



KOF Bulletin

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EDITORIAL 2

ECONOMY AND RESEARCH

- The Digitalisation Effect: New Jobs in Swiss Businesses 3
- The Labour Market Integration of Refugees 4
- Taxes: More Beneficial Terms for Larger Companies 6
- How Well do Players in the Vocational Training Sector Work Together? 9
- KOF Business Tendency Surveys: Situation for Companies is Becoming More Difficult 12

KOF INDICATORS

- KOF Employment Indicator: Significant Differences Between the Sectors 14
- Setback for the KOF Economic Barometer 16

AGENDA 17

EDITORIAL

Dear readers

Will it be different this time? When discussing the consequences of digitalization for the labour market, this question is usually the central one. In the past, technological advances have made human labour superfluous in many areas. But they have also created many new jobs, which is why we have not run out of work yet. It is unclear whether this will remain the case in the future. A new study now shows that in Switzerland, there are indications that the labour market as a whole has benefited from digitalization to date. Read more about this in the first article. The second article also deals with the labour market, namely the German labour market. Germany faces the task of integrating people who have fled to Europe in recent years from the Syrian war and other conflicts. The Joint Economic Forecast, which analyses the economic forecast for Germany and in which KOF is also involved, investigated the question of how well this integration is progressing. The results are also relevant for Switzerland as the challenges here are similar. The third article answers the question of whether the tax burden for national and multinational companies differs. Finally, in the last two articles you will learn how well the players in the Swiss education system work together and what the latest results of the KOF business surveys look like. So much for starters: The business situation of Swiss companies deteriorated again in April.

We hope you enjoy reading this issue!

Franziska Kohler und Anne Stücker

ECONOMY AND RESEARCH

The Digitalisation Effect: New Jobs in Swiss Businesses



Digital technologies represent a major challenge for the labour market. According to a new study, Swiss firms are investing in digitalisation, although this is resulting in the loss of some jobs. However, the process ultimately leads to the creation of more new jobs.

Technological advances in the past have rendered human labour superfluous in many areas. That said, they have also created many new jobs, which is why we are still working today. This time, however, things could be different. Automation driven by digital technologies could destroy more jobs than it creates. In fact, a study published in 2017 concluded that 47% of all US jobs are under threat from automation.

How do things look for Switzerland? There are signs that, until now, the labour market has benefited overall from technological progress. In a study due to be published shortly, Martin Wörter (KOF) and Benjamin Balsmeier (University of Luxembourg) have investigated whether there is any correlation between investment in digital technologies and the creation or loss of jobs in Swiss firms.

The study examines two data sets: a survey of digitalisation by Swiss firms (2016) and the Swiss Innovation Survey (SIS, 2015). Both surveys are based on the KOF business panel, which makes up a representative sample of Swiss companies. Using these data sets, the authors studied whether investment in new technologies in the recent past has been associated with changes in employment levels at the companies examined. They then investigated whether the employment effects differ depending upon the type of digital technology used.

The type of technology is crucial

It is clear that investment in digitalisation is closely related to changes in employment levels. The number of highly qualified workers rises, while that of unskilled workers falls slightly. Specifically, every additional 100,000 Swiss

francs of investment in digitalisation by a company from the sample over the period covered by the investigation resulted in the creation, on average, of around 5.8 new jobs at that firm for highly qualified workers, as against a loss of 2.3 jobs for less skilled workers. Ultimately, considering all qualification levels, the study shows a net gain of 1.6 jobs per 100,000 Swiss francs invested.

In addition, the investigation shows that the employment effect depends on the type of technology introduced. The effect only arises for firms that use machine-based digital technologies such as robots, 3D printers or IoT (Internet of Things). If firms invest in non-machine-based digital technologies (ERP, CRM, social media, e-commerce), there is not any significant correlation. These results are consistent with the view that new technologies have an effect on employment in particular where machines can be made more productive by accessing data and computational and communications technologies. This is therefore the area in which technological progress has been strongest over the last few years.

The authors conclude that competition for skilled workers will become stiffer in future. They advise companies to dedicate more time and resources to the recruitment and retention of highly qualified staff. Indeed, a number of firms

are already reporting a shortage of skilled workers – even in Switzerland, a country with a large number of highly skilled workers.

According to the authors, there is a risk that a fall in the number of jobs available for unskilled workers might increase inequality throughout the population at large. It is therefore essential to take action in order to minimise any potential negative consequences of such a development. Unskilled and semi-skilled workers should be supported in acquiring new skills that can enable them to work in the new jobs created through digitalisation.

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The Labour Market Integration of Refugees

There has been significant progress in the integration of the most recent refugee cohort into the German labour market. This is also relevant for Switzerland, which is confronted with similar challenges.

