



The challenges for increasing productivity growth in Switzerland

Aymo Brunetti

Head of the Economic Policy Directorate, SECO

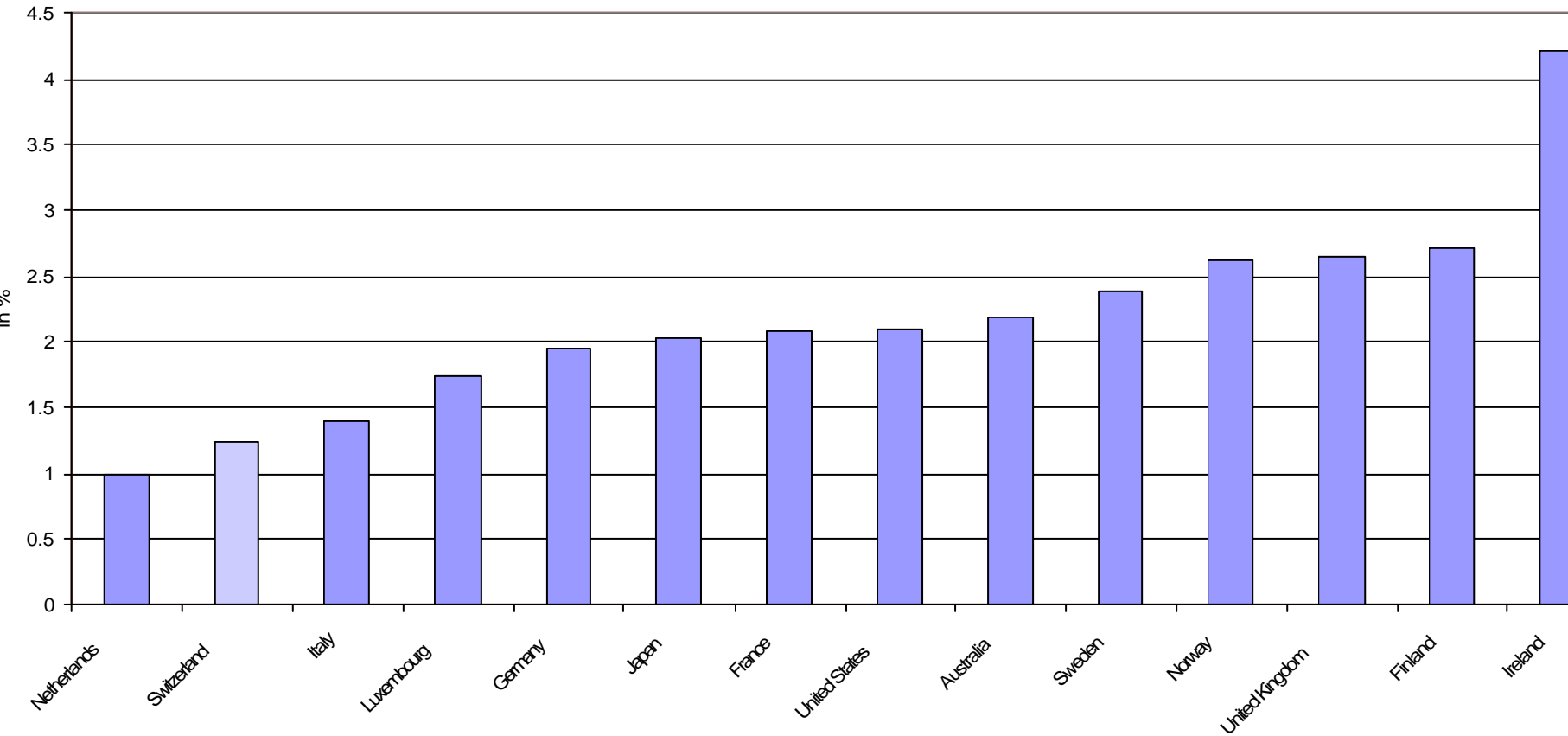
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1. Why is productivity growth an issue in Switzerland
2. The productivity problem in the domestic sector
3. Intensity of competition as key factor
4. The growth policy of Swiss Government

