

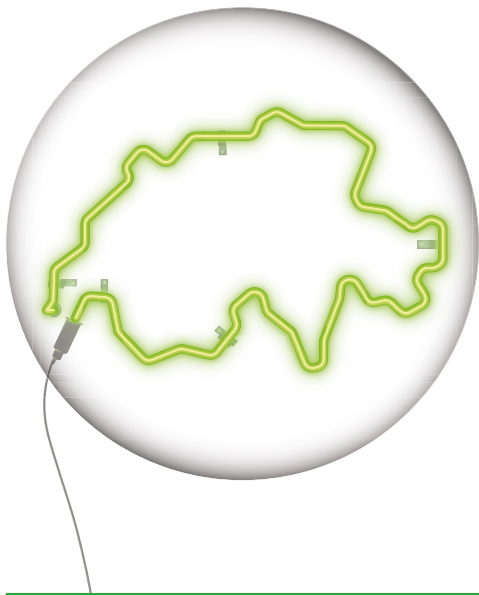
Power Up Switzerland

Improving potential and enhancing competitiveness | Executive summary



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About the study



This is the executive summary of our “Power Up Switzerland” study.

You can find the complete report on our website at:

<https://www2.deloitte.com/ch/en/pages/power-up.html>



The report is based on an online survey of more than 400 business representatives conducted in January 2020. Most participants were Board members and CEOs, but the sample also included economists and senior civil servants. Most Board members were surveyed within the framework of the latest edition of the swissVR monitor, conducted by swissVR, Deloitte AG and Lucerne University. Deloitte would like to thank all those who took part for their valuable input.

Editorial deadline: 15 June 2020

Foreword

Switzerland has been a model student. Over the past 200 years, the former 'poor man of Europe' has become one of the world's wealthiest countries, a transformation achieved with almost no natural resources. Virtually no country in the world has higher levels of prosperity — or more citizens' rights. There is no doubt that Switzerland is thriving, and that is unlikely to change, even in the aftermath of the COVID-19 pandemic.

Model students, though, can be prone to rest on their laurels and bask in their success. If you have reached the top, why continue to work so hard? That is a dangerous attitude: if you relax and stop trying, sooner or later you will lose that coveted place at the top of the class and slip down the rankings.

Slowly but surely, Switzerland seems to have arrived exactly at this point. Each year, the World Economic Forum (WEF) ranks countries by their competitiveness. Switzerland topped the table for many years, but in 2018 it slipped to fourth place, falling further, to fifth place, the following year.

Other surveys and rankings paint a similar picture. Years ago, economists warned that Switzerland's low productivity growth should be a cause for concern. And the COVID-19 crisis has done nothing to allay this concern. Indeed, in some areas of economic life, the state's failure to act has been laid bare, revealing a country that is less than modern and innovative. One such example is the use of fax machines to notify the Federal Office of Public Health (FOPH) of COVID-19 cases. Another is that certain aspects of labour legislation still do not reflect the digital age. And these are just two examples among many. Rather than simplifying processes and regulation, the Swiss government has actually increased regulation in many areas.

Business does not escape with a clean bill of health either. Companies have not always been proactive enough, such as building up a financial cushion or putting conditions in place to enable their staff to work from home.

If Switzerland is to regain its reputation and reclaim its place at the top of the class, it needs reform — also far-reaching reform. It must seize the moment and, as well as the short-term measures needed to tackle the COVID-19 crisis, also take the long-term measures that will make the country and its economy fit for the coming years and decades.

Deloitte is keen to play its part: based on a survey of more than 400 business experts, we have identified eight key areas where action is needed. For each of these eight areas, we have developed a set of measures to boost Switzerland's competitiveness and that of the companies based in the country — with the goal to "Power Up Switzerland".

The measures we propose are addressed to policymakers, who must step up to improve the necessary framework, but also to businesses, that must also make their own contribution to Switzerland's long-term success. Businesses should take action to enhance not only their efficiency but also their resilience, enabling them to respond rapidly and flexibly to a changing reality. This is particularly important against the backdrop of a pandemic, worsening climate change and increasing trade and cyber wars.

We would like to thank the executives who took part in the survey and shared their view of the Swiss economy with us.

We hope you enjoy reading the report.

Reto Savoia,
CEO Deloitte Switzerland

Nico Kleyn,
Managing Partner Clients & Industries,
Deloitte Switzerland

Key findings



Switzerland's success story: From Europe's 'poor man' to economic miracle

Switzerland has what many other countries would like to have: a high level of prosperity across its population. Despite its small domestic market, the country has been one of the world's 20 largest economies for many years. That was not always the case, though: Switzerland has no natural resources and was long considered the 'poor man' of Europe until, in the late 19th century, it began its gradual transformation into one of the world's most competitive and successful economies.