As a result of the Syrian civil war and other conflicts, several million refugees have come to Europe in recent years, including some to Switzerland. Refugee numbers have fallen sharply since 2017, although are still above pre-2015 levels. Many refugees end up staying in Europe for a number of years, and some remain permanently.

The Joint Economic Forecast [Gemeinschaftsdiagnose], in which the KOF is involved, has considered how well refugees are integrated into the German labour market. The

results are relevant for Switzerland as it is confronted with similar challenges.

The individual prospects for integration of refugees recently arriving in Germany are not as good as those of earlier cohorts. This is due, amongst other things, to their lower educational qualifications, the lengthy asylum process and the increased risk of suffering from post-traumatic stress disorder. Nonetheless, significant progress



has been made in integrating the most recent refugee cohorts into the German labour market.

Refugees more widely involved in gainful activity

In the second half of 2017, 21% of refugees who had arrived since 2013 were involved in gainful activity. The equivalent percentage for the second half of 2016 had only been 9%. Whilst figures for 2018 are not yet available, there are up-to-date statistics for asylum seekers from the eight commonest countries of origin (Afghanistan, Eritrea, Iraq, Iran, Nigeria, Pakistan, Somalia and Syria). This group currently comprises around 1.2 million people, of whom around 32% were in work in January 2019 – up 7 percentage points on the previous year. By way of comparison, the proportion in work of all foreign nationals in Germany was 50% (+2.7 percentage points), whilst the figure for German nationals was 69% (+0.3 percentage points).

Unfortunately, no figures are available regarding the labour situation of people who arrived in Switzerland in 2013 as a result of the various conflicts. However, a rough comparison may be drawn based on figures from a 2014 study, which investigated the labour market integration of previous incoming refugees into Switzerland, drawing on data contained in official registers.

The study differentiates between so-called 'recognised refugees', i.e. people whose asylum application has been approved, and 'provisionally accepted' refugees, i.e. people whose asylum application has been rejected, but who cannot be deported due for instance to armed conflict in their country of origin. Statistics indicate that, five years after their arrival in Switzerland, around one fifth of

provisionally accepted refugees have a job. In 2014, around one third of recognised refugees were involved in gainful activity.

While these figures are similar to those for refugees arriving in Germany in 2013, the study focuses on people aged between 25 and 50 at the time of arrival, thus in their prime working age, which makes the results for Switzerland look better than they actually are. Overall, the labour market integration of refugees in Switzerland is low by international standards – despite a highly inclusive labour market in which other immigrant categories have high rates of employment.

It is likely that a major driver behind this has been the legal and regulatory barriers which refugees must overcome in order to be able to start working. The increases within the most recent asylum statistics of the labour market involvement of provisionally accepted and recognised refugees must therefore be welcomed. The State Secretariat for Migration has attributed this development, amongst other things, to the increased integration initiatives pursued by a number of state bodies.

Gross earnings half as high as other workers

In Germany, on the other hand, the currently relatively high labour market involvement at first glance is a sign of significant progress in the integration of refugees. However, there are significant differences compared to the rest of the population in terms of skill levels as well as the work performed. Around 50% of employees liable for social insurance from the eight commonest countries of origin for asylum seekers perform so-called auxiliary work (share of auxiliary workers out of total employment: 16%). Moreover, people from these countries work predominantly within a few service sectors such as the hotel and catering sector and staff leasing, which make up a very small share of total employment.

For example, 14% of employees liable for social insurance – and 40% of part-time workers – in the hotel and catering sector come from the countries in question. By contrast, this sector accounts for only 3% of total employees liable for social insurance, and for 13% of part-time workers. As a result of low skill levels, average gross monthly earnings of refugees in full-time work are just over half as high as the median earnings figure for all full-time workers.

The ongoing development of new technologies is set to increase the future challenges for the labour market integration of refugees from crisis and developing countries, and in general for the labour market integration of those with a low level of education. However, the labour market opportunities of these people are also dependent upon political decisions concerning the flexibility and permeability of the labour market as well as the adoption of suitable measures to stimulate the labour market.

KOF advises Swiss politicians with its evidence-based research. For example, in a project conducted with the Federal Department of Economic Affairs, Education and Research, it is currently investigating how the placement of potentially disadvantaged people by the regional employment agencies could be improved.

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The detailed Joint Economic Forecast can be found on our website:

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Taxes: More Beneficial Terms for Larger Companies

Multinational companies benefit from lower effective tax rates than national ones. The disparities result from differences in bargaining power with the state. Larger firms are able to negotiate deductions with the tax authorities and thus reduce their individual tax burden.