1. Why is productivity growth an issue in Switzerland

Average annual growth of hourly productivity 1991-2004

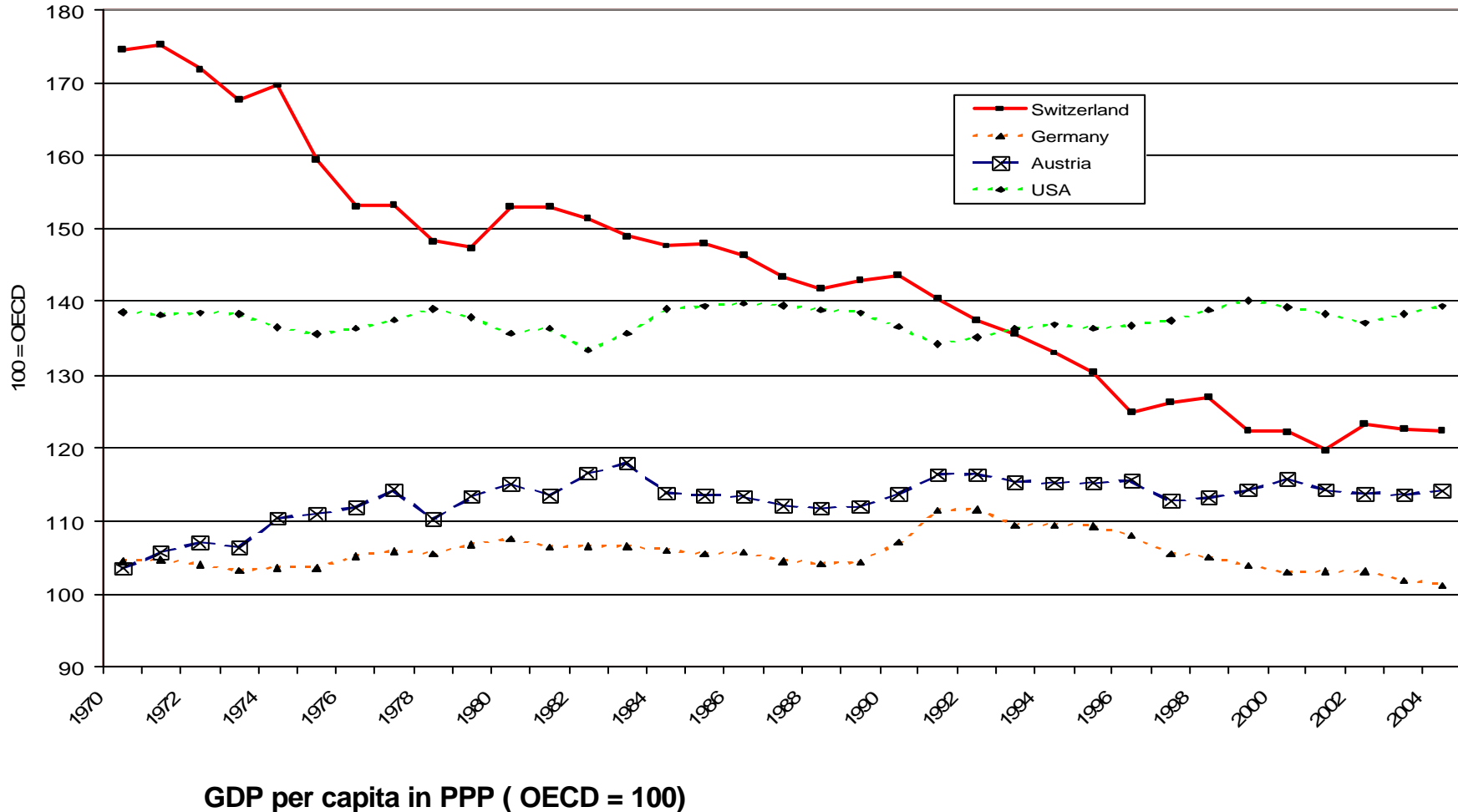


