



Switzerland Report

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Sustainable Governance
Indicators 2016

Executive Summary

Governance in Switzerland showed considerable continuity in the 2014-2015 period. This applies to the country's overall quality of democracy, policy-specific performance and management structures. By implication, shortcomings as well as strengths have been preserved. Many challenges that existed a year ago still exist, and some have even been amplified to an extreme degree (see "Key Challenges"). Most dramatic in this regard are probably the developments in relations with the European Union, where Switzerland risks a confrontation with unclear outcome. Very little progress has been made in regulating the conflicts with the EU during the past year, solutions to which must be found by February 2017.

In addition, conflicts regarding the extent to which Swiss society should be opened toward the international environment and conflicts between economic interests and the political goal of sovereignty have intensified. Closely related to these issues is the continuing political strength of national-conservative and populist forces. The two largest right-wing parties, the Swiss People's Party (SVP) and the FDP Liberals, won an additional combined 3.2 % of votes in the national election on 18 October 2015, allowing them to secure a majority of seats in the National Council (Nationalrat) together with a few smaller right-wing parties. Green parties lost 2.1%, the centrist Christian Democrats lost 1.2%, while the Social Democrats won 0.6 percent. This tilt of power toward the political right suggests that the extent to which Switzerland should open itself up has become a much more divisive issue to which issues regarding the environment or social welfare have taken a backseat.

In September 2015, the Council of States (Ständerat) reached a compromise on the urgently needed reform the pension scheme. Given the new distribution of power in the National Council, it is unlikely that this compromise will hold.

There is no doubt that Switzerland is a stable and well-functioning democracy. The country certainly belongs to the group of countries with a high quality of democracy. This applies to the input functions as well as the output of a responsive and responsible government. As in the previous period, the former consociational and corporatist style of Swiss democracy has been normalized in various ways. Switzerland is still a consensus-based democracy, but much less so than was the case 20 or 30 years ago, as populist tendencies have grown

and divisive conflicts in political relations have become increasingly acceptable. And while the social partnership system continues to facilitate smooth economic operations and the incorporation of interest groups into legislation development, the impact of individual firms and lobbyists in exerting pressure has grown. At the same time, the strength of traditional social partnership organizations has weakened.

In terms of policy performance, Switzerland must be regarded as extremely competitive. Compared with other European countries and previous SGI survey periods, its policy performance has improved. A major challenge is the exchange rate of the Swiss franc to the euro. On 15 January 2015, the Swiss National Bank ceased to support a lower limit of 1 euro corresponding to 1.20 Swiss francs. This led to a further appreciation of the franc, injuring the country's export position. Thus far (December 2015), the consequences have been met with considerable success. However, it is unclear whether the country will continue to maintain its competitive position.

There are signs that the policy decisions made in 2014 regarding a cap on immigration will lead to greater reluctance on the part of foreign firms to keep up the close trade and production relationships of the past. A failure to reach an understanding with the EU would in all likelihood lead to huge economic costs, provided Switzerland insists on the implementation of the new constitutional article allowing for a cap on immigration. Throughout 2015, however, unemployment rates have remained low and public finances have been strong as the country has maintained a budget surplus. In addition, Switzerland continues to enjoy the benefits of a sustainable welfare state excellent education system.

Having lagged from the 1970s until about 2005, Swiss economic growth has today become more dynamic. The country weathered the post-2007 crisis period, the instability of the euro zone, and the shocks of the European sovereign debt crisis remarkably well. While some economic liberalization was introduced over the past 15 years, this trend has not been continued in recent years. For example, the attempt to amend the law on cartels has failed, and domestic industries – in particular farming – have been greatly supported by new legislative projects, including the implementation of the “Swissness” law in June 2013. In 2015, several conflicts emerged between protectionist interests – in particular in agriculture and the food-processing industries – and demands for a further liberalization of the domestic economy.

Professionalization within the country's political and administrative elite is somewhat limited. Political positions in the legislative branch are based on the so-called militia system (or Milizsystem, which is referred to as such

because, like soldiers in the Swiss Army, these are not full-time positions). This applies also to many executive and administrative positions at the lower levels of the political system. Coordination within and across administrative offices is often poor.

As was the case in the previous period, populist sentiment, often in tension with international human rights discourse, has grown in Switzerland. Swiss political discourse traditionally emphasizes the sovereignty of the Swiss people, and this is manifest in popular referenda that are only marginally influenced by international legal norms. The gap between popular Swiss perceptions of sovereignty and global human-rights norms was not mitigated in 2014 – 2015. Rather, in the spring of 2015, the Swiss People's Party began collecting signatures for an initiative to amend the constitution in order to grant Swiss law precedence over international law, excepting narrowly defined peremptory norms (*jus cogens*).

Changing patterns of immigration have spawned increasing conflict. For decades, Switzerland has been dependent on a flexible inflow both of highly qualified and low-skilled employees. As a result, the recruitment of foreign labor was always bimodal, showing a strong overrepresentation of foreigners at the bottom and top of the job hierarchy. On the one hand, these labor inflows relieved Switzerland from the burden of paying for the training and education of a large segment of its highly skilled labor force. In addition, this flexibility helped alleviate pressure on the welfare state, since the nation's demographic profile was shifted toward a younger, often foreign-born population with a high employment-participation rate.

In addition, since most of the economic growth in recent years has been primarily a consequence of an increasing volume of labor (i.e., the number of hours worked has increased due to the presence of more workers, leading in turn to a higher gross domestic product), the growth model is dependent on an increasing inflow of foreign labor under the condition of large markets for Swiss exports. On the other hand, these high immigration rates – representing about 1% of the population annually – continue to produce considerable social costs associated with integration. The country's liberal refugee policy has become the subject of controversy and presents a second source of political conflict as some two-thirds of refugees have not been integrated into the labor market even after years of residence and more than 80 percent of refugees depend on welfare (KEK-CDC 2014).

In the past, opposition to immigration came largely from lower-class Swiss citizens, who felt themselves to be in competition with foreign workers in the areas of employment, housing and education. But the new immigration

patterns have also intensified the concerns felt by middle-class Swiss citizens, who have hitherto enjoyed almost unchallenged status and employment opportunities.

During the period under review, Switzerland was forced to accept that some of its policies were no longer practical, and that some advantageous solutions of the past were no longer sustainable.

Under pressure from the United States, the Swiss government abolished in 2014 its veil of banking secrecy. In 2015 and under pressure from the EU, the government began consultations regarding the introduction of a new tax system for enterprises. The goal here is to terminate the Swiss cantons' long-running policy of taxing the profits of national and international firms differently (so-called ring fencing). Swiss elites thus learned the hard way that their sovereignty is strictly limited in certain policy fields.

The decline of banking secrecy and the tax reform offered a stark contrast to the dominant national discourse, which argues that Switzerland can pursue autonomous and smart strategies in a globalized world by occupying policy niches left open by the great powers. The traditional discourse of sovereignty through intelligence increasingly conflicts with the realities of an integrated Europe, in which neighboring countries have criticized Switzerland as a free rider.

Finally, after the passage of the initiative against mass immigration in February 2014, a large number of domestic politicians claimed – and some may also have indeed expected – that the EU was willing to enter into discussions with Switzerland about the free movement of labor. However, the EU made it clear that it was not willing to enter any such discussions. This forces Switzerland to develop strategies which are compatible both with the views of the majority of the citizenry and the country's economic interests. One such strategy would be to propose a new popular initiative that could repeal the vote of February 2014. Another, and probably more likely strategy, would be to save face by muddling-through and revising the constitutional rule, thereby giving bilateral treaties precedence over the initiative-based restrictions on immigration.

Citation:

KEK-CDC, 2014: Erwerbsbeteiligung von anerkannten Flüchtlingen und vorläufig Aufgenommenen auf dem Schweizer Arbeitsmarkt. Studie im Auftrag des Bundesamtes für Migration, available at <https://www.sem.admin.ch/content/dam/data/sem/integration/berichte/va-flue/res-studie-erwerbsbet-va-flue-d.pdf>

Key Challenges

Switzerland faced interrelated challenges as the 2014-2015 period closed, all of which were also evident in the previous period. Arguably, Switzerland's government cannot avoid developing – or seeking to develop – a convincing strategy with regard to each of these issues. These include the challenges with regard to European integration, to national identity and being a country with a huge share of foreign workers and inhabitants; the increasing problems related to implementing popular referendums; and the need to reform the pension system.

First, the country's relationship with the European Union remains founded on a provisional and increasingly fragile basis. The realities of domestic politics have, in the past, made bilateral agreements the only practical solution, as neither a policy of “going it alone” nor EU membership seemed feasible strategies. However, the bilateral solution is becoming increasingly difficult to maintain. Switzerland will have to offer an institutional solution enabling existing treaties to be updated and further developed, as well as systems of legal conflict resolution that meet the requirements of the European Union. In the fall of 2015, negotiations reached a stalemate, requiring the process to start once again. However, any new institutional agreement between Switzerland and the EU will face resistance in domestic politics. The national-conservative populist Swiss People's Party has already declared its intent to oppose any reduction of sovereignty vehemently.

Even more importantly, in February 2014, the Swiss people passed an initiative on mass immigration that requires a cap on immigration and the renegotiation of all international treaties that could violate this cap. This is clearly at odds with existing bilateral treaties with the EU. As implementation of the policy nears, Swiss political elites are confronted with either having to renegotiate, terminate or deliberately violate the existing treaty with the EU on the free movement of labor. Renegotiating the treaty does not seem to be politically feasible at the moment, as the EU has made a very clear statement in this regard. Terminating or violating the bilateral treaty (partly as a consequence of other bilateral treaties) would in all likelihood have serious economic consequences for Switzerland. And while the need for a way out of this impasse continues to grow, media analyses show that most of the country's political elites continue to present Switzerland as holding strong negotiating position vis-à-vis Europe and that the stop immigration initiative is a feasible option in reducing immigration.

Similarly, the challenge of limiting political conflicts generated by migration has grown. The share of foreigners within Switzerland's population is among the highest worldwide. Moreover, an extraordinarily high proportion of elite positions in the economy and the higher education system are staffed by foreigners. Immigration has stimulated economic growth. Some observers even argue that it is essential for the country to continue recruiting highly skilled labor in order to sustain the country's high economic growth rate. But immigration has also prompted considerable concern, most notably among Swiss workers, about housing prices, jobs, and the use of infrastructure such as roads and public transportation. Swiss workers constitute the base of the right-wing populist Swiss Peoples Party (SVP), which is today one of the strongest such parties in Europe in terms of votes, representation in government and its success in referenda. This strength is not due to an extraordinary large share of citizens with strong xenophobic attitudes. At least in international comparison, Switzerland and some of the Nordic European democracies show a relatively low level of xenophobia overall. Nonetheless, the SVP has been extremely successful in mobilizing xenophobic elements in the population, as demonstrated by its electoral win on 18 October 2015.