Multinational Enterprises (MNEs) are playing an increasingly important role within national and international business cycles. They are not only more profitable, more productive and larger but also pay higher salaries than companies with only a national presence. However, if larger groups pay hardly any corporation taxes, this leads to frustration and strident public protests. The Organisation for Economic Cooperation and Development (OECD) estimates

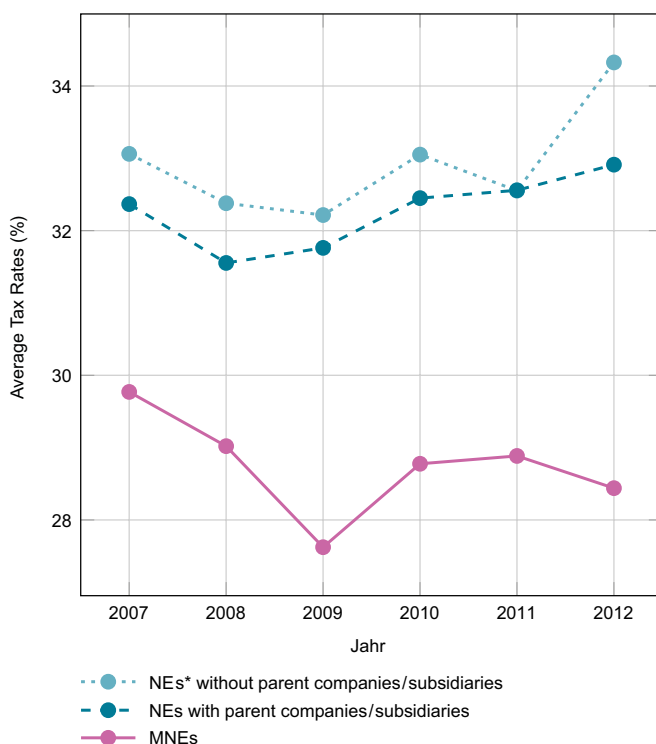
that, every year, between 4% and 10% of global corporation tax income (thus between 100 and 240 billion US dollars) are lost to tax avoidance schemes.

In contrast to smaller and medium-sized enterprises and those that only have operations in one country, multinational firms are able to reduce their tax burden in three ways:

- 1) Foreign subsidiaries enable MNEs to transfer profits abroad more easily in order to avoid tax in high-tax countries.
- 2) Foreign subsidiaries prove to be more mobile than comparable national enterprises (NEs). This strengthens the hand of MNEs compared to NEs in negotiations with national governments.
- 3) The greater economic significance of MNEs compared to NEs (in terms of profits, employee numbers etc.) further enhances this bargaining power.

These three aspects can result in a significantly lower level of tax on the corporate profits of multinational enterprises than on those earned by comparable national firms (see G 1). Classic profit transfer schemes such as transfer pricing (internal charges between different parts of a business), debt shifting or patent transfers followed by licence payments have previously been identified and addressed through coordinated action by international organisations.

G 1: Average Effective Tax Rate per Enterprise Type in France, Years 2007 to 2012



*NEs: national enterprises
MNEs: multinational enterprises

Source: Orbis Database

A new working paper by Egger, Strecker and Zoller-Rydzek (2018) focuses on another scheme, which is related in particular to aspects 2) and 3): negotiations between tax authorities and enterprises. Companies can negotiate possible deductions with the tax authorities and thus reduce their individual tax burden. Binding tax rulings are an important instrument within this negotiating process. They enable enterprises to liaise with the tax authorities and to clarify deductions for any potential investments by them before they are actually made. Almost all European countries and the USA use these types of tax ruling.