Source: OECD



1. Why is productivity growth an issue in Switzerland

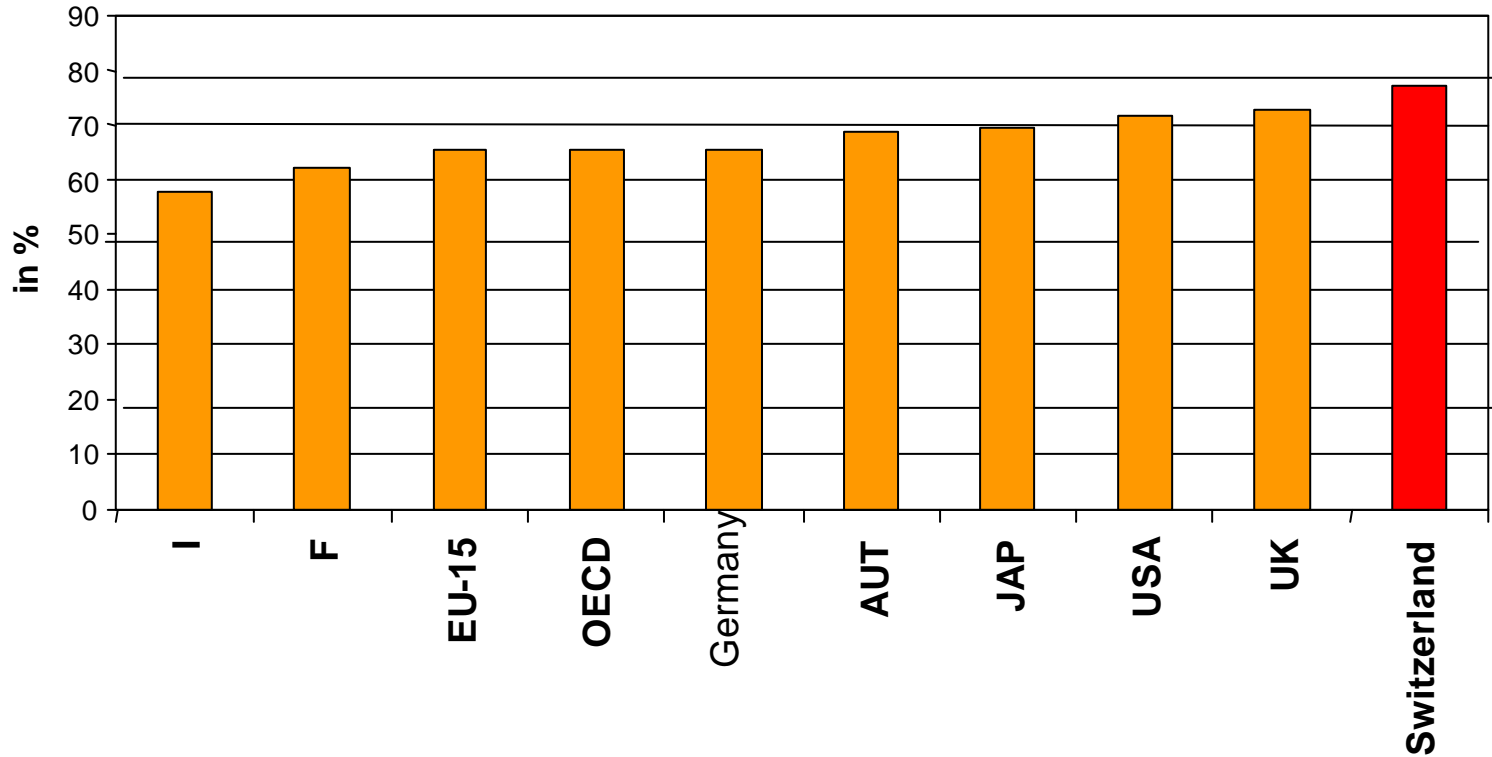
Switzerland is losing its stellar position