This points to another challenge, which has become more important given the growing number of popular initiatives that have been approved in recent years. These popular initiatives concern new articles in the constitution that have been developed outside the parliamentary process. In some cases, these initiatives are in conflict with the views of the government and the federal administration, and frequently they are difficult to implement. This has contributed to a significantly larger share of initiatives that are not or are incompletely implemented. The non-implementation of constitutional amendments derived from initiatives is not entirely new. Historical examples of provisions left unimplemented include the prohibition on absinth (1908) and the ban on gambling houses (1920/21). However, these precedents are few and the exponents of these initiatives were not in the center of the political system.

By contrast, the number of successful initiatives has grown in recent years, and advocates of these initiatives such as the SVP and related organizations are politically powerful. These initiatives remain only partially implemented because full implementation would violate either international law or international treaties. This puts the administration in a difficult position: While full implementation would violate international rules, partial implementation gives rise to accusations among right-wing politicians that the "will of the people" is not respected. In turn, this generates debates (also in parliament) regarding the institutional aspects of direct democracy. Should there be legal restrictions to popular initiatives that potentially violate international law? The

question is highly controversial as the SVP has launched an initiative aiming to grant domestic law considerable priority over international law.

Finally, as in most other mature democracies, Switzerland's pension system must cope with demographic changes involving a considerable increase in the share of the population being aged 65 and older. To date, the system has been sustainable and provides relatively generous pension payments. But in the long run, absent exceptionally strong growth in productivity or gross domestic product, either the average retirement age will need to be increased or the level of benefits reduced. After several failed attempts at modernization, the government recently proposed a plan that combines various strategies, so that even those that lose under some reform elements will benefit from others. However, this balanced proposal has been heavily attacked from all political quarters. If this plan fails, however, it is very unlikely that a new plan can be developed and implemented before the demographic developments cause major problems with regard to financing the present pension system. In the fall of 2015, the Council of States arrived at a compromise. However, given the new right-wing majorities after the national election on 18 October 2015, it is very unlikely that this compromise will be supported in the National Council. Given the fact that Switzerland has a strictly bicameral system, it will likely take a long time for a new compromise to be hammered out.

Policy Performance

I. Economic Policies

Economy

Economic Policy
Score: 8

The Swiss economic policy regime combines a variety of elements. The common denominator is the practice of muddling-through as standard operational procedure and heterodoxy as the primary philosophy underlying economic policymaking. For example, it is a very liberal regime with regard to the regulation of the labor market, in particular to hiring and firing. The rules in this area are very close to those of the United States. By contrast, it was in the past a very illiberal and politicized regime with regard to the in- and outflow of foreign labor. The country's economic policy regime is based on the integration of employers and trade unions into the policymaking process, with employers having the largest amount of influence ("liberal corporatism") and trade unions serving as junior partners. For trade unions, this corporatism has made sense, since it resulted in a regime of full employment (at least for Swiss citizens), high wages and generous private social policy implemented on the firm level. In addition, public-sector social policy has been expanded in terms of programs and expenditure levels.

Throughout the 20th century, Switzerland maintained a very protectionist policy regime, allowing for cartels and the exclusion of competition. The main beneficiaries were farmers, who were protected from world market competition by high tariffs and strict non-tariff barriers, as well as small and medium-sized businesses and service providers producing for the domestic market. Furthermore, collusive pricing was tolerated, while competition between providers and producers was limited by the variance in cantonal regulations. This latter aspect made it very difficult for businesses to make competitive offers and win bids outside their home cantons. The former policy of protectionism has changed considerably since the mid-2000s due to a deliberate strategy of market liberalization. This seemed to come to a halt in the period under consideration, since about 2005. For example, an amendment

to the law on cartels failed, since it would have reduced the influence of the primary economic interest organizations within the competition agency's governing board. Likewise, parliament passed a law on "Swissness" in 2013, which established rules on whether a product may be labeled "Swiss made." Some rules expected to be implemented as a result would benefit strongly domestic producers, in particular farmers

Economists have attributed the Swiss economy's strong growth since about 2005 to some of its liberalizing reforms. Others point to the fact that most of the increase in domestic product is not due to higher productivity (GDP per capita), but rather to the increasing volume of hours worked, which itself is at least partially a result of population growth (1% per year, mostly due to immigration). This growth is conditional in export markets. In the past 15 years, Switzerland's current account balance has been positive, with exports exceeding imports. A considerable share of recent economic growth is therefore export-driven, which makes Switzerland very much dependent on export markets. The appreciation of the Swiss franc since 15 January 2015 and the country's increasingly rocky relationship with the EU pose imminent dangers to the continued success of its export-oriented economy.

The government levies low taxes on both labor and capital, producing relatively small tax wedges. In return, this liberal state does not make significant interventions into the business cycle. Rather, it used to pursue a prudent and basically pro-cyclical fiscal policy. In times of major economic problems, such as in 2008 and 2009, fiscal stimulation packages have been implemented. However, for institutional and political reasons, these packages have typically been very limited in size. In addition, it proved difficult to implement these packages swiftly. In fact, many of the resources contained in these fiscal programs have not been taken up by employers.

Industrial policy as a means of actively influencing industrial structure has been eschewed by the Swiss government. Rather, the government has restricted itself to facilitating the modernization of industries by creating favorable conditions for economic activity. In the financial field, Switzerland has improved its surveillance of banks and has set high standards for prudential banking regulations since the onset of the "great recession" in 2008.

The country's policymakers have long placed particular emphasis on maintaining a prudent fiscal policy (low deficit and debt levels) and price stability. This prudence has resulted from a combination of institutional factors, in particular the fiscal weakness of the federal state compared to the cantons, rules limiting excessive deficits and debts (for example, a so-called debt brake), and the effects of direct democracy. Citizens have typically been

reluctant to accept any policy changes that might imply an increase in taxation. These institutional factors have been further reinforced by the distribution of political power, in particular by the weakness of the political left, and the presence of a strong party (the Free Democrats, which are in this respect liberal) that supports a constrained tax state. Responsibility for price stability is left to the independent National Bank, which is tasked with maintaining price stability as a primary goal, and has the tools of monetary and interest-rate policy at its disposal.

In general, decision-makers have pursued a very pragmatic and heterodox economic policy, and have shown themselves willing to disregard liberal norms of policymaking if the need arises. For example, in recent years the Swiss government and the Swiss National Bank intervened massively to prevent the bankruptcies of Swiss International Air Lines, the national airline, and UBS, one of the country's two major banks. The support of the UBS turned out in the end to be a success for taxpayers.

This policy regime, which has been both liberal and protectionist, has come under pressure due to various changes in the economic environment. For one, deindustrialization and a marked shift to a service economy has meant a change in the demand for labor. The industrial sector once offered a large number of jobs with low skill requirements. These jobs were staffed to a disproportional extent by foreign labor. Due to the rules of the work permit system, many foreign workers gained access to unlimited work permits between the mid-1970s and the mid-1990s. However, given their low skill levels, there is not enough demand for these employees in the modern high-skill service sector. Hence, the unemployment curve has shifted upward, and is today characterized by high rates of unemployment among foreign workers with low skills.

At the same time, employers are recruiting increasingly highly skilled labor for the service sector. It is true that Switzerland has depended on the inflow of highly skilled employees for the last century, but this process has further intensified during the last 20 years, when the proportion of highly skilled employees among immigrant workers rose. In 2014, the share of foreign workers with tertiary education among all foreign workers is almost the same as this share among Swiss employees (36% as compared to 37%). In contrast, the share of foreign workers with low qualifications among all foreign employees is more than double (25.6%) the respective share among Swiss employees (11.5%), which has contributed to growing social tensions. Historically, the highly educated Swiss middle classes have been very much in favor of a pro-foreigner policy, as long as these foreigners did not offer major competition for this social sector's jobs and housing opportunities. With the

increasing inflow of highly skilled German labor, this tolerance might have eroded. For example, the 2014 initiative capping immigration has won majority support among all educational groups except those with tertiary education at universities and universities of applied science or those with a high school diploma. But even within these groups, the initiative received 30% or more.

Globalization has also led to the increasing importance of international organizations such as the WTO. Given its reliance on sectors such as chemicals and machine production, banking and tourism, Switzerland has had no option but to accept the liberalization of trade and services. Moreover, liberalization was accelerated by the bilateral treaties with the European Union. Even beyond these treaties, practically all new economic law has followed EU standards. As a consequence of globalization and Europeanization, most sectors once strongly shielded by protectionist policies have become liberalized. Agriculture offers a major case in point. As a result of this liberalization from outside, the previous complementarity between protected domestic industries and a world-market-oriented industry – the driver of Switzerland's post-war economic successes – has become strained. The potential increase in tensions between the export and domestic sectors has not resulted in open conflict, with the exception of some minor actions at the beginning of the liberalization period. Yet these developments have increasingly undermined the country's system of interest representation and the corporatist structure of interest intermediation. Interest organizations, in particular employers' groups, have lost support, while their members have increasingly turned to lobbying on an individual-firm basis.

On a related note, Switzerland has not yet solved the question of its long-term relationship with the European Union. In the 2014-2015 period, the quest for politically and economically sustainable solutions became more pressing. Previous solutions have entailed bilateral agreements between the European Union and Switzerland, which have had major implications for the further liberalization of the service and agriculture sectors. In addition, immigration policy has changed substantially. Switzerland has abstained from any further recruitment of foreign labor from non-EU countries (for which there is little demand anyway), and has instead liberalized the immigration regime with EU countries. Essentially, this has meant free movement of labor between Switzerland and the European Union, intensifying the new problems and cleavages associated with the recruitment of highly skilled employees from abroad. However, this bilateral strategy faces major problems today. The European Union has requested new institutional solutions to complement and reinvigorate the bilateral relationship. It argues that the implementation and update of bilateral agreements has become too costly in terms of time and

internal conflict. Specifically, the EU has insisted on the creation of independent institutions for the settlement of disputes on the basis of the bilateral agreements, as well as mechanisms for updating bilateral agreements without having to resort to new full-scale negotiations. As of fall 2015, no new institutional solutions have been found yet. Rather, in October 2015, the negotiations on an institutional agreement came to a halt, making a new start necessary, thereby calling Swiss-EU relations into question. Given the country's close integration with the EU market – between 59% (2010) and 45% (2014) of Swiss exports go to the European Union, and between 78% (2010) and 66% of its imports come from the EU – Switzerland is highly dependent on a functional working relationship with this much larger economic partner, although the importance of EU trade has declined somewhat in recent years. By contrast, the EU is much less dependent on Switzerland.