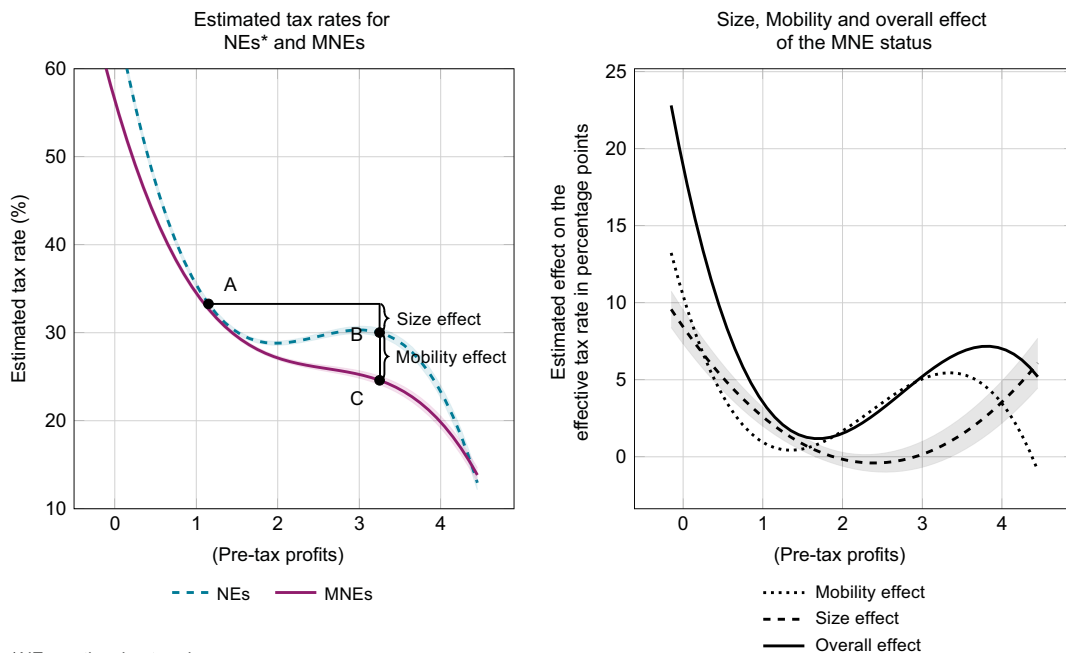
More attractive for the tax authorities

The granting of tax concessions by the state is beneficial for MNEs in two senses. First, they are on average larger and significantly more profitable than NEs. This makes them more attractive for the tax authorities, which are hence willing to offer better terms to larger enterprises. Second, with their international parent companies and subsidiaries, multinational enterprises are more mobile and can thus more credibly threaten to transfer their operations abroad and to pay either no tax at all or significantly less tax in the country with which they are negotiating. These more credible foreign alternatives increase their bargaining power and can force tax authorities to make generous concessions.

On an empirical level, it is difficult to distinguish between the various factors that contribute to the differential tax treatment of MNEs and NEs – profit transfer schemes and tax negotiations. However, it is possible to quantitatively isolate the various components of negotiations concerning tax loopholes from one another, thus separating the factors associated with the size of enterprises from those relating to their mobility. This is done by examining the various profit transfer schemes and comparing multinational firms specifically with national firms. The results of such a comparison for France were as follows: MNEs there benefit from an effective rate of corporation tax after profit transfers that is more than 6% lower than the rate applicable to comparable NEs (see G 2).

In particular, effective tax rates are regressive in terms of size: i.e. the greater the pre-tax profit, the lower the effective rate of tax for the enterprise. This correlation is apparent both for MNEs and for NEs. This suggests that company size has an impact irrespective of the type of enterprise, and that this dynamic is more pronounced for MNEs simply

G 2: Estimated Effective Tax Rates



*NEs: national enterprises
 MNEs: multinational enterprises

Source: Orbis Database and own calculations

From G2, it can be deduced what effects are brought about when an average national enterprise happens to become an average multinational enterprise. Starting from point A, the NE becomes larger on average, slips through the size effect to point B and lands on the tax rate for MNEs (point C) through the mobility effect. We also calculate these effects across the full range of all pre-tax profits (right panel).

because they are larger on average than NEs. Overall, both national and multinational firms appear to be able to negotiate lower rates of corporation tax with the French authorities, provided that they are larger or more profitable than other firms. Moreover, on account of their remarkable mobility, MNEs benefit from a further reduction in corporation tax rates, which cannot be attained by NEs.

According to a rudimentary calculation, the improved negotiating position of MNEs results in average tax savings of 20,000 euros per year per MNE. Assuming that there are around 17,500 multinational enterprises in France, this means that every year more than 360 million euros are negotiated away.

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How Well do Players in the Vocational Training Sector Work Together?

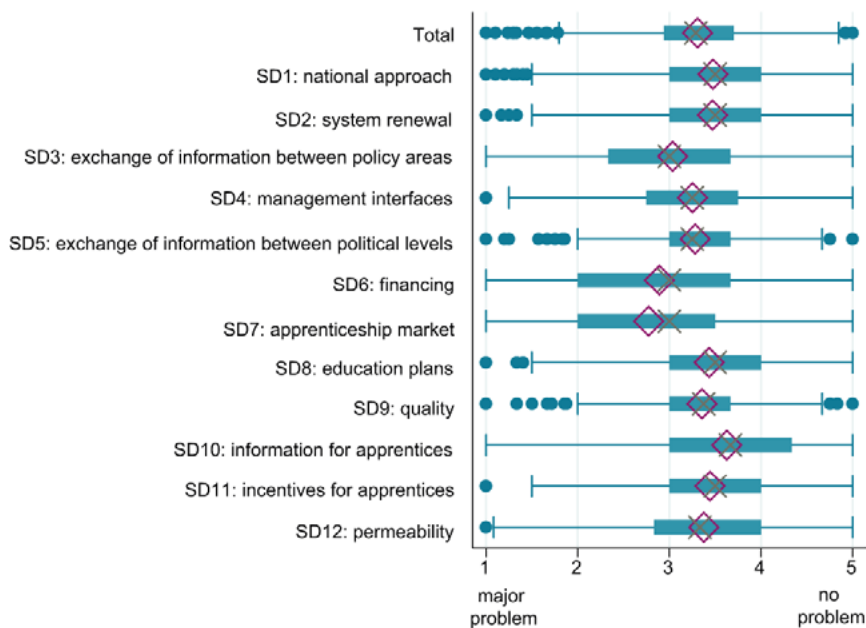
In a new study, KOF has investigated the cooperation between the different actors in the Swiss education system. The results show that they are generally satisfied with how they collaborate. However, there is scope for improvement as regards cooperation with the federal authorities.