1. Why is productivity growth an issue in Switzerland

Small potential for „hours worked“

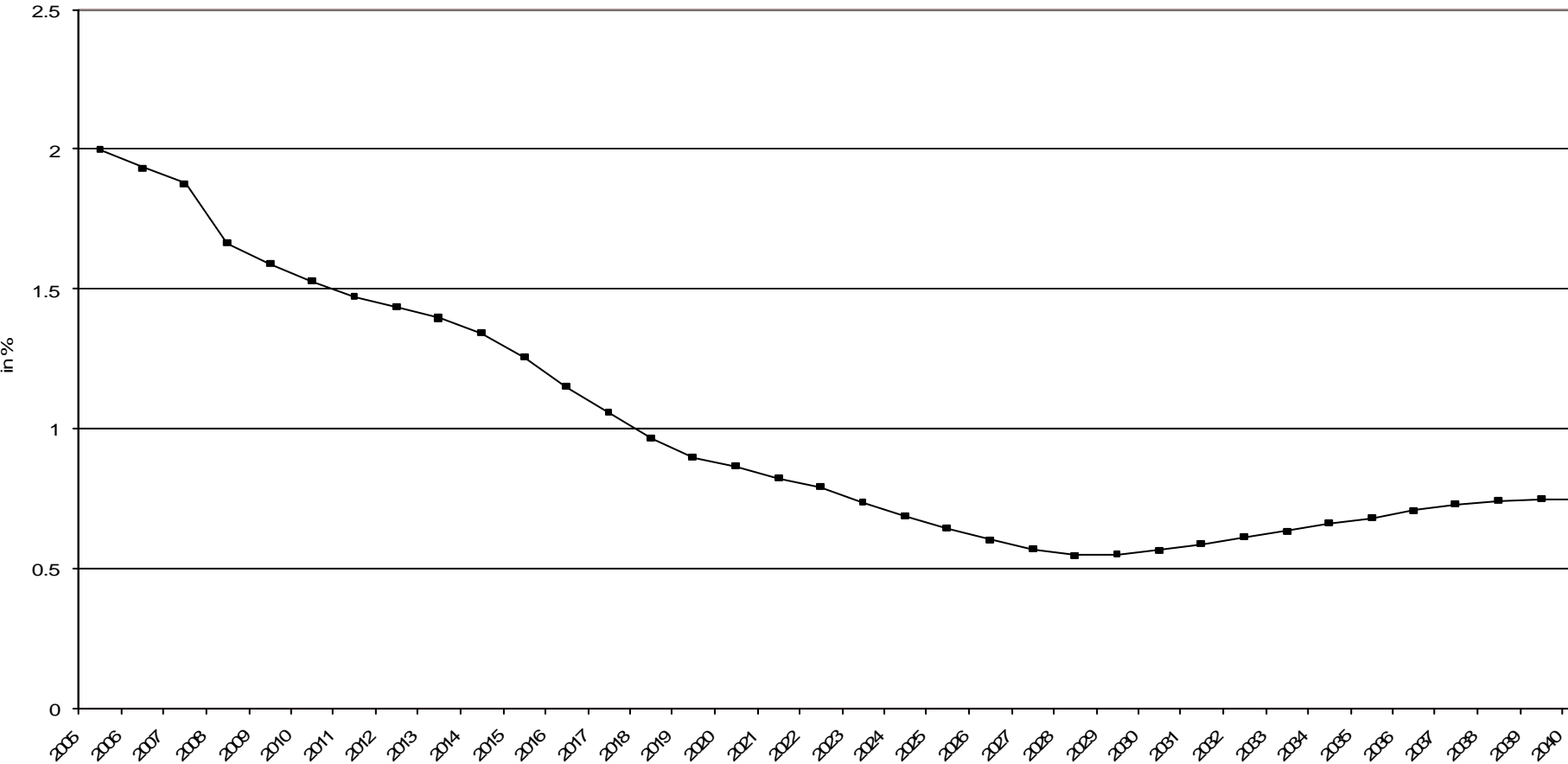


Employment rate 2005

Source: OECD 2006

1. Why is productivity growth an issue in Switzerland

