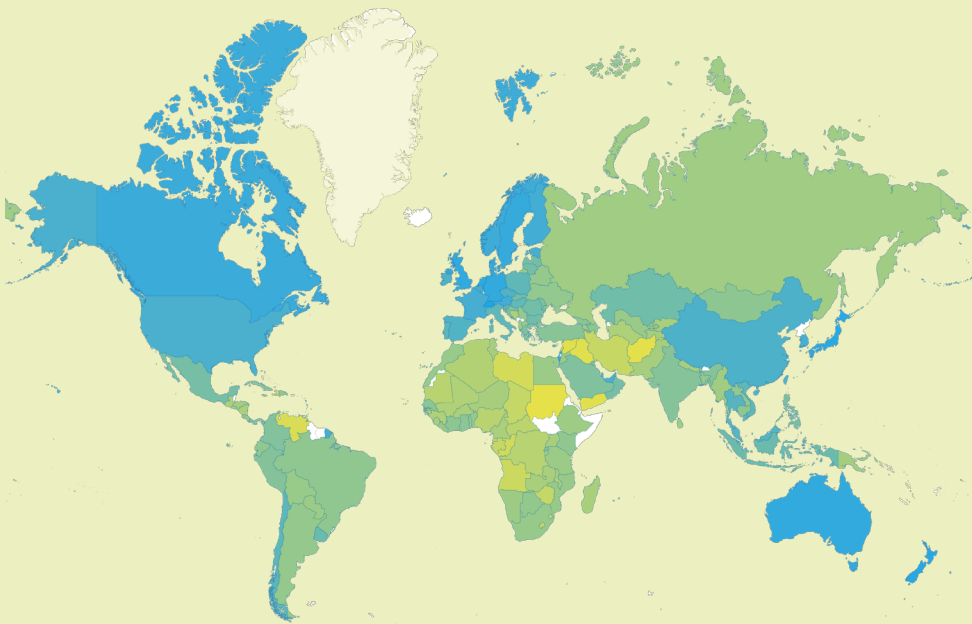


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# ELITE QUALITY REPORT 2023

Switzerland: At the top of the EQx Rankings for the first time, but challenges remain

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## Switzerland: At the top of the EQx rankings for the first time, but challenges remain

For the first time, Switzerland now sits atop the EQx ranking. While the exact ranking is somewhat arbitrary—Switzerland has not improved on its individual scores—the country's stability as a leader in the top group is not. The usual factors contribute to this standing: economic and political stability, favorable business conditions such as a liberal labor market and a high quality business environment. All of these factors explain Switzerland's wealth and well-being, even if many Indicators point to problems with its ecological footprint (see, for example, *CO2 emissions*, CDO, iii.9, rank # 100, or *Red meat consumption*, MET, rank # 125)

2022 was marked by the invasion of Russia into Ukraine, a return of high inflation, and a very problematic labor market, especially in vital sectors such as medical and engineering. It seems that the determinants of Switzerland's resilience, discussed in the EQx2022, helped to attenuate the impact of these exogenous shocks. In fact, the relevant Indicators all remained relatively constant: Economic Value performance (iv, rank # 2, unchanged), a high level of Creative Destruction (ii.6, rank # 8, improved from # 10) and the sharing of economic benefits with workers (Labor Value, iv.12, rank #12, down from # 5). In contrast to most rich countries, the Swiss *Inflation* rate, while increasing to 3%, remained relatively low (DOI, iv.11, rank # 6).

Instead of dwelling on the status quo, let me comment on some of the challenges the country faces in the next few years. One of the long-standing problems for Switzerland has been a severe labor shortage that has made the country dependent on a continuous inflow of foreign workers. In certain areas (such as health-care), there is a blatant mismatch between the high demand for skilled workers (as mirrored in the *Density of medical staff*, DMS, iv.10, rank # 1) and the low number of students in these fields. Moreover, as is the case in many richer countries, some of the benefits of economic growth are consumed in the form of more leisure, a factor exacerbated by ageing demographics.

The usual remedies, an increase in the age of retirement and the supply of female labor, as well as more immigration, each have their own problem set. While Switzerland's political system has many benefits (as mirrored by *State Capture*, i.1, rank # 6), direct democracy can be an obstacle when attempting to re-

form the pension system. Even a tiny reform, an increase in the retirement age for women by one year, cushioned by generous transfers for transition generations, was almost turned down in a referendum last year. The same fate looms over other necessary reforms. The inability to enact reforms has consequences for the financial viability of the Swiss system, its distributional impacts (value transfers from the young to the old) and the incentives to work.