The KOF research division Education Systems has concluded an assessment of the management of the Swiss system of vocational training. The study commissioned by the Swiss State Secretariat for Education, Research and Innovation (SERI) focused on the following questions:

- How good is governance¹ within the Swiss vocational training system?
- How good is the governance of system interfaces?

SERI identifies the improvement of the systemic knowledge of vocational training actors at national level as an important governance issue, including these actors' awareness of their own role and significance for the overall system. It is envisaged that this will establish where and whose systemic knowledge is good, and also where there is potential for improvement.

G 3: Objective Assessment of Governance



NB: the graph displays the objective assessment in box plots, with the box representing the middle 50% of data (between the 25th quartile and the 75th quartile). The antennae display the figures outside the box. Extreme outliers are marked by points. A pink diamond marks the average figure, and a grey X the medium figure, representing the figure for which 50% of data are higher and 50% are lower. N = 1028-1532.

¹ According to the SERI, this includes the following aspects: examining and adjusting partnership organs with reference to their necessity and efficacy (commissions, panels, groups etc.); strengths of the association partnership in terms of the use of new technologies; simplification of financial flows and improvement of structures of incentives; ensuring financial security (private and public); improving the systemic knowledge of vocational training actors at national level; improving intercantonal cooperation with a view to harmonisation; enhancing the role of partnership organs within the bodies from other areas of education.

The survey was carried out in both German and French in January 2019 and was addressed to selected actors in the Swiss vocational training sector. Overall, 2,129 people participated, including representatives from all cantons and all sectors of the economy.

Association partners are relatively satisfied with the Swiss system

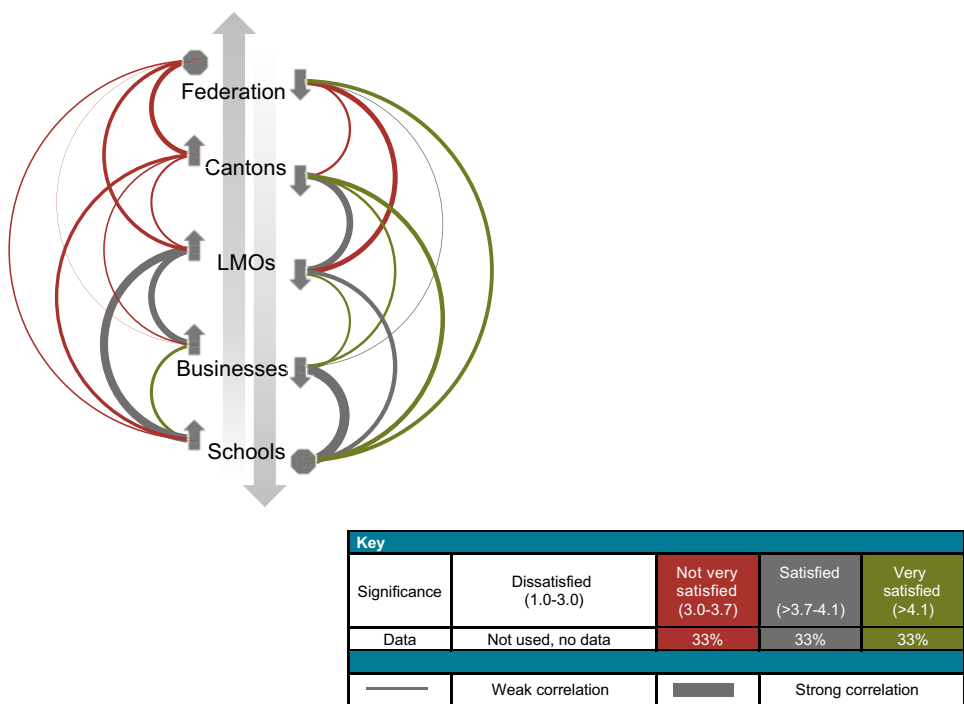
The overall individual satisfaction of association partners with the governance of the Swiss vocational training system is relatively high, averaging 3.7 across all participants (on a scale of 1 to 5). Satisfaction with individual management areas averaged between 3.0 (management area SD6: financing) and 3.9 (SD12: permeability). It may thus be presumed that governance is satisfactory overall. There is a lack of international comparative figures, as these surveys have only been carried out in Switzerland until now.