Growth effects of ageing: a scenario

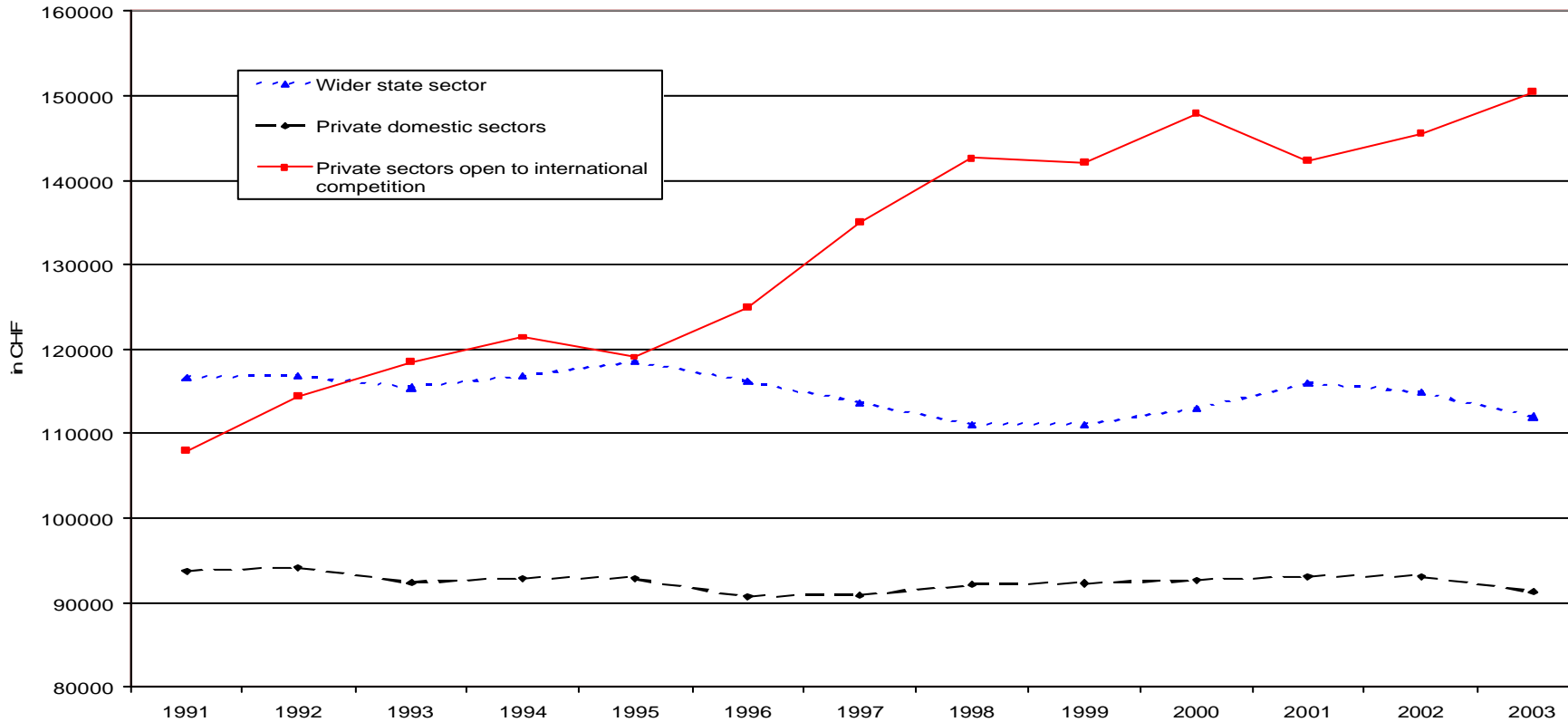


Three stylized sectors of the Swiss economy

- Private sector open to international competition
- Private domestic sector
- Wider state sector