The public initiative to cap immigration when it serves Swiss economic interests that was passed in February 2014 has exacerbated EU-Swiss tensions. Any international treaty that is not compatible with this limit must be renegotiated or terminated within three years. The treaty between Switzerland and the European Union on the free movement of labor will either need to be renegotiated or Switzerland will effectively deliberately violate the treaty. However, shortly after the initiative's passage, the EU signaled that it was not willing to enter negotiations on this issue. This poses a major challenge for the Swiss economy and economic policy, since it endangers the inflow of the (highly skilled) labor from the European Union on which the Swiss economy in combination with access to international markets depends. Since the treaty on the free movement of labor is also linked with several other important bilateral treaties – if one treaty is terminated, the other treaties are also terminated automatically – this represents a major threat to economic exchange between Switzerland and neighboring EU nations. At the moment, there is no solution in sight, and in all likelihood, Switzerland will have to give in – which may give rise to considerable frustration among those citizens who voted “yes” in February 2014 and who expect their government to reduce the inflow of foreigners.

Broadly perceived as a laggard in the development of its welfare state, Switzerland caught up in the post-war period. Today it has a mature and generous liberal-conservative welfare state. In times of demographic change, this welfare state is only sustainable through high rates of economic growth. It is far from clear whether these high rates of growth can be realized in the future, in particular if the inflow of foreign labor from and trade with the EU is negatively affected by the implementation of the constitutional article on mass immigration.

Labor Markets

Labor Market
Policy
Score: 9

Swiss labor-market policy is largely a success story, with some blots on the record. Labor-market flexibility in terms of hiring and firing rules is very high; trade unions and their representatives or allies on the firm level have no legal ability to interfere with employers' human-resources decisions (in contrast to Germany), and there is no minimum wage – a policy that was rejected by the Swiss people in a popular vote in 2014. Although the “golden age” of containing unemployment through the political management of the inflow and outflow of labor from other countries is past, the achievements of Swiss labor-market policy remain remarkable. In September 2015, unemployment stood at 3.2%. Youth unemployment (among 15- to 24-year-olds) is only insignificantly above the average unemployment rate (3.5% in September 2015), and the employment ratio (the working population as a percent of the working-age population) of 84% in the 2nd quarter of 2015 was well above the average employment rate in neighboring countries.

Nevertheless, a few major problems are evident. The high employment rate is due to a particularly high share of part-time work. About 17% of men and more than 60% of employed women work part-time. The employment rate of women overall has increased dramatically in recent decades. In 2014, the female employment rate was 75%. However, the employment rate for women is still considerably lower than that among men (84%).

A number of other inequities are also evident. Unemployment rates are highest among low-skilled foreign workers. There is still considerable wage inequality between men and women. In 2014, the median monthly wage in the private sector was CHF 6,189 for all employees, CHF 6,536 for men and CHF 5,548 for women. Not all of these differences can be attributed to different skill levels; discrimination and the high share of part-time employment among women, which is an impediment to establishing a standard career, also play a role.

Highly skilled workers from EU countries pose few problems for Swiss labor-market policy, particularly since these employees are quite likely to return to their native country after a period of employment in Switzerland (Cueni and Sheldon 2011). In contrast, low-skilled foreign workers tend to stay in the country even if they become unemployed.

The employment rate among older workers is very high in international comparison. The government rejected any proposal to raise the age of retirement arguing that there is not sufficient demand for workers over 65. Raising the retirement age has been a major issue in the current pension

system reform, although those in favor of raising the age are aware that this proposal is doomed to fail if put to a popular vote.

Citation:

CUENI, D. & SHELDON, G. 2011. Arbeitsmarktintegration von EU/EFTA-Bürgerinnen und Bürgern in der Schweiz. Schlussbericht zu einer Studie im Auftrag des Bundesamtes für Migration (BFM), Basel, FORSCHUNGSSTELLE FÜR ARBEITSMARKT- UND INDUSTRIEÖKONOMIK (FAI).

Taxes

Tax Policy
Score: 9

The Swiss tax ratio is significantly below the OECD average, and tax rates, particularly for business, are moderate. Taxation policies are competitive and generate sufficient public revenues. Fiscal federalism (the responsibility of the municipalities, the cantons and the federation to cover their expenses with their own revenue) and Swiss citizens' right to decide on fiscal legislation have led to a lean state with relatively low levels of public-sector employment so far. Nonetheless, it is important to note that due to the principle of federalism, tax rates can differ substantially between regions, as individual cantons and local communities have the power to set regional tax levels.

However, it should be noted that Switzerland's apparently small government revenue as a percent of GDP can be attributed in part to the way in which the statistics are calculated. Contributions to the occupational pension system (the so-called second pillar) and the health insurance program – which are non-state organizations – are excluded from government revenue calculations. The share of government revenue as a percent of GDP would be about 10 percentage points higher if contributions to these two programs were included. This would bring Switzerland up to the OECD average in terms of public revenue.

Tax policy does not impede competitiveness. Switzerland ranks at or near the top of competitiveness indexes, and given its low level of taxation is highly attractive for corporate and personal taxpayers both domestically and internationally.

Tax policy has contributed to an excellent balance between revenues and expenditures. Switzerland has a very low public debt (35% of GDP in 2014) and a positive financial balance – that is, the government's revenues exceed government spending.

The country's tax policy has come under pressure from the OECD and European Union because of the ability to treat national and international firms differently on the cantonal level. The federal government has responded to

these pressures, introducing a reform of corporate-taxation policy. This reform has progressed substantially in 2015 and will prohibit Swiss cantons from taxing the profits of national and international firms differently (so-called ring fencing).

Budgets

Budgetary Policy
Score: 10

Budgetary policy in Switzerland is fiscally sustainable. Gross public debt (general government) started to increase in the mid-1990s from a low level of 38% of GDP to reach a peak of 58% in 2004, but had receded to 35% by 2014. Structurally adjusted budgets were balanced even during the crisis of 2008 – 2009. In 2015, the federal state ran a positive balance, spending less than it received.

This fiscal sustainability is mainly due to the political decision to have a low tax load and a lean state. In addition, keeping the public deficit and debt low has been a major concern of politicians at all levels of the political system. Various rules and means have been developed in order to avoid the dynamics of expanding budgets. For example, on the federal level, there is the constitutional debt brake (Article 126, Article 159): “The maximum of the total expenditures which may be budgeted shall be determined by the expected receipts, taking into account the economic situation.” Direct democracy offers another effective means of keeping the budget within limits. In popular votes, the people have proven reluctant (compared in particular to members of parliaments when elections are drawing near) to support the expansion of state tasks with a corresponding rise in taxes and/or public debt.

Even taking into account the fact that some individual cantonal and municipal governments do pursue unsustainable budgetary policies, the total (i.e., general government) budgetary policy achievement arguably puts Switzerland in the OECD’s top group in terms of fiscally sustainable national policies.

Research and Innovation

R&I Policy
Score: 9

Switzerland’s achievement in terms of innovation is considerable. It spends 3% of its GNP on research. A total of 75% of research spending is corporate spending with the direct aim of economic innovation, an important factor in the country’s strong overall competitiveness. With a share of about 25%, public research funding plays a lesser role, and depends on five main actors: the cantonal universities, the two federal institutes of technology, the National Science Foundation, the Federal Commission for Technology and Innovation,

and the academies of sciences. These actors are independent of each other, but cooperate on the basis of complementarity and (although limited) competition. The various institutions are highly autonomous, and research policies and processes are driven by bottom-up operations. Thus, Swiss research policy is not centralized, but rather relies on a concept of decentralized innovation with periodic intervention by the federal government.

The output of the research system is impressive. The Federal Institute of Technology Zurich (Eidgenössische Technische Hochschule Zürich) is one of the top-ranked universities in the world and the universities of Basel, Bern, Geneva, and Zurich regularly appear on the list of the 200 best universities worldwide.

Some deficits persist, however, such as the coordination of universities and the new universities of applied sciences or the weakness in social science and humanities research relative to that conducted in the natural sciences or technological field.

Global Financial System

Stabilizing
Global Financial
Markets
Score: 8

Switzerland is one of the world's most significant financial markets. Swiss banks such as UBS and Credit Suisse are global financial players. The post-2007 global crisis and the economic problems of UBS in Switzerland – which forced the Swiss government to intervene massively in order to avoid bankruptcy of this major bank in 2008 – triggered banking reforms within Switzerland. The federal government, bankers and international organizations such as the OECD claim that Swiss private and public actors have been active on the global level in reforming the international banking system, in particular in interaction with the regulatory bodies in the United Kingdom, the United States and the European Union.

After the financial crisis of 2007 and 2008, the government introduced measures to deal with the problem of banks being “too big to fail.” Though it remains unclear whether these new rules and institutions will be sufficient in the event of a major crisis, the Swiss approach numbers among the most sound and prudent systems of regulation worldwide.

II. Social Policies

Education

Education Policy
Score: 8

Switzerland's education system is strongly influenced by the country's federal and decentralized structure, as education policy falls under the jurisdiction of the cantons and municipalities. The system provides a high-quality education. The university system performs very well, as is the case in many other small and open European countries. Vocational training is very solid, and seems to be one of the most important factors in the low levels of unemployment, particularly among younger people. The permeability of vocational and tertiary education has improved as compared to other countries. The number of students enrolled at universities, universities of applied sciences and colleges of education nearly doubled from 2000 to 2015.

While women and – with some exceptions – persons from peripheral regions have equal access to higher education, the Swiss education system continues to discriminate at all levels against students from families with low social status. There is no empirical evidence that the education system discriminates against foreigners born in the country. Their lower success rates can be explained as a special case of discrimination against students from families with low social status.

In this context, we have to mention a federal particularity in higher education. Some cantons such as Geneva and Tessin have followed international trends favoring general qualification for university entrance, while others, especially in the German-speaking portions of the country, have focused instead on a split system of university and vocational education. Thus, in the cantons of Ticino 53% of all 19-21 year-olds acquire the matura secondary-school exit diploma, allowing them to go on to university followed by the cantons of Geneva and Neuchatel with 46% while in the canton of Uri, only 30% of 19-year-olds gain direct access to universities (2014). However, the effect of this "federal" discrimination is somewhat reduced by the permeability within the school and university system. Likewise, the vocational-training system offers considerable career prospects. Finally, resource allocation within the educational system seems to be very efficient.

In general, the quality of the Swiss education system is outstanding. However, given the strong impact of parents' social status on access to higher education, there are questions about overall equity in terms of access.

Social Inclusion

Social Inclusion
Policy
Score: 8

Switzerland is largely successful at preventing poverty. This is due to an effective system of social assistance, in particular with regard to older generations. It is rare to fall into poverty after retirement.

The main social-insurance programs regulated on the federal level (addressing sickness, unemployment, accident and old age) work effectively and are comparatively sustainable. A generous level of benefits is provided. Social assistance is means-tested, and some stigma is attached to its receipt.

Life satisfaction is very high, income inequality is moderate, the share of working poor in the population is small and gender inequality has been reduced substantially in recent years. However, some problems and tensions relating to social inclusion are evident.

First, the transition to a knowledge-based service society entails new social risks. These will be faced by workers who cannot cope with the challenges of such a society, such as young people who lack either the cognitive or psychological resources to obtain sufficient training and start a normal career; single mothers who are unable to finish vocational training; highly skilled female employees who cannot reconcile work and family; persons (in practice, typically women) who have to care for frail elderly people and cannot devote sufficient time to a full-time job, and other such individuals. Like most continental welfare states, Switzerland has not sufficiently reformed a welfare state with roots in an industrial-age economy to address the challenges of a service-based society.