The average figures from an objective, detailed assessment of the twelve management areas (including sub-questions) comprising a vocational training system are slightly lower on average, as is shown by graph 3. Average figures lay between 2.8 and 3.6. Different actors therefore assess individual management areas slightly differently.

Intensive relations between firms and vocational colleges

Cooperation between association partners is the key to a properly functioning vocational training system. Graph 4 shows how satisfied respondents are with cooperation, as well as the intensity of cooperation, with reference to selected network analyses. Cooperation is most intensive between businesses and vocational colleges. It is also apparent how intensively schools cooperate with labour market organisations (LMOs). These relations are graded satisfactory to neutral, which can be considered particularly positive.

G 4: Cooperation Between Actors



NB: The grey arrows show the direction of relations, which means that the left-hand side shows relations of the lower actors with the upper actors, whilst the right-hand side displays relations of the upper actors with the lower actors. This arrangement has been chosen for display purposes and has nothing to do with any levels, since, for instance, the cantons and LMOs would have to be placed on the same level, as also would businesses and schools. The thickness of the connecting lines represents the strength of the relationship, with a thicker link meaning closer cooperation. The colour of the connecting lines symbolises the actors' satisfaction with the cooperation. This colouring somewhat exaggerates the results, as all actors are in principle satisfied with cooperation (all figures higher than 3). However, in order to make the differences recognisable, the information has been displayed using three colours. Green stands for the third of actors initiating relations that are most satisfied with cooperation (figures higher than 4.1). Red stands for the third of actors initiating relations that are least satisfied with cooperation (figures lower than 3.7) and grey stands for the middle third, which corresponds to a neutral assessment (Between 3.7 and 4.1).



Although relations with the federal authorities are not generally very intensive, actors that work with the federal authorities are rather less satisfied. There is some tension in terms of less satisfactory relations between the federal authorities and LMOs, a dynamic which operates in both directions. Action is needed here, as LMOs play a core role within the dual system of vocational training.

Recommended action and outlook

The results suggest the following recommendations for action for the Swiss vocational training system:

1. The increased integration of innovative companies involved in research into the development of teaching plans and the updating of training ordinances could promote innovation. These companies could for instance be involved in recruiting businesses to sit on a reform commission.
2. Compared to other countries, there is scope for improving the way in which association partners provide information about when curriculum changes and amended training ordinances are to take effect, as well as the content of such changes.
3. Cooperative relations between business and vocational colleges are particularly intense and should be enhanced by the responsible association partners.
4. LMOs should be recognised by their member businesses as key players in the association partnership. They work well together.
5. There should be a focus on ensuring cooperative relations between the federal authorities and LMOs. It is evident from survey results that neither side is particularly satisfied with the other. This cooperation should be put on a firmer footing.

The following action is recommended as regards the governance of system interfaces:

6. The feasibility of harmonising accreditation for general training throughout Switzerland should be considered with reference to the principle of equality of opportunity.
7. The differing significance of formal vocational training qualifications compared to informal tertiary education courses should be discussed.
8. From the perspective of participants, it is necessary to put in place procedures for recognising formal and informal qualifications (e.g. attendance of a voluntary course) and informal learning (e.g. work experience).
9. Due to the major significance of permeability throughout the Swiss education system, possible improvements to the provision of information concerning this aspect should be examined.

This study concludes that, considering the highly differentiated analysis and the comparatively large number of participants, governance of Swiss vocational training may be regarded as good overall. Cooperation on the basis of vocational training may be regarded as highly intensive and scored as neutral to good. All stakeholder groups have relations with each other of varying intensity.

In general, the association partners regulated by law assess the relationships with the institutions responsible for implementation more positively than vice versa. This is because they usually have significantly more information. Only the relationship between LMOs and the federal authorities is less satisfactory in the view of participants. It is here that there appears to be the greatest need for action in order to promote more cooperative relations.

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An extended version of the article can be found on our website at KOF Studies:

www.kof.ethz.ch →

KOF Business Tendency Surveys: Situation for Companies is Becoming More Difficult

In April, the business situation of Swiss companies worsened once again. The Business Situation Indicator declined for the fifth month in a row (see G 5). With the exception of the construction and project engineering sectors, all other sectors have been struggling to sustain their business situation since the start of the year. By contrast, the companies' expectations for the coming six months have not fallen any further.