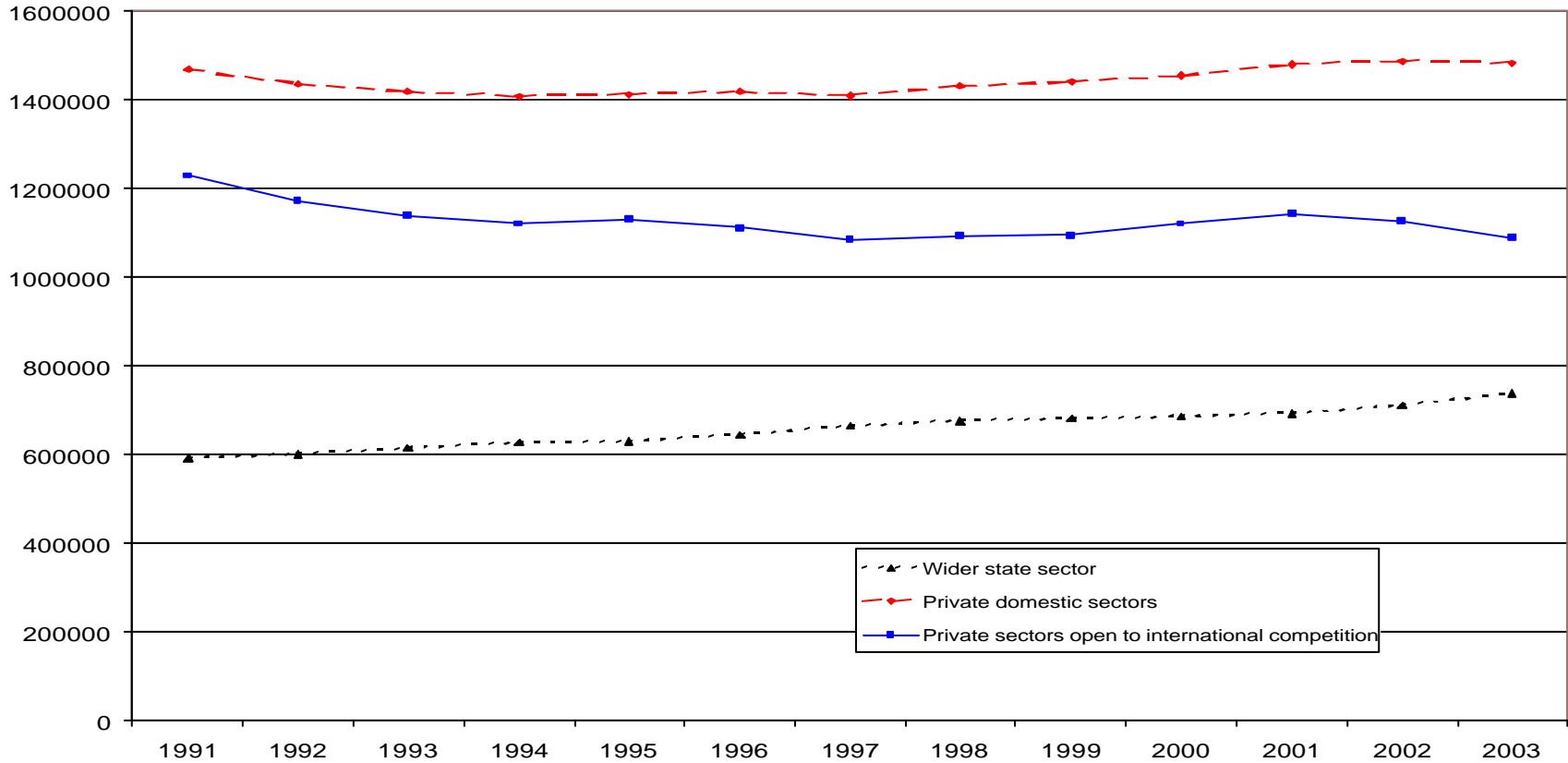
2. Productivity problem in the domestic sector