Second, tensions between Swiss citizens and foreigners over the benefits provided by the welfare state, as well as their financing, is increasing. In 2013, foreign workers representing 30% of the workforce accounted for 48% of the unemployed and 47% of social-aid recipients. It should be noted that unemployment and poverty is pronounced among low-skilled workers, where foreigners are over-represented. At the same time, highly skilled foreign employees subsidize a Swiss welfare state that benefits low-skilled foreign workers and middle-class Swiss workers (BSV 2015). In addition, the growing population of foreign workers increases the burdens placed on infrastructure such as railways and highways, competition with Swiss citizens on the housing market, and tightens competition for highly paid and desirable jobs as well. This state of affairs has fueled the number of conflicts and sparked tensions and frustration on all sides. To date there has been no constructive discussion and search for solutions within Swiss society, a process that could include the termination of the mythology attached to sovereign Swiss citizenship. Instead,

right-wing populism is on the rise, with the right-wing populist Swiss People's Party (SVP) becoming the strongest political force in the country.

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BSV (Bundesamt für Sozialversicherungen), 2015: Faktenblatt - Auswirkungen der Personenfreizügigkeit EU/EFTA auf Sozialversicherungen und Sozialhilfe, available at: <http://www.bsv.admin.ch/themen/internationales/aktuell/index.html?lang=de>

Health

Health Policy
Score: 9

Health care in Switzerland is said to be qualitatively excellent. A policymaking health insurance mandatory ensures that the total population is covered, but care is expensive. Cost efficiency is a potential problem, in particular with regard to the organization of hospitals. Life expectancy is very high, life expectancy at birth is 81 years for males and 85 years for females. As of 2014, a 65-year-old male could expect to live for another 19 years on average, while a woman of the same age could look forward to another 22 years. This is about two years more than in Germany. Obviously, the health care system is important in this respect but is not the only explanatory variable; differences may also be due to the country's socioeconomic resources, natural environment, or other variables.

Health insurance is managed according to a very liberal formula. Premiums for health insurance do not depend on income, and premiums do not take into account the number of family members. Hence, insurance must be bought for each member of the family, although premiums are reduced for children. In recent years, this liberal model has been modified through the provision of subsidies for low-wage earners and their families. These subsidies vary by canton, and policy change is frequent. For example, the canton of Bern has reduced subsidies in recent years. In general, health care reforms have not been particularly successful in terms of improving efficiency or controlling the structural rise in health expenditures.

Health care insurance is provided by a large number of competing mutual funds (non-profit insurance programs), all of which are required to offer the same benefits. Hence, there is no competition in the area of benefits, but only in the field of premiums, which is largely a function of administrative costs and membership structure. Considerable discussion has focused on whether this competitive market structure should be replaced by a single insurance company. In 2014, the people decided in a popular vote to retain present system.

Even given these problems, the quality and inclusiveness of Swiss health care has shown itself to be outstanding, and there is no reason to expect any major change in this respect in the coming years.

Families

Family Policy
Score: 4

In international comparison, Swiss family policy does relatively little to enable women to enter the workforce. In a recent analysis examining the ability to reconcile work and family, looking at data from 2005, Switzerland scored lowest among 21 OECD nations. The new federal law providing subsidy payments to families, which took effect in January 2009, has done little to change the country's ranking in international comparison; nor has it changed the fact of substantial cantonal variation, one of the most salient characteristics of Swiss family policy. The new federal law defines minimum child and education benefits, but cantons may add a variable amount to this basic federal benefit level.

In general, Swiss family policy has a clearly conservative outlook with a strong liberal undertone. It is mildly supportive to the traditional family; there are some tax deductions and a period of parental leave offered to mothers (but not to fathers), as well as a very limited amount of child-care facilities. As is virtually always true in Switzerland, there are substantial cantonal variations. The canton of Ticino has a very generous family policy aimed at helping mothers to reconcile work and family; other cantons (and their municipalities) fail to offer any substantial help such as child-care facilities on a broad scale. Likewise, tax policies providing incentives either to stay at home or reenter the labor market vary from canton to canton. However, taking the median canton and municipality, the portrait of a liberal-conservative family policy applies. Policies tend to create incentives for young mothers to stay at home during the first years of their children's lives. Afterward, mothers are provided with reasonable opportunity to find employment; however, these are in most cases part-time jobs. This allows mothers to care for their children, while also having some limited employment. Taking part-time jobs usually reduces the ability to have a sustained career as compared to the opportunities offered by full-time jobs. Hence, the system works in the sense that it mobilizes women within the labor market, but without giving them opportunities for income and career advancement equal to those afforded to men.

In March 2013, Swiss citizens rejected a proposal that would have added an article on balancing work and family life to the constitution. The proposal would have obliged the federal government and cantons to provide child-care facilities in sufficient quantity to enable mothers to continue working if they desired to do so.

Pension Policy
Score: 10

Pensions

The Swiss pension system is based on three pillars, each with its own logic of financing and redistribution. The underlying concept is that pension income should not fall below the subsistence level, and should provide 60% of average pre-retirement income. The first pillar guarantees a basic income. The minimum benefit level for a couple as of 2015 was CHF 28,200 (about €23,500) per year, while the maximum benefit was CHF 42,300 (about €35,250). Employers and employees finance this through contributions. It is a pay-as-you-go system, and is highly redistributive, since the maximum benefit level for couples (provided to high-income earners) is just 1.5 times that of the minimum benefit level, while contributions are proportional to income.

The second pillar is a funded system financed through contributions by employers and employees. Contributions and benefits are proportional to income. Employees whose income from the first pillar already covers about 60% of their wage income are not entitled to this system. Many pension programs, particularly in the public sector, are very generous, and provide pension incomes (first and second pillars combined) that exceed 60% of previous income.

The third pillar takes the form of personal tax-deductible savings of up to CHF 6,768 (about €5,640) per year. This system benefits high-income groups, since they can afford to put aside these sums and have the highest returns on these savings given the tax advantages.

Demographic changes will present major challenges to the first pillar over time. Provided there is no major change in GDP or productivity growth rates, the ability to sustain this pillar will be strained unless the average age of retirement (currently 65 for men and 64 for women) is increased or benefit levels fall. However, given the solid basis of the pension system overall, Switzerland faces less pressure than many other European countries to adapt to demographic change.

However, Switzerland has tried to modernize its system at a relatively early stage. After several previous reform failures, the Social Democratic minister for social policy embarked in 2013 on a strategy for achieving compromise that has previously proved successful in other areas. This consists of compensating those who are going to lose as a result of policy changes with gains in other areas. This implies that the reform is necessarily a package of policies. However, at the time of writing, this reform plan was in jeopardy. In September 2015, the Council of States agreed on a compromise that was rather close to the initial proposal. In all likelihood, this compromise will not be

supported in upcoming National Council debates following the national elections of October 2015, which delivered a slim majority of those parties opposing the idea of a package where losers of the reform are substantially compensated.

With regard to poverty prevention, the pension system is highly efficient. Every citizen can claim additional payments if he or she is not entitled to the first pillar's minimum pension. The system as a whole has a high degree of intergenerational equity, as it rests on three different pillars, and only the first pillar is based on intergenerational payments.

Financial sustainability will be a potential problem over time, but remains stronger than in comparable countries such as Germany.

Integration

Integration Policy
Score: 7

For many years, Swiss integration policy was predicated on the perception that foreigners were “guest workers,” whose limited stay meant that broad efforts to encourage integration were unnecessary. As many foreign workers gained access to unlimited work permits between the mid-1970s and the mid-1990s, the policy approach grew inappropriate over time. Accordingly, a number of efforts to improve integration have been made, starting as early as kindergarten. Nonetheless, integration policy cannot broadly be called a success in Switzerland, particularly given the very high share of migrants in the population (accounting for about one-quarter of the country's residents). Yet if the lack of a coherent federal integration policy is undisputable, this does not mean that integration policy is failing as a whole. Many local authorities are doing a good and sometimes innovative job of integration, especially for second-generation migrants. According to OECD statistics, second-generation migrants in Switzerland perform better in school and are better integrated into the labor market than is the case in other European countries.

This is not to say that foreigners – who are granted rights equal to natives with the exception of political rights – have equal opportunities in all respects. If immigrants' unemployment rates and dependence on social aid is above the national average, this is due to the fact that the share of low-skilled workers with a correspondingly higher risk of unemployment is also above average among immigrants. But the lack of a coherent integration policy may add to the problems, and social discrimination is not limited to the labor market. Within the housing market, for instance, some groups of immigrants may find it comparatively difficult to rent apartments.

With regard to naturalization, some 34,000 foreigners per year are granted Swiss citizenship. This figure corresponds to 40% of the net number of immigrants arriving in the country per year, or 0.4 percent of the population. This comparatively high naturalization rate as a percentage of the population is partly a result of the high share of foreigners in the population overall — about 2 million foreigners live in Switzerland as compared to 6 million Swiss citizens. This in turn means that if the number of naturalizations is compared to the number of migrants actually living in the country (as is usually done in the scholarly literature), the Swiss rate of naturalization is very low in comparison with other Western democracies. In 2014, only 2% of resident foreigners acquired Swiss citizenship. Only some of the new democracies in Central and Eastern Europe and a few Western democracies — such as Austria or Germany — have similar or lower naturalization rates. The naturalization procedure is regarded as burdensome. However, as naturalization in Switzerland is a bottom-up process that starts at the level of the commune, considerable regional differences are evident, with some communes and cantons pursuing a liberal naturalization policy, and others acting more restrictively.

These federal differences show up also in the issue of political rights. A few cantons and communes grant political-participation rights to foreigners, even though the federal government does not. Thus, with regard to integration, naturalization and legislation on political rights, we find a bottom-up approach rather than federal standards.

A part of the public has tended toward support for increasingly integration-averse policies during the period under review. According to some observers, there is limited prospect for a more generous and liberal integration policy in the near term, as right-wing parties and voters are likely to oppose any such reforms.

Safe Living

Safe Living
Conditions
Score: 9

Switzerland has improved its internal security through its integration into the European Schengen/Dublin regime. However, the country's participation remains domestically controversial, as right-wing populist actors have accused center-left politicians of cooperating in an inefficient European security network.

Internal security policy has developed as a collaborative policy field, in which various international and national governmental actors interact with private organizations.

Given the country's comparatively low crime rates, and the public confidence shown in the police and the justice system, internal security policy can be deemed a success.