Another issue is the country's high costs for motherhood and the high share of part-time working mothers. The reasons for this are manifold: childcare remains expensive, family policies are ungenerous, and the high progressivity of the tax-transfer system generates disincentives for the second worker in the family. Moreover, an important barrier to increasing female labor supply can be traced to gender norms in favor of mothers staying at home.

Switzerland has always had a strong inflow of foreign workers, even more so after the 1999 Agreement on the Free Movement of Persons with the EU. But while the benefits of immigration are well established and go well beyond 'filling gaps' in certain fields, its costs are now widely discussed, above all its impact on the low availability and high cost of housing. While part of this problem comes as a consequence of the inflow of workers (this year exacerbated by refugees from Ukraine), some can be traced to internal causes such as the demand for housing. In any case, Switzerland needs strategies to deal with a rapidly increasing population and limited available space.

Two of the biggest challenges, however, cannot be tackled at home. One is Switzerland's tense relation with the EU after the termination of the framework agreement in 2021, which had negative consequences for both firms and research institutions. Even more important, but also more complicated due to the multilateral nature of the issue, is climate change. It is in the country's own interest to apply the Value Creation models evidenced by its high EQx scores in the context of international collaboration. This includes developing new technologies to combat climate change. The world's Sustainable Value Creation depends upon on all countries improving their elite quality.

*Prof. Monika Büttler, Independent Economist*

# Switzerland

## EQx2023 Country Scorecard

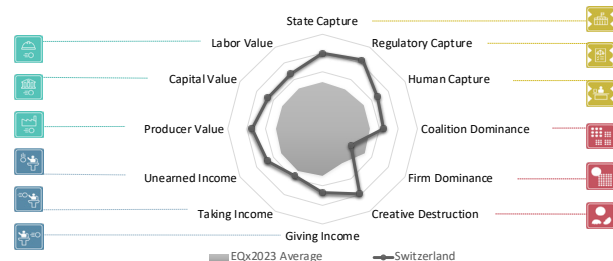
Population **8.7 million**  
 GDP (nominal) **801 billion USD**  
 GDP per capita **91'992 USD**



<b>Level 1 – Index</b>	<b>EQx Rank / 151</b> <b>1</b>	<b>EQx Score</b> <b>68.0</b>	<b>NextGen VCB Rank</b> <b>Rank 3</b>	<b>Very High Quality Elites</b>
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Level 2 – Sub-Indices & Index Areas	EQx Sub-Indices				EQx Index Areas							
	Power		Value		Political Power (i)		Economic Power (ii)		Political Value (iii)		Economic Value (iv)	
	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score
	11	69.9	2	67.0	6	78.5	15	65.6	2	63.6	2	68.8

Level 3 – Pillars	Rank / 151	Score
Economic Power (ii)	6	83.7
Political Value (iii)	18	67.1
Economic Value (iv)	20	64.2
	143	34.6
	8	78.8
	2	67.3
	30	57.4
	3	66.8
	2	74.3
	3	66.1
	12	66.9



Level 4 – EQx Indicators	Rank / 151	Score
Regulatory Capture (i.2)	1	100.0
Human Capture (i.3)	1	100.0
Coalition Dominance (i.4)	1	100.0
Firm Dominance (i.5)	1	100.0
Creative Destruction (ii.6)	1	100.0
Giving Income (iii.7)	1	100.0

Rank / 151	Score
23	74.3
20	69.9
3	95.4
43	61.4
46	68.2
5	96.1
10	73.0
16	78.1
6	65.8
24	77.9
119	7.0
112	27.0
112	35.3
1	54.2
51	57.0
124	33.1
30	71.2
71	57.4
4	71.0
1	100.0
20	80.9
17	60.3
41	67.9
34	66.1
1	100.0
8	97.4
7	97.1
27	56.9
100	51.2
101	37.6
100	49.4
20	69.6
86	46.3
13	61.2
93	47.2
125	22.6
17	56.0
17	65.7
1	100.0
18	75.8
8	68.7
46	54.9
1	100.0
6	92.4
5	89.3
1	100.0
18	74.0
4	71.2
146	7.0
6	60.1
12	58.9
3	73.9
1	100.0
46	55.6
63	42.5
20	28.5
6	55.0
1	100.0
41	43.5
61	49.7
21	58.5
28	69.0
46	66.2
64	61.5
36	69.0
1	100.0

The Elite Quality Report 2023 (EQx2023) provides Country Scores and Global Rankings for 151 countries © Foundation for Value Creation 2023