Evolution and level of productivity in Switzerland



2. Productivity problem in the domestic sector

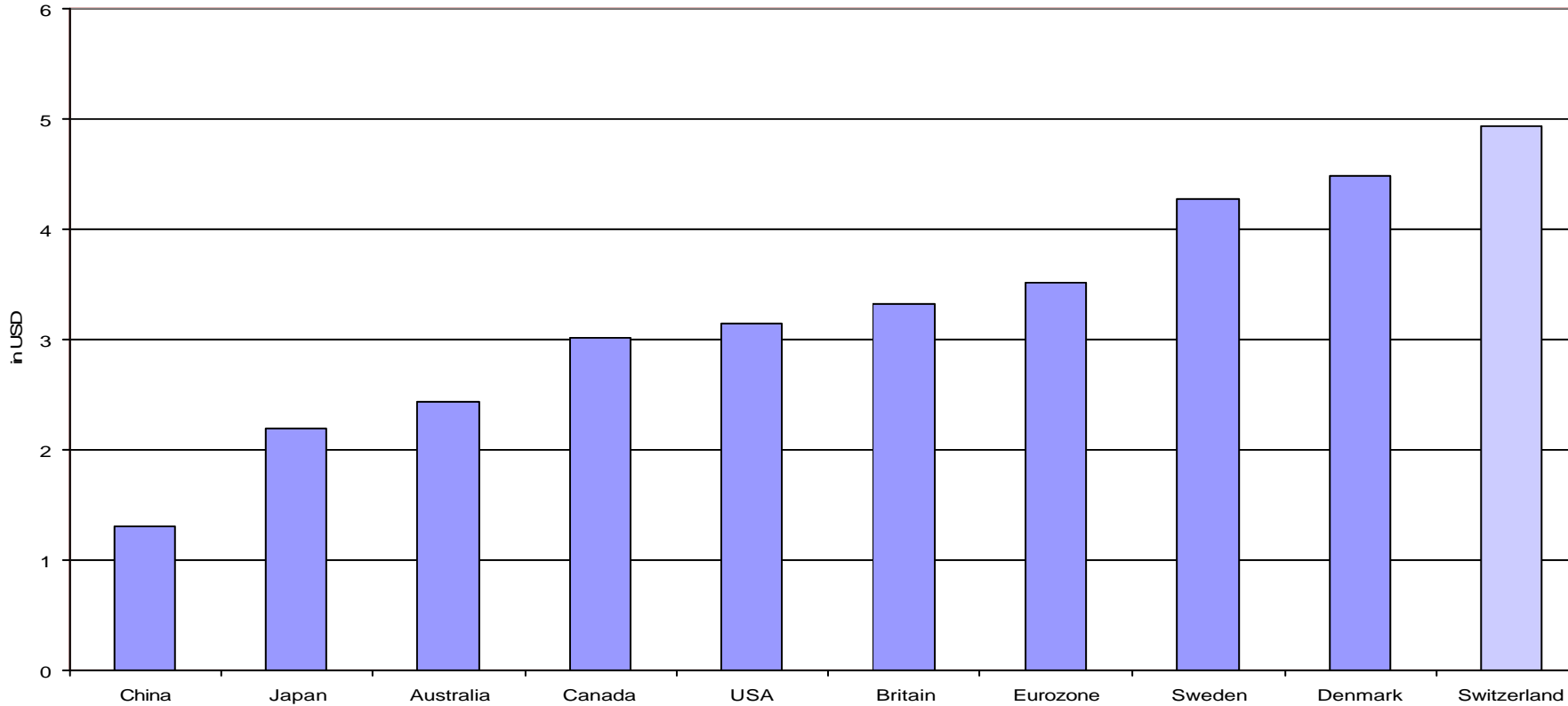
Evolution and level of full-time employment in Switzerland



Source: Federal Statistical Office

3. Intensity of competition as key factor

Comparative price of a Big Mac in USD
(i.e. The Economist "Big Mac Index")