Broken down by sector, a mixed picture emerged in April. The business situation in the **manufacturing industry** is still on the decline, slowing down for the fifth consecutive month. Both domestic and export-oriented companies are less satisfied with their business situation than before (see T 1). Although output expanded on a very moderate scale, order books are shrinking and inventories of finished goods are growing. This pattern is suggestive of weaker demand.

With respect to incoming orders and output, companies' expectations are less positive than in the previous spring, although they still foresee further increases. Companies are thus preparing for a further cooling of the market, although they are not expecting an abrupt slowdown or even contraction.

Improved business situation in the construction and retail trade industries

The building-related **construction and project engineering** sectors reported an improvement in their business situation

in April. With the construction industry recording brisk demand, companies are more satisfied with their order books than they were previously. Corporate earnings are under less pressure than before and the companies are hoping for stable earnings in the near future. The business situation of project engineering firms has improved slightly, although demand for their services increased less substantially than before. Total construction costs in the industrial-commercial segment contracted. In terms of the demand trend, companies once again anticipate a stable development.

The business situation in the **retail trade** has improved for the first time in four months, although earnings remain under a little pressure. Retailers are now more confident about their turnover trend in the near future. Wholesalers are less positive in their assessment of the business situation for the second quarter running.

G 5: KOF Business Situation Indicator

(Balance, seasonally adjusted)



T 1: KOF Business Situation for Switzerland (seasonally adjusted balances)

	Apr 18	May 18	Jun 18	Jul 18	Aug 18	Sep 18	Oct 18	Nov 18	Dec 18	Jan 19	Feb 19	Mar 19	Apr 19
Private sector (overall)	26.5	28.2	27.2	29.0	28.7	28.4	27.9	28.9	28.1	25.9	25.6	24.3	23.6
Manufacturing	22.4	27.4	24.7	27.6	28.8	26.1	22.0	26.5	25.6	22.7	21.1	19.6	14.9
Construction	30.0	29.4	28.3	28.9	27.3	27.5	29.4	28.5	28.7	27.4	29.6	29.6	34.5
Project engineering	47.3	46.7	46.7	45.3	46.6	45.9	46.4	45.3	46.1	47.1	49.9	51.9	52.2
Retail trade	0.2	7.8	7.5	10.0	7.8	9.2	6.1	7.8	6.0	5.9	2.6	0.8	3.3
Wholesale trade	27.0	-	-	32.7	-	-	33.4	-	-	27.6	-	-	25.7
Financial services	41.4	42.0	39.7	40.8	38.2	40.0	41.2	41.1	37.3	35.9	36.1	30.0	34.7
Hotel and catering	5.4	-	-	8.5	-	-	9.3	-	-	6.4	-	-	4.6
Other services	27.4	-	-	27.3	-	-	28.1	-	-	26.7	-	-	25.4

Answers to the question: We assess our business situation as good/satisfactory/bad. The balance is the percentage of 'good' answers minus the percentage of 'bad' answers.

For a second consecutive quarter, the **hotel and catering sector** recorded a slight slowdown of its business situation. This is due to the assessments of catering companies, which have rated their business situation as just about satisfactory. Compared to the same quarter last year, turnover is no longer on the rise and corporate earnings have been under slight pressure lately. Catering enterprises are more confident regarding the future development of their business. The favourable business situation in the hotel sector has changed very little. Although the number of overnight stays rose somewhat more slowly and the occupancy rate dropped slightly, the need for price reductions continues to

wane. According to respondents, the number of overnight stays is set to rise substantially in the near future.

Banks anticipating stronger demand from domestic customers

In April, the business situation of the **financial and insurance services sector** improved again. The situation is predominantly good, albeit no longer as positive as at the beginning of 2019 or last spring. Expectations of the corporate earnings trend are now showing more confidence. In the banking segment, the business situation with domestic and international customers is improving. Nevertheless, business with both customer groups is less brisk than in the same period last year. In the near future, banks expect demand to rise substantially among domestic companies and domestic private customers.

G 6: KOF Business Situation in the Private Sector



The angle of the arrows reflects the change in the business situation compared to the previous month

Source: KOF

Net balances

■ 55 to 100	■ 30 to under 55	■ 16.5 to under 30
■ 9 to under 16.5	■ 5 to under 9	■ -5 to under 5
■ -9 to under -5	■ -16.5 to under -9	■ -30 to under -16.5
■ -55 to under -30	■ -100 to under -55	

The business situation in the **other services sector** is slowing down for the second consecutive quarter, with the Indicator declining specifically in the transport, information and communications segment. However, all in all the business situation of service providers remains predominantly favourable. As regards the coming three months, companies anticipate demand to rise further, although they have been more optimistic on this score in previous quarters.