Global Inequalities

Global Social
Policy
Score: 7

The Swiss government has increased its development-aid contributions since 2000. Currently Switzerland's contributions are average as compared to other mature democracies. The Swiss government has set the goal of spending 0.5% of its GDP on development aid in the long run. In November 2014, the National Council re-approved this policy

Sustainable agriculture, decentralized governance, poverty reduction and vocational training are core issues driving Swiss development cooperation (SDC). In the countries where it supports projects or aid distribution, SDC has a good reputation for maintaining independence from home industrial interests and for making long-term commitments. Nevertheless, it is a small donor with limited impact. SDC is well embedded within international development agencies, and coordinates its activities with their agendas on issues such as poverty reduction, climate change and sustainable economic development.

To a certain degree, SDC's activities differ from general patterns of Swiss foreign policy, which is more conventional. Foreign policy is mainly trade oriented, supporting policies of market liberalization through international agencies like the WTO. In this context, development cooperation policies have become controversial. Whereas the SVP criticizes development cooperation as ineffective and calls for SDC budget cuts, the policy network of Swiss private development-aid agencies advocate a shift in policy that involves the mitigation of North-South inequalities by revising trade arrangements that disadvantage developing countries.

III. Environmental Policies

Environment

Environmental
Policy
Score: 9

In this area, the most remarkable developments in recent years have been made through the integration of environmental protection and sustainability issues into a wide range of areas that both directly and indirectly concern environmental policy per se. Following the OECD's strategy of green growth, Switzerland has launched several studies aimed at reconciling the goals of

sustainability and economic development. Furthermore, Switzerland has in recent years developed a number of cross-sectoral strategies focusing on issues including sustainability, biodiversity, climate-change adaptation and forest management. New guidelines for integrated water management were published in 2011, taking into consideration the use and protection of natural water sources.

In 2011, the federal government decided to phase out the use of nuclear power over the course of the next several decades. The population supports these plans. In a survey taken in 2014, 77% said they would vote in favor of phasing out nuclear energy in a popular vote. The final parliamentary decision is still pending and will in all likelihood be influenced by the fact that Switzerland's environmentally oriented parties suffered considerable losses in the 2015 national election.

Switzerland invests considerable sums in the area of environmental protection. For example, there are about 8,000 jobs related to protection of the environment at the federal level (500), the cantons (1,500) and the municipalities (6,000) combined. Public spending on environmental protection totaled 2.5% of total public expenditure in 2012. A new article (Article 84.2) was added to the constitution in 1994, stating: "Transalpine freight in border-to-border transit shall be transported by rail. The federal government shall take the necessary measures. Exceptions shall be permitted only if they are inevitable. They shall be specified by statute." This article has not yet been effectively implemented, but the country has made enormous investments in improved railway infrastructure, particularly with regard to transalpine freight.

In certain regards, the ecological challenges facing Swiss policymakers have been much less demanding than in other countries. Switzerland never developed significant smokestack industries, and industrialization took place as a decentralized process. Thus, Switzerland has no regions with large concentrations of industries with significant emissions. Nonetheless, the country's record is mixed in terms of environmental policy overall, as demonstrated by the following factors:

- Switzerland is ranked very highly internationally in terms of controlling water pollution, and has implemented significant environmental-protection measures as a part of its water-infrastructure planning.
- Air quality has improved over the past 25 years, but ozone and other threshold values are frequently exceeded, and legislation for more ambitious norms on CO₂ reduction has suffered setbacks.

- Switzerland recently updated its national climate-change mitigation policy. A broad mix of voluntary, regulatory and market-based instruments are expected to produce a reduction in emissions through 2020.
- Considerable success has been achieved in the area of waste-management policy, especially with respect to hazardous waste. Furthermore, Switzerland's recycling rate is one of the highest worldwide.
- Little progress has been made with respect to controlling noise pollution, as 25% to 30% of the population remains exposed to high levels of noise from road and rail traffic.
- Soil protection has improved.
- Average to high levels of success have been achieved in the area of chemical-management policy.
- Policies seeking to prevent the release of hazardous materials into the environment have been very successful.
- There has been little success in terms of nature conservation and landscape protection. The number of animal and plant species that have become extinct or are at the risk of extinction continues to increase.

In 2015, environmentally sound energy projects were being discussed and watered down by parliament. Due to the electoral losses of the green parties, incentive taxes on energy will in all likelihood be replaced by softer forms of steering.

Three cantons with shale gas have decided to prohibit fracking.

Global Environmental Protection

Global environmental policy is high among Switzerland's foreign-policy priorities, and the country has played a significant role in designing and advancing global environmental-protection regimes. However, as a small country, Switzerland has limited independent influence. The European Union has taken a leading role in this area, and the United States too is aiming at a more active part in international discussions. Thus, Switzerland's impact depends in large part upon efficient collaboration with the European Union.

Quality of Democracy

Electoral Processes

Candidacy
Procedures
Score: 10

There are no doubts that Switzerland's formal procedures correspond closely to the democratic ideal. However, some problems have emerged due to the country's small size, its strong dependence on other countries, the opportunities to free ride in the international and particularly European communities, and the extremely large share of immigrant workers.

With regard to active and passive voting rights, there is the obvious problem that in 2015, 24% of the total Swiss population and 30% of the country's civilian workforce held foreign citizenship, a much higher share than in other countries. Furthermore, some experts argue that the rules governing naturalization are rather strict, making the acquisition of Swiss citizenship costly, time-consuming and frequently even insulting for applicants. Thus, according to some commentators, the strict rules governing naturalization and the sheer size of the foreign population transform the "quantitative" problem of every modern democracy (that some adult inhabitants face discrimination on grounds of their nationality) into a qualitative problem: If more than a quarter of the social product is produced by foreigners, and if almost a quarter of the voting-age population is not entitled to vote or to run for public office, the legitimacy of parliament and government to rule on behalf of the total population (which is hugely more than the citizen base) is arguably called into question. Others argue, however, that while the economy is globalized, democracy functions only on the basis of a national society that identifies itself in terms of citizenship. This includes the (constitutional) right to define who is eligible for citizenship. According to this view, migration certainly creates new problems, in that the "demos" and the resident population do not coincide.

To date, Switzerland has dealt with these problems somewhat slowly and hesitantly. For example, some notable liberalizing changes were adopted with regard to naturalization (e.g., costs have been substantially reduced) and with regard to passive voting rights in some cantons and local communities. In contrast, the first chamber of parliament has taken a more restrictive stance as it has sought to revise the law of citizenship – arguably in response to growing unease among ordinary citizens over the rising share of foreigners.

Media Access
Score: 10

Candidates and parties may purchase political advertising in the print media. The only restriction to equal access by candidates and parties to these media outlets concerns the availability of resources. In contrast, political advertising on television or other broadcast mediums is not allowed. In this regard, all candidates and parties have equal access, in the sense that none is able to buy political advertising on broadcast media.

Media organizations give a fair and balanced opportunity to political actors to present their views and programs, insofar as this does not become simple advertisement. Right-wing politicians sometimes complain that journalists give center-left politicians better access. There is little hard evidence that such a bias exists to any substantial extent, although it is hard to find journalists who side with the Swiss People's Party, the right-populist party.

Voting and
Registrations
Rights
Score: 10

Formal procedures and rules in the area of voting and registration rights are those of a model democracy. However, there are at least two problems. The first relates to the proportional voting system for elections. Small parties from small electoral districts successfully claimed before the Federal Court that they have effectively no chance of winning one of the very few seats allotted to these districts. The court then ruled that every citizen must have the same influence on elections. Therefore, the size of districts must be designed in such a way that there are at least 10 seats at stake, thus giving small political parties a real chance to win a seat. Several cantons affected by the ruling reorganized their electoral system and districts accordingly. However, the court's decision is not very coherent. It forces the cantons to guarantee that voters within a canton will have an equal degree of influence, but accepts that federalism leads to much more significant inequalities of influence at the national level. This leads to the second problem cited above. It is certainly true that the decentralized federal structure of Switzerland as a multicultural country gives some citizens much more electoral influence than others. This is particularly true of representation within the Council of States (Ständerat), the country's second parliamentary chamber (which is modeled after the U.S. Senate). Each canton is entitled to two representatives. The Council of States has the same power as the National Council (Nationalrat), while the size of cantons varies by as much as a factor of 36. This means that a citizen of the canton of Zurich, which has 36 times more inhabitants than the canton of Uri, has considerably less political power than one of Uri. This overrepresentation of small cantons has real effect within the bicameral parliament's legislative process. Historically, these strongly protected minority rights are traceable to the denominational conflicts of the 19th century. However, one can argue that this denominational definition of minority status no longer holds importance. This would mean that the strong overrepresentation of small cantons should somehow be modified. So far, all parliamentary initiatives aiming at such a reform have failed. Nonetheless, one has to recognize that democracy and

federalism function on different principles (one person, one vote in the case of democracy, and one subnational unit, one vote for federalism). Thus, the unequal weighting of citizens' votes is a consequence inherent in every democratic federation.

Party Financing
Score: 1

Switzerland does not finance parties with public money on the federal level. In return there are no constraints applied to party fundraising. There is some financing of parties on the cantonal level in Geneva and Fribourg. A considerable portion of political parties' revenues comes from the subsidies given to party factions in the national parliament or reimbursement of parties for services, which together amount in some cases to 30% of total party income. Another important source of income is the attendance fee granted to members of parliament, which can be considered as a form of party financing. Parties won constitutional status only in the constitutional revision of 1999, and there is in general a continuing deep-seated aversion to any public financing.

In consequence, there is little to no public scrutiny of party activities, since no public money is at stake.

Since 2011, the Council of Europe' Group of States Against Corruption (GRECO) has argued that Switzerland's system of party donations lacks transparency. The attempt by Social Democratic Minister of Justice Simonetta Sommaruga to draft a law on political party financing failed due to political opposition. The government has insisted on maintaining the current rules.

Popular Decision-
Making
Score: 10

Switzerland uses forms of direct democracy to a larger extent than does any other mature democracy. Direct-democratic practices are intensively employed on all levels, from the local to the national. On the local and state (cantonal) levels, rules and practices vary considerably by region. This mode of decision-making has many advantages, particularly if it is institutionally and culturally embedded in such a way as to hinder the development of a tyranny of the majority and populist mobilization. In particular, the system is connected with a high level of satisfaction, creating strong citizen identification with the political system and offering many incentives for politicians to behave in a consensual way.

However, along with these laudable characteristics, there are some qualifications and criticisms that should not be overlooked:

- It is not true that citizens in a direct democracy are necessarily better informed or politically more interested than those of representative democracies at the same level of economic and social development. Switzerland provides little evidence that direct democracy educates citizens to be better democrats.

- About 95% of all political decisions at the federal level are taken in parliament without subsequent direct-democratic decision-making. However, the most important and controversial issues are dealt with in public votes.
- Participation rates in direct-democratic votes are usually very low (typically between 40% and 50%) and socially biased. Well-to-do citizens participate at disproportionate levels.
- Voting is frequently driven by cue-taking, rather than by well-informed individual decision-making. This is not to say that citizens are simply victims of slogans or propaganda; in most cases they distinguish between information of high and low reliability during campaigns.
- The most prominent instrument of Swiss direct democracy, the referendum, serves to impede reform and adaptation. It has a strong status-quo bias. One observer has argued that the referendum has the function of a conservative upper house.
- Direct democracy creates incentives for politicians to arrive at compromises (in order to avoid a direct-democratic decision) in a nontransparent way.
- Particularly in the recent past, direct democracy has created potential conflicts with human rights.
- Direct democracy has been successfully used for populist mobilization, again in the recent past.
- Frequently, popular initiatives approved by the people and the cantons are only partly implemented through parliamentary legislation.