Swiss model of success under pressure as competitiveness declines and challenges increase

Switzerland's model of success is coming under increasing pressure, a trend that started even before the COVID-19 crisis. Productivity growth has been relatively low for a number of years, and competitiveness is also declining: Switzerland has slipped down the World Economic Forum (WEF) and Ease of Doing Business rankings, for example. To compound these problems, the country now faces not only the impact of the COVID-19 crisis but also major challenges as a business hub. If these challenges are not tackled promptly, Switzerland's competitiveness could decline further, exacerbating its weak economic growth.



Time to act

It is time for Switzerland to act. In the short term, government and business alike need to divert their resources to tackling the economic crisis resulting from the COVID-19 pandemic. But more action is needed in the longer term to bring about urgent far-reaching reforms. Based on a survey of more than 400 managers conducted in January 2020, Deloitte has identified eight areas for urgent action and has listed measures that both government and business could implement to bolster competitiveness and help ensure the country's long-term success.




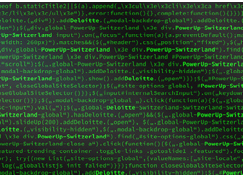
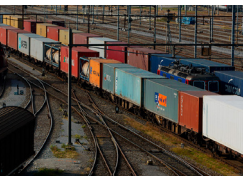
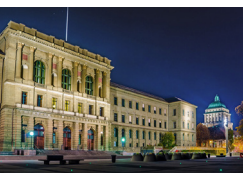








Eight areas for action

The eight areas Deloitte has identified illustrate where government and business have the greatest scope to boost Switzerland's long-term competitiveness and productivity. It is clear that if the survey had been carried out during, rather than just before, the COVID-19 pandemic, the findings would have been a little different. Current discussions with business representatives show that many companies have reviewed their priorities, at least in the medium term. However, the eight areas described here remain fundamental. They are, and will continue to be, crucial to the long-term success of the country and the businesses based here. And they paint a picture of major potential for improvement.

Recommended measures

For each of the eight areas identified, the study proposes specific measures – addressed both to policymakers and to companies – that will boost competitiveness, productivity and get the Swiss economy back on track. The table below gives an overview, the complete list of measures can be found in section five of the study.

	 Recommendations for policymakers	 Recommendations for businesses
 Entrepreneurship and Start-up culture	Reduce barriers, bring down taxation and include entrepreneurship in school curricula	Create a genuine culture of tolerating mistakes and develop new forms of cooperation
 Innovation	Reduce burden of regulation, be a better role model and improve data security and data administration	Promote innovation capacity through maturity analysis, ecosystems and mobile solutions whilst also prioritising cyber security
 International trade	Dismantle barriers to trade and broaden trade agreements	Review and optimise supply chains and location strategy
 Talent and Skills	Adapt the framework for tackling the looming skills shortage and bring labour law in line with the digital age	Focus strategically on new forms of employment and on untapped and alternative pools of labour

		 Recommendations for policymakers	 Recommendations for businesses
	Research and Development	Move away from industrial policy and towards research agreements, clusters, measures to promote talent and collaboration	Promote agile development processes, technology partnerships and customer-centred feedback rounds
	Tax environment	Promote and maintain tax competition and the relationship of trust between taxpayers and tax authorities, and make the tax system more efficient	Create more openness and transparency with external agencies and step up digitalisation of internal processes
	Sustainability, Energy and Infrastructure	Formulate a clear vision for Switzerland as a sustainability hub, create greater responsibility for pollution and unsustainable practices, and improve security of supply	Devise specific definitions, clear goals and a coherent strategy for sustainability and new approaches to infrastructure and energy by instigating mobility budgets for employees
	Financial markets	Improve the resilience of the financial centre's competitiveness, achieve smart regulation for fintechs and cryptocurrencies, and draft clear standards for sustainable finance	Improve digital maturity, use of cloud computing solutions and liquidity management

Authors and contacts

Main contacts



Reto Savoia
CEO Deloitte Switzerland
Tel: + 41 58 279 63 57
Email: rsavoia@deloitte.ch

Authors



Dr. Michael Grampp
**Research Director &
Chief Economist**
Tel: + 41 58 279 68 17
Email: mgrampp@deloitte.ch



Luc Zobrist
Economist Research Team
Tel: + 41 58 279 79 37
Email: lzobrist@deloitte.ch



Nico Kleyn
**Managing Partner, Clients
& Industries**
Tel: + 41 58 279 81 66
Email: nikleyn@deloitte.ch



Dennis Brandes
Economist Research Team
Tel: + 41 58 279 65 37
Email: dbrandes@deloitte.ch



Damian Rohr
Economist Research Team
Tel: + 41 58 279 73 02
Email: drohr@deloitte.ch



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