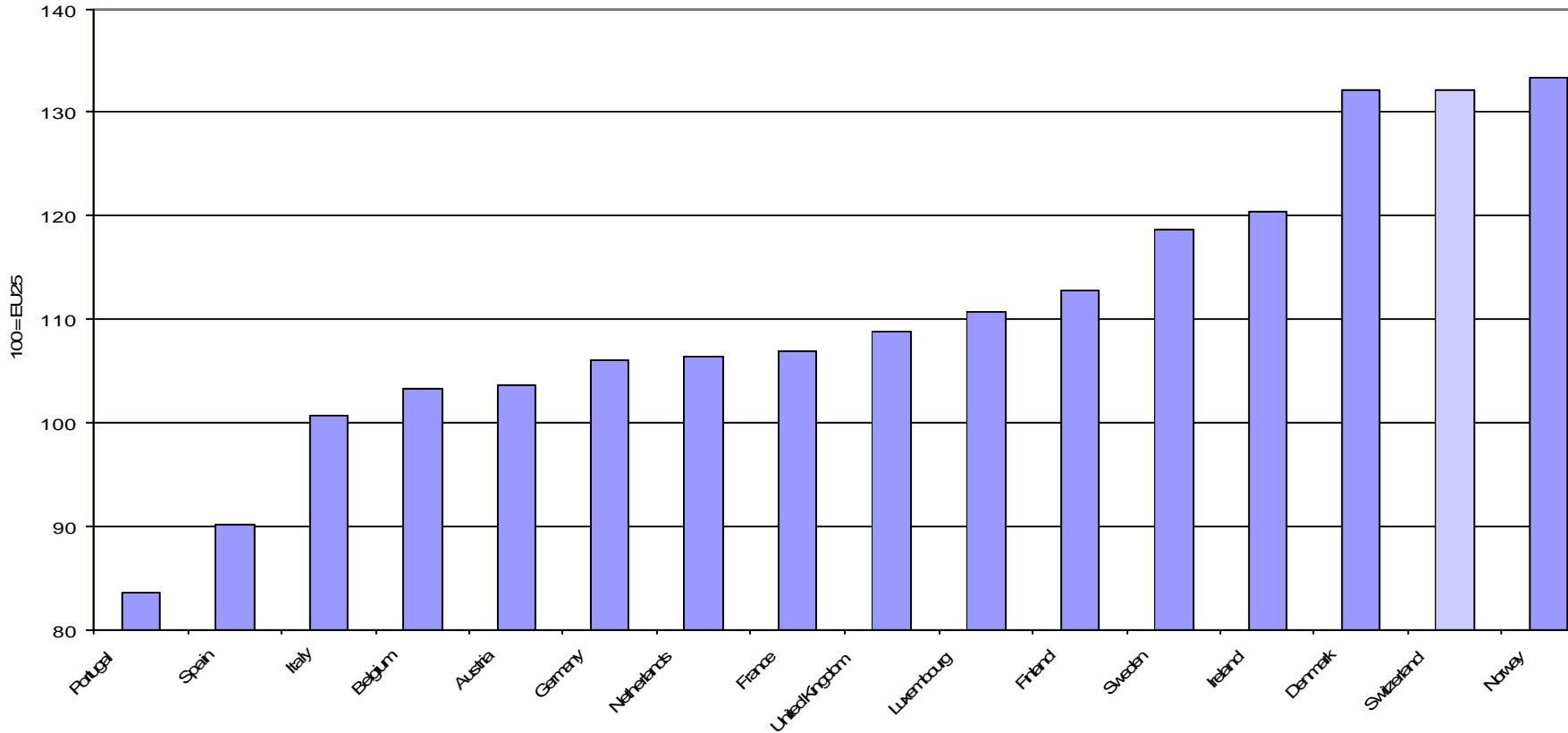


Source: The Economist



3. Intensity of competition as key factor

Comparative price level for GDP in 2005



Source: Eurostat



3. Intensity of competition as key factor

Possible explanation for high prices

- Quality (... but „Big Mac“)
- Income level (... but „US“)
- Regulations
- Competition



3. Intensity of competition as key factor

Effects of competition on productivity

- Eliminates X - inefficiency
- Incentives to use best technology
=> „imitation“
- Incentives to develop better technology
=> „innovation“



3. Intensity of competition as key factor

„New economy“ - effect

- ICT has big potential for raising productivity
- But two preconditions:
 - competitive pressure in product markets
 - flexible labour markets



4. The growth policy of Swiss Government

Main goals of Swiss growth policy

- 1) Maintaining high employment
=> Keep labour market flexible

- 2) Increasing labour productivity
=> Increase competition in domestic
product market



4. The growth policy of Swiss Government

„Growth package“ of Government with three main pillars

1. More competition on the domestic market
2. Stop growth of the share of Government in GDP
3. Improving efficiency of Government's intervention