Access to Information

Media Freedom
Score: 10

Public- and private-sector media corporations are free from government influence. This is enshrined in the Swiss constitution. Although the federal government chooses the chairperson and some board members of the quasi-public nonprofit radio and television organization, it exercises no influence over the organization's daily reporting or journalistic work.

Media Pluralism
Score: 9

The most important electronic media organizations in Switzerland in terms of coverage and intensity of citizen use are publicly owned. Private-sector television stations play only a small role in the country's media landscape. These are largely regional stations. A number of foreign radio and television stations can be received in Switzerland, contributing to the country's media

plurality. The country has a high number of privately owned newspapers, with a highly decentralized system of regional concentration. However, a strong tendency toward centralization has weakened the regional newspaper market. This has been amplified by the strong growth of free papers for commuters such as 20 Minuten in the morning and Blick am Abend in the evening (similar publications exist in the French-speaking part of Switzerland). These have tended to crowd out readership of traditional newspapers, which have collectively suffered from a decline in readership of 23% (on a circulation basis) between 1990 and 2014. In addition, a trend toward concentration has affected formerly independent newspapers such as Bund and Berner Zeitung. In 1980, 290 newspapers existed in Switzerland; in 2014, this number shrank to 181, a reduction of 38%. As with other small nations, Switzerland enjoys a relatively diversified ownership structure, but over time there has been a very strong process of centralization and concentration.

Access to
Government
Information
Score: 9

Swiss authorities pursue very open strategies of information release. For example, the website of the federal administration offers access to major sources of political information.

Article 16 of the constitution, dealing with the issue of freedom of opinion and information, states that: “(1) The freedom of opinion and information is guaranteed; (2) Every person has the right to form, express and disseminate opinions freely; (3) Every person has the right to receive information freely, to gather it from generally accessible sources and to disseminate it.”

The Federal Law on the Principle of Administrative Transparency (Loi sur la Transparence, LTrans) was approved in December 2004 and took force in July 2006. The law gives any person the right to consult official documents and obtain information from authorities. The authorities must respond within 20 days. If a request is refused, a citizen can seek redress from the Federal Delegate for Data Protection. However, this law’s coverage is limited, applying to federal public bodies, other organizations and persons who make decisions under the Administrative Procedures Act, and parliamentary services. The Suisse National Bank and the Federal Commission on Banks are exempted. The law also does not apply to official documents concerning civil or criminal law processes, documents relating to foreign policy, or political party dossiers relating to administrative disputes. Consumer organizations have argued that the law contains too many exceptions.

Given these qualifications, it is noteworthy that this law has gained some influence, since the Federal Supreme Court has interpreted it in a liberal way.

Civil Rights and Political Liberties

Civil Rights
Score: 9

Civil rights are guaranteed by the constitution. However, the country does not have a classic constitutional court able to monitor the conformity of federal laws with the constitution outside the context of a particular case. Federal laws are binding for the federal courts. In contrast, the Federal Supreme Court in Lausanne monitors the conformity of federal regulations and cantonal laws with the constitution. With respect to basic civil rights, the European Court of Human Rights complements the Swiss Federal Supreme Court.

In December 2012, a parliamentary attempt to give the Federal Supreme Court the right to abstain from applying federal law if the federal law was incompatible with the constitution failed. The main argument was that in a semi-direct democracy, the constitutional court should not be authorized to declare federal laws void as a whole. Thus, Switzerland, for different reasons but in a manner similar to the Scandinavian countries, the Netherlands and Great Britain, does not possess a comprehensive judicial power of constitutional review.

In international comparison, the country's record of guaranteeing human rights is outstanding. However, conflicts between human rights and direct democracy have emerged, particularly in recent years. One such concern was represented by the successful 2004 popular initiative for the life imprisonment of particularly dangerous criminal offenders without any opportunity for reexamination. This conflicts with the European Convention for the Protection of Human Rights and Fundamental Freedoms. This convention guarantees periodic reviews in which the necessity for continued imprisonment can be evaluated.

Likewise, there have been conflicts between popular votes on naturalization and the call by foreign-born individuals for fair and transparent treatment, and the opportunity to appeal naturalization decisions. Some observers have argued that the current naturalization procedure fails to conform to the standard of human rights set out in the constitution. The Federal Supreme Court decided in 2003 that naturalization procedures previously established by popular vote were unconstitutional, since they violated constitutional norms of non-discrimination and the right to a lawful legal procedure.

The ban on the construction of minarets, approved in a popular vote in 2009, represents a particularly problematic decision. The basic claim of proponents was that minarets signify the potential aggression and power claims of Islam, which need to be suppressed as a strategy for keeping the peace. However, it is evident that the popular initiative was clearly aimed against Islam and the

Islamization of Europe. Legal scholars tend to argue that the decision violates the freedom of worship and the non-discrimination rule.

The major underlying problem is the claim by many political actors that the people have an unrestricted right to decide any matter through popular vote. This conflicts with the basic rule of any liberal democracy that there are limitations to the will of the majority, such as human rights standards and protections for minorities. Switzerland's public debate on the limits to majority rule (through popular vote) shows little cognizance of these traditional limitations to majoritarian rule. This has become very obvious in recent debates over the conflicts between international law and Swiss citizens' decision-making rights in popular votes. Although anxiety over the ebbing of popular sovereignty extends beyond conservatives, this latter group in particular feels uneasy with the internationalization of law and some recent interpretations of human rights that have been made by a professional elite with little democratic legitimation and imposed in a top-down manner. In the conservative view, the internationalization of law and international court decisions against the results of Swiss referenda contradict Switzerland's legislative culture, which is characterized by the principle of subsidiarity and guided by the idea that popular decisions have the highest degree of legitimacy. Consequently, in 2015, the country's strongest political party, the Swiss People's Party, began collecting signatures for an initiative to give Swiss law precedence over international law and treaties.

Political Liberties
Score: 9

Switzerland is in many ways a role model for the exercise and protection of political liberties. However, the adoption of the ban on construction of new minarets represents a severe violation of the right to worship, even if this in practice means little for the free practice of any religion. Before the November 2009 decision, there were only four minarets in Switzerland. Infringements of this kind are limited in number.

Non-discrimination
Score: 8

In Switzerland, constitutional law and a consociational political system ensure the autonomy, freedom from discrimination, and rights to political participation of Swiss linguistic, ethnic and religious minorities. Article 8 of the country's constitution states: "Nobody shall suffer discrimination, particularly on grounds of origin, race, sex, age, language, social position, lifestyle, philosophical or political convictions, or because of a corporal or mental disability. Men and women have equal rights."

Nonetheless, a number of problems with regard to discrimination exist. The sheer size of the foreign population and its contribution to the wealth of the nation brings up the question of whether withholding political rights such as voting from this population might be regarded as an indefensible variety of discrimination. However, Switzerland's conception of non-citizen voting rights is similar to that of other Western democracies, and undoubtedly

protects the civil and human rights of foreigners without any discrimination. The Swiss People's Party, currently the strongest party in the country, has repeatedly resorted to openly xenophobic discourse. Although gender-based discrimination is illegal, women continue to face considerable economic and social discrimination with regard to wage equality and equal career opportunities.

Social discrimination in higher education persists, as it does not attract political attention. Children with weak socioeconomic backgrounds have considerably lower chances of gaining access to higher education, and little progress has been made in the last decades.

Rule of Law

Legal Certainty
Score: 9

Switzerland's federal government and administration act predictably. This predictability is partially reduced by the very pragmatic administrative culture at the cantonal and local levels. The country's division into small administrative districts, the tradition of decentralized local government and a partial "militia administration" system provide for a substantial amount of leeway in Switzerland's public administration activity. The pragmatic administrative culture ensures flexibility and efficiency on the one hand, but reduces legal certainty on the other.

Judicial Review
Score: 10

The Swiss judicial system is guided by professional norms without political interference. The judicial system is based on professional training, though a mixture of lay and professionally trained judges serve at the local level in many cantons. Decisions by these judges are subject to review by higher professional courts. The Swiss judicial system varies substantially between cantons. This is due to Swiss federalism, which gives cantons great leeway in cantonal lawmaking and hence also in cantonal administration of justice. This also includes variations in the rules and examinations with regard to lawyers' admission to the bar.

Appointment of
Justices
Score: 5

The judges of the Federal Supreme Court are elected for a period of six years in a joint session of both chambers of parliament, with approval requiring a majority of those voting. A parliamentary commission prepares the elections by screening the candidates. Unwritten rules stipulate a nearly proportional representation of the political parties then in parliament. Another unwritten rule demands representation of the various linguistic regions. There is no special majority requirement.

Corruption
Prevention
Score: 9

Corruption in Switzerland is rare according to international rankings. Indeed, Switzerland is consistently rated as being among the most successful countries with respect to corruption prevention. It is governed by the rule of law, offers high wages to public officials, and is based on a decentralized democracy with parties that efficiently control and audit public officials.

However, there are opportunities and incentives for political and societal elites to abuse their position for private interests. This is due to the country's small size and the correspondingly small number of persons interacting in elite positions; to the culture of amicable agreement; and to the very pragmatic problem-solving culture. In addition, holders of elite positions know that they are highly likely to meet again in the future (and probably in different roles). This creates opportunities for the creation of broad informal networks, a reluctance to engage in close mutual surveillance and incentives for the non-observance of formal rules.

Given the considerable overlap between economic and political elites, critics such as the Swiss office of Transparency International have pointed to processes in which politicians' economic interests may influence their decisions in parliament.

As host to 65 international sports bodies, Switzerland is very concerned with corruption in sports. In particular, the corruption affair involving Zurich-based FIFA has become a major issue. After the release of a report on the issue in December 2012, the federal government began to consider legal changes aimed at fighting corruption in sports more effectively.

Governance

I. Executive Capacity

Strategic Capacity

Strategic
Planning
Score: 4

Strategic planning is not given significant weight in Switzerland, as most decisions are made on an ad hoc basis. It is further rendered difficult by the fact that the country has a quasi-presidential political system (meaning the government cannot be voted out of office by the parliament) with a collegial government, a strong militia element, a consociational decision-making structure, a strong corporatist relationship between a weak federal state and outside interest organizations, and considerable uncertainty deriving from the system of direct democracy.

The Swiss government is not strictly speaking a parliamentary government, and does not have a policy agenda comparable to a “normal” parliamentary government. Furthermore, all seven members of the government have equal rights and powers; there is no prime minister. The president of the government is *primus inter pares*. He or she is not leader of the government in the sense of a prime minister.

