *Going for Growth* are maintained.

Beyond GDP per capita: Other policy objectives

A. Emissions per capita are below the 1990 level and well below OECD average
Average 2008-12¹



B. Growth in GDP per capita has been strong and evenly spread across the distribution³
Average annual growth rate in real household disposable income, 2005-11



1. Total GHG emissions including LULUCF in CO₂ 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.
3. Household income across the distribution is measured by income standards with varying emphasis on different points of the distribution – from the low to the top-end of the distribution. See methodological notes at the end of the chapter for the computation of household income across the distribution.

Source: Panel A: OECD, *National Accounts and Energy (IEA) Databases*; and United Nations Framework Convention on Climate Change (UNFCCC) Database. Panel B: OECD, *National Accounts and Income Distribution Databases*.

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