Scholarly Advice
Score: 6

In the Swiss political system, the drafting of bills takes place primarily within extraparliamentary and parliamentary committees. As of November 2015, 120 of these extraparliamentary committee existed, with government-selected members that included academics, representatives of interest groups and parties, individuals with particular expertise and other such experts. While there are multiple criteria for selecting members, the government seeks a balanced representation of language groups, political parties and ideologies, and other societal interests. Academics are selected on the basis of academic profile, but their allegiance to political parties or other societal interests may also be taken into account. Thus, while expert commissions and their members do have a dominant influence on governmental decision-making, the influence of academics per se is much more limited than is the influence of the politically constituted groups as a whole. In addition, the share of academics

on these commissions is rather limited, amounting to about 11% of all seats. However, the combined total of academics and high-level federal and canton civil servants (who usually have academic training) accounts for 53% of all commission seats.

Interministerial Coordination

GO Expertise
Score: 5

The Swiss political system does not have a prime minister or a prime minister's office. The government is a collegial body. However, there are several instruments of interministerial coordination and various mechanisms by which ministries' draft bills are evaluated. Departments engage in a formal process of consultation when drafting proposals, the Department of Justice provides legal evaluations of draft bills, and the Federal Chancellery and Federal Council provide political coordination.

GO Gatekeeping
Score: 5

There is no prime minister in Switzerland. The Federal Chancellery manages and prepares the agenda of the Federal Council, and can return items and postpone consideration of political issues if they are deemed to conflict with other policies.

Line Ministries
Score: 7

Switzerland's government consists of only seven ministries, each of which has a broad area of competency and is responsible for a large variety of issues. There are no line ministries. However, there are federal offices and institutions connected to the various ministries. These work closely with the minister responsible for their group. Since ministers must achieve a large majority on the Federal Council in order to win success for a proposal, there is strong coordination between offices. Indeed, political coordination among the high ranks of the administration can be rather intense, although the limited capacity and time of the Federal Council members, as well as their diverging interests, create practical bottlenecks.

Cabinet
Committees
Score: 2

Not surprisingly, given the small number of ministries, there are no cabinet committees in Switzerland's political system. However, there is considerable coordination, delegation and communication at the lower level of the federal government. Every minister is in a sense already a "ministerial committee," representing the coordination of a large number of cooperating departmental units.

Ministerial
Bureaucracy
Score: 10

The federal government deliberates behind closed doors, and minutes of these meetings are not public. A leading expert on government decision processes has estimated that in most decision-making processes, "either the preliminary procedure or the co-reporting procedure leads to an agreement." The preliminary procedure consists of interministerial consultations at the level of the federal departments. After the departments have been consulted, the co-reporting procedure begins. The Federal Chancellery leads the process by submitting the proposal under consideration as prepared by the ministry

responsible to all other ministries. These then have the opportunity to submit a report or express an opinion. A process of discussion and coordination ensues, designed to eliminate all or most differences before the proposal is discussed by the Federal Council.

Two instruments, the large and the small co-reporting procedures, are specifically designed to coordinate policy proposals between the ministries. These processes invite the ministries to take positions on political issues. The co-reporting procedure is largely a process of negative coordination, which highlights incompatibilities with other policies but does not systematically scrutinize the potential for synergy.

Informal
Coordination
Score: 9

Given the small size of the federal administration and the country's tradition of informal coordination, there is reason to assume the continuing presence of strong and effective informal coordination.

Evidence-based Instruments

RIA Application
Score: 8

There is no formal institution responsible for ex-ante impact assessment in Switzerland. Article 170 of the constitution states that "(t)he federal parliament shall ensure that the efficacy of measures taken by the confederation is evaluated." In some ministries such as the Department of Economic Affairs, individual units occasionally perform ex-ante impact assessments. Furthermore, ex-ante evaluations by the administration always include checks for consistency with existing law (performed by the Department of Justice), compatibility with EU regulations, and if necessary, analyze budget implications, probable administrative costs and personnel requirements. Ex-post evaluations have also been strongly developed; however, it is unclear whether the results of these analyses have any substantial effect on implementation.

Beyond these processes, functional equivalents of impact assessments do exist. First, expert commissions that draft or suggest laws also evaluate alternatives, while examining the potential impacts, benefits and problems associated with proposed solutions. Second, and probably more important, is the so-called consultation procedure derived from Article 147 of the constitution. This article stipulates that "the cantons, the political parties and the interested circles shall be heard in the course of the preparation of important legislation and other projects of substantial impact, and on important international treaties." As a consequence, all those who are affected by a planned law have a constitutional right to give their opinion as to its pros and cons.

In comparative perspective, Switzerland was a relative latecomer to performance-management policies, as were Germany and Austria. It was only

in 2011 that the federal administration decided to implement some form of performance management on a consistent basis.

Quality of RIA
Process
Score: 7

While stakeholder participation in regulatory impact assessment (RIA) procedures is a particularly strong point in Switzerland, communications processes vary between regions and policy fields. Evaluations by independent bodies are weakly developed in comparative terms.

Sustainability
Check
Score: 5

Given the decentralized political and administrative system of Switzerland, it is difficult to answer the question of whether the government conducts effective sustainability checks within the framework of RIA. However, RIAs are performed as a standard procedure at the federal level and in most cantons for all ecologically sensitive infrastructure projects.

Societal Consultation

Negotiating
Public Support
Score: 10

Within Switzerland's strong corporatist system there are numerous pre-parliamentary procedures and committees focused on consultation with various societal groups. These instruments are designed to prevent government proposals from failing in parliament or in referenda, and to offer solutions that benefit all parties. However, research shows that the degree of corporatist integration has declined in recent years. This is in part attributable to the growing intensity of conflicts between the social partners, as well to the influence of EU integration and internationalization. In addition, lobbying and pluralist pressure-group politics have gained in importance. However, if judged from a comparative perspective, the level of corporatist integration is still very high in Switzerland. The successful tripartite talks on recording working hours that have been coordinated by the Federal Department of Economic Affairs, Education and Research are a recent example of this.

Policy Communication

Coherent
Communication
Score: 8

Switzerland's government acts as a collegial body. All members of the government have to defend the government's decisions, irrespective of their own opinion. However, in the 2003 – 2007 period, when the Swiss People's Party's (SVP) Christoph Blocher participated in government, communication was less coherent than before and afterward, and the country's politics moved in a more populist, aggressive and confrontational direction. Although the current government is much more consistent in its public statements, coherence has not yet returned to the level reached in the 1970s through the 1990s. The new government elected by parliament in December 2015 includes two SVP members who will have little incentive to increase communication coherence. The following factors have contributed to this decline in the coherence of government policy communications:

- the structure of the collegiate body itself, which makes it difficult to speak with one voice in the mass media age;
- political polarization, even among the members of the broad coalition government;
- the systematic distortion of the Federal Council's communication leaks on the part of some aggressive media outlets; and
- the Federal Council's lack of authority or capacity to punish and deter communication leaks, and its inability to manage its communication policy effectively.

Implementation

Government
Efficiency
Score: 9

The Swiss polity contains many different potential veto points, including political parties, cantons that have veto power in the second chamber, and interest groups with the power to trigger a referendum. Thus, the government has to hammer out compromises carefully when drafting legislation. This is done in the pre-parliamentary stage of legislation. Once a bill is introduced into parliament, many of the necessary compromises have already been reached. For this reason, a substantial number of bills are passed in parliament without being modified.

Ministerial
Compliance
Score: 8

Government in Switzerland is not (primarily) party-driven. Ministers are expected to work together as a collegium, and to abstain from any politics or policies that benefit their party or themselves as individual politicians. In general this worked quite well as long as all members of government felt bound by the rules of collegiality. In recent years, due to growing political polarization and the attack on consociational politics by the right-populist party, there have been some deviations from this course. However, even in periods of polarized politics, the Swiss government and its policy implementation is much less driven by the interests of individual politicians or parties than is typically the case for parliamentary governments. In the 2014-2015 period, ministerial compliance and cooperation were much more pronounced than in 2003 – 2007.

Monitoring
Ministries
Score: 9

Switzerland's government features neither a prime minister's office nor line ministries, but does offer functional equivalents. Given the rule of collegiality and the consociational decision-making style, as well as the high level of cooperation at lower levels of the federal administration, there is little leeway for significant deviation from the government line. Monitoring is built into the cooperative process of policy formulation and implementation.

Monitoring
Agencies,
Bureaucracies
Score: 6

Switzerland's governance system offers considerable flexibility in implementing decisions. The central administration is very small; this does not prevent bureaucratic drift, but in all likelihood the opportunities for such drift are much smaller than in huge administrations.

A number of factors mitigate for close coordination between the federal government and the federal administration. The country's direct democracy means that citizens have the ability to limit the maneuvering room of both government and administration. In the collegial governmental system, coordination is essential to success, and government and administration alike depend on efficient collaboration given the reality of parliamentary control. There is little evidence of an administrative class that acts on its own; moreover, administrative elites perceive themselves to be politically neutral.

Furthermore, Switzerland's system is not characterized by a unitary federalism such as in Germany. Rather, it resembles the federalism of the United States. This implies that cantons have considerable responsibility for implementing policy, while the federal state has a subsidiary role. According to Article 3 of the constitution: "The cantons are sovereign insofar as their sovereignty is not limited by the federal constitution; they shall exercise all rights which are not transferred to the confederation." Even in areas in which the federal state has tasks and powers, such as social insurance, environmental protection or zoning, implementation is carried out by the cantonal and sometimes municipal administrations. These bodies have considerable flexibility in performing their work, and implementation of federal guidelines frequently varies substantially between cantons. Zoning policy has offered examples in which the same federal regulation has led to opposite outcomes in different cantons. In addition, much implementation is carried out by interest organizations through the corporatist channel.

Task Funding
Score: 9

In Switzerland, cantons and municipalities levy most of the country's tax revenues. They determine local tax rates and decide how tax revenues will be distributed. Between 2004 and 2007, Switzerland passed a rather successful reform of its financial federalism, which has now taken effect. The basic idea was to establish a clear division of tasks between the federation and the cantons, and create transparency with regard to the flow of resources between the federal state and the cantons. In this reform, the basic principle of fiscal equivalence was strengthened. This means that communes, cantons and the federation each are responsible for the funding of their own tasks, and for the balance of their own budgets. The fiscal equalization scheme has been retained, as it is necessary to reduce certain geographical, economic and social disparities, but the danger of providing badly aligned incentives through earmarked subsidies is eliminated through the use of grants. Funds thus continue to flow vertically (from the federal state to the cantons and vice versa) as well as horizontally (between communes and cantons). Nonetheless, it remains to be seen whether the new fiscal equalization scheme will help cantons that have serious problems in fulfilling their tasks or in meeting their goals due to their small size, lack of resources, or other reasons. In any case,

there is a divide between those cantons that pay more and those receiving payments.

Constitutional
Discretion
Score: 10

Municipalities and cantons have a high degree of autonomy, while the federation has only a subsidiary role. The central government has little opportunity to counter decisions made by cantonal parliaments or governments. Municipal discretion in policymaking is a constitutional norm. Article 50 of the constitution states: “(1) The autonomy of the municipalities is guaranteed within the limits fixed by cantonal law. (2) In its activity, the confederation shall take into account the possible consequences for the municipalities. (3) In particular, it shall take into account the special situation of cities, agglomerations and mountainous regions.” The municipalities and cantons make use of their competences to the maximum extent possible.

National
Standards
Score: 7

The Swiss political system is one of the most decentralized systems in the world. Cantons and municipalities enjoy very substantial autonomy. Within the scope of their quite significant competencies, it is up to the cantons and municipalities to decide what public services they want to offer, to what extent and at what level of quality. Therefore, there are no national standards for public services except with regard to those limited parts of the administration that implement federal law. However, all public services have to comply with the rule of the law and the human rights set out in the constitution. A comparatively small number of issues (i.e., social policies) are decided at the federal level, and are thus subject to national standards. In these cases, federal laws are implemented by cantonal administrations, which have to follow national norms.

Multilateral agreements between some or all cantons (“Konkordate”) for common standards of public services can be seen as a functional equivalent to national policy standards.

Adaptability

Domestic
Adaptability
Score: 6

Switzerland directly implements international treaties which today account for about half of the federal legislation. Whenever Switzerland agrees to cooperate with other countries or international organizations, it attempts to meet all the requirements of the agreement, including implementation of the necessary administrative reforms.

With regard to the European Union, however, the adaptation is idiosyncratic. On the one hand, the government cannot develop institutional mechanisms with Brussels, as most Swiss do not want to join the EU and have expressed in several referenda their preference for limiting the number of bilateral treaties with the European Union. On the other hand, adaptations to EU law reach beyond these treaties and comprise also large parts of (domestic) economic law. However, the strategy of bilateral treaties has now been placed in

jeopardy following the passage of the popular initiative capping mass immigration. Moreover, there are serious concerns as to whether the “strategy of bilaterals” is sufficient or sustainable. Conflicts between the European Union and Switzerland have escalated since 2012, with the EU demanding that institutional solutions be developed to address the bilateral system’s weaknesses. Specifically, the European Union has called for self-executing rules enabling bilateral treaties to be updated, as well as independent institutions for the settlement of conflicts arising from the bilateral treaties. Switzerland has opposed these proposals. By fall 2015, this has led to a standstill in the negotiations, forcing actors to re-open the process from the beginning. At the time of writing, this disagreement had prevented the production of any further bilateral treaties, on which Switzerland is economically dependent. In addition, the passage of the mass-immigration initiative in February 2014 further complicated the relationship between Switzerland and the EU, demonstrating the difficulties of being simultaneously domestically adaptable and claiming an untrammelled sovereignty.

International
Coordination
Score: 5

Switzerland is a fairly active member of the United Nations, the IMF, the Organization for Security and Cooperation in Europe (OSCE), the Council of Europe and most of the other important international organizations. In 2014, the Swiss foreign minister, then president of the OSCE, was involved in the negotiations for a peace arrangement in the Ukraine crisis. Swiss foreign economic policy works actively to defend the interests of its export-oriented economy, as for instance in the context of the WTO.

The policy of neutrality and the objective of safeguarding national autonomy set clear limits to the country’s international engagement in the past, however, and direct democracy further reduced the scope of action in international affairs. During the growing polarization witnessed in Swiss politics over the past 15 years, together with the associated decline in consociational patterns of behavior, right-wing politicians have emphasized the notion of a small, neutral and independent nation-state surviving on the basis of smart strategies in a potentially hostile environment. Large portions of the population support these ideas. Popular skepticism toward European integration has mounted over the course of the last eight years. Nonetheless, it would be wrong to repeat the cliché of Switzerland as a solitary lone wolf, as there have been various attempts to contribute to international cooperative ventures. However, the country concentrates its efforts in areas where it can realistically have some influence, such as economic matters or technical organizations dealing with issues such as transport, ecology or development. This said, there is a clear gap between the government’s stated goals in terms of international cooperation and the resources – institutional or otherwise – that it has at its disposal for these tasks.

Organizational Reform

Self-monitoring
Score: 8

Self-monitoring takes place as a part of the political process, which includes a large number of private and public actors. It is not institutionalized outside the context of the evaluation of policies (as by implication, policy evaluation leads indirectly to the monitoring of the institutional framework for these policies).

Institutional
Reform
Score: 5

The federal government has sought to improve its institutional arrangements through the adoption of new administrative techniques (specifically, new public management practices) and a number of other organizational changes. However, whenever the central government has sought to engage in substantial change through institutional reform (e.g., through reorganization of the Federal Council and the collegiate system), it has met with resistance on the part of the public and the cantons, which do not want more resources or powers to go to the federal level. This has limited the range of feasible institutional reforms.

While the basic structures of federalism and direct democracy are very robust, and direct democracy provides incentives for political parties to cooperate within the context of power-sharing structures, lower-level government structures are subject to constant change. Recent examples of such change have affected parliamentary practices, fiscal federalism and the judicial system, canton- and communal-level electoral systems, communal organization, and public management. Nevertheless, one of the most important reforms, the reorganization of the Federal Council and its collegiate system, has failed despite several attempts.

II. Executive Accountability

Citizens' Participatory Competence

Policy
Knowledge
Score: 8

There is some debate as to whether citizens are well informed in Switzerland. One of the first studies on the issue, based on surveys conducted after popular votes, found that only one out of six voters had a high level of policy knowledge. Studies based on larger data sets and relating to more recent data have showed that about 50% of citizens have good knowledge on public policy issues (i.e., they know the issue at hand and can provide reasons for their decisions). A recent study concluded that roughly equal shares of the citizenry lack civic competences, have medium competence and have a high level of competence. The intensity of the campaign around a given issue is of crucial

importance in terms of public knowledge of the content of a bill.

Another recent study found that just 42% of Swiss citizens knew how many parties were in the government (which at the time of the survey had not changed during the previous five decades). Moreover, 36% knew how many signatures were needed to trigger a referendum, and about 45% knew the number of EU member states.

In a 2007 comparative study called *Citizenship and Involvement in Europe*, Swiss citizens scored at the same level as their counterparts in the Netherlands, Denmark and Norway with regard to the importance attributed to politics and interest in politics in general. These four countries demonstrated the highest scores among the 11 countries under study. In another recent study on political interest and sophistication, Switzerland was ranked in sixth place (behind Denmark, the Netherlands, Sweden, Norway and Germany) among the 21 European countries examined in the European Social Survey.

An analysis in 2005 showed that citizens are relatively well informed and rational when making their decisions in direct-democratic votes. Either they consider arguments and counterarguments, or rely on reasonable heuristics. Thus, in general it seems fair to say that Swiss citizens are as well informed about policies as citizens in other mature and rich democracies.

Legislative Actors' Resources

Parliamentary
Resources
Score: 5

The Swiss parliament is not broadly professionalized. Officially, it is still a militia parliament, meaning that legislators serve alongside their regular jobs. However, this is far from reality. Almost 90% of members use more than a third of their working time for their political roles. Legislators' incomes have also been increased over time. On average, the various components of remuneration total more than CHF 100,000 annually (about €85,000). However, legislators do not have personal staffs, and the parliamentary services division offers only very limited research services, though legislators do have access to the parliamentary library. Thus, in comparative perspective, MP resources are very limited.

Obtaining
Documents
Score: 10

Parliamentary committees, as well as members of parliament, have access to government documents and receive copies of these promptly upon request. Legislators have also electronic access to the majority of government documents.

Summoning
Ministers
Score: 10

Parliamentary committees can summon ministers for hearings. Formally, this request is not binding. However, for political reasons, ministers typically respond to these requests, and answer the committees' questions.

Summoning Experts
Score: 10

Task Area
Congruence
Score: 8

Parliamentary committees are free to invite experts to provide testimony at hearings.

The Swiss government has only seven ministries, and all attempts to enlarge this number has failed due to political opposition within parliament. Hence, most of the seven ministries have responsibility for many more issue areas than in other democracies. Both the first and the second parliamentary chambers have nine committees dealing with legislation and two committees with oversight functions (such as the Finance Committee, which supervises the confederation's financial management). Four other committees have additional tasks (such as the Drafting Committee, which checks the wording of bills and legal texts before final votes). Thus, the task areas of the parliamentary committees do not correspond closely to the task areas of the ministries. Nonetheless, this does not indicate that the committees are not able to monitor the ministries.

Audit Office
Score: 8

Switzerland's Audit Office is an independent and autonomous body. It supports the Federal Assembly and the Federal Council through the production of analyses and reports. The chairman of the Audit Office is elected by the Federal Council; this election has to be confirmed by the Federal Assembly. In administrative terms, the Audit Office falls under the authority of the Department of Finance.

Ombuds Office
Score: 2

There is no ombuds office at the federal level in Switzerland. Some cantonal administrations do have an ombuds office, however.

Media

Media Reporting
Score: 9

Radio and TV programs are of high quality in Switzerland. With very few exceptions, radio reports are reliable and analyses performed on an independent basis in a professional way. Some television programs are trending toward infotainment and the personalization of politics.

Parties and Interest Associations

Intra-party
Democracy
Score: 6

Party decisions and party lists are formally produced at conventions of party members or delegates. A 1999 analysis of local party organizations found that Swiss parties – with the exception of the Green party – prioritized party leaders' strategic capabilities over membership participation. This tendency has increased in recent years.

However, these oligarchic tendencies are arguably not the primary problem with regard to inclusion in Swiss parties. The decline in party membership and party identification – particularly in the case of the Radical and Christian Democratic parties – along with the low level of party resources, may be even

Association
Competence
(Business)
Score: 7

greater problems since party decisions are being made by an increasingly shrinking active party membership base.

Employers' organizations and trade unions in Switzerland are pragmatic and avoid rigidly ideological stances. Of course the major interest organizations do have their ideologies, but this does not prevent them from entering rational discussions with other organizations and political parties. Furthermore, interest organizations in general have access to more substantial professional resources and often have a better-informed view of problems than do political parties. Thus, despite the defense of their own interests, associations often provide better policy proposals than do parties.

The influence of employers' organizations has declined as single firms or small groups have elected to engage in their own lobbying activities. Internal differences have also split these organizations. In 2013, a public initiative seeking to control excessive salaries for CEOs, as well as regulate proxy-voting rights, was passed by the voters. This initiative was strongly opposed by the employers' organization. Following the initiative's passage, the employers' group changed some of its key personnel and launched an institutional reorganization.

Association
Competence
(Others)
Score: 6

Noneconomic interest groups are very heterogeneous in Switzerland. Some, such as environmental groups, undertake cooperative efforts with academic bodies, offer reasonable proposals and feature considerable capacity for political mobilization.

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