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You can find more information about the KOF Business Tendency Surveys on our website:
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KOF INDICATORS

KOF Employment Indicator: Significant Differences Between the Sectors

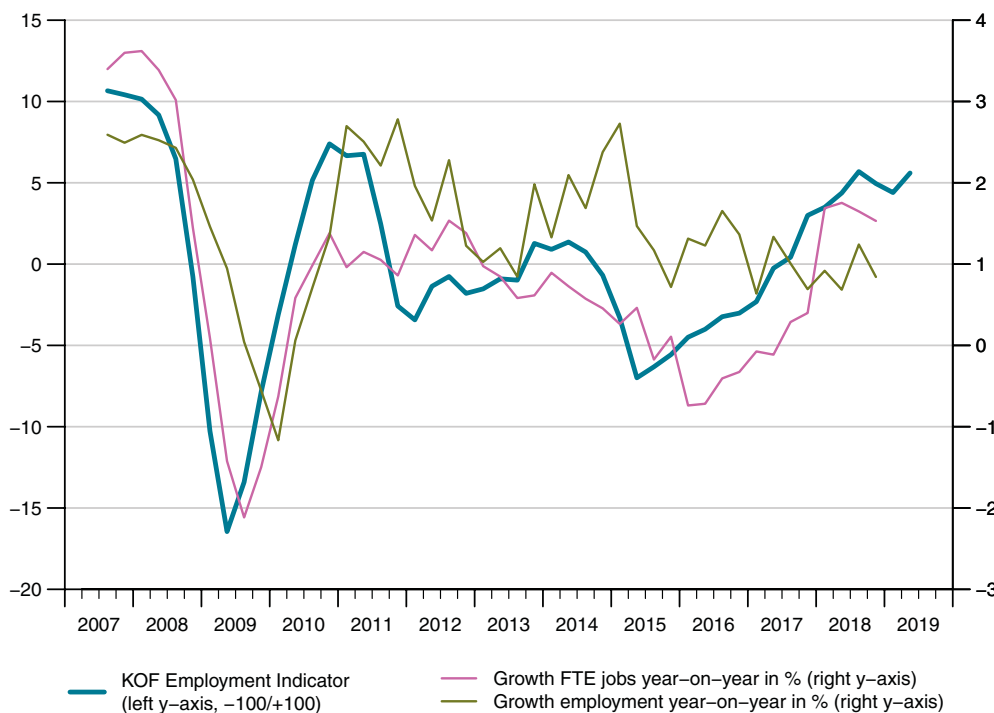
All in all, HR planning at Swiss companies has changed very little in the last few months (see G 7). However, according to the latest KOF Employment Indicator, the companies’ planning followed highly diverging trends: While the construction industry, insurance companies and the other service providers are planning to increase staff numbers, the outlook deteriorated for banks and the hotel and catering sector.

In April, the KOF Employment Indicator was at 5.6 points, which represents a slight rise compared to the first quarter of the year. At the time, the indicator was at 4.4 points (revised up from 4.2 points). The Employment Indicator is calculated on the basis of the quarterly KOF Business Tendency Surveys. In April, among other questions, the

companies were asked to assess their current staff numbers and whether they plan to adjust them in the coming three months.

On balance, the majority of companies were of the opinion that their staffing levels were currently too low. At the same

G 7: KOF Employment Indicator, Job and Employment Growth
(Job and Employment Growth According to FSO)



T 2: Development of the Indicator

Period	Current value	Indicator	Value in the preceding quarter
3rd quarter 2017	0.4		0.4
4th quarter 2017	3.0		2.9
1st quarter 2018	3.5		3.4
2nd quarter 2018	4.4		4.5
3rd quarter 2018	5.7		5.7
4th quarter 2018	5.0		4.9
1st quarter 2019	4.4		4.2
2nd quarter 2019	5.6		

time, the majority also expects to raise their headcount in the next three months. The KOF Employment Indicator presents the average employment assessments and expectations of the respondents. With the Indicator currently slightly above the long-term average, which is close to zero, the short-term outlook for the labour market remains rather positive.

Favourable outlook for construction sector and other service providers – downturn in the hotel and catering sector

However, the overall picture hides the fact that there are substantial differences between the sectors. For instance, the Employment Indicator rose again in the construction industry and has reached a level last recorded six years ago. A positive order situation in civil engineering and commercial construction appears to result in jobs growth.

Employment prospects among insurers, wholesalers and the other service providers also followed a positive trend. The latter include high-employment sectors, such as transportation, information and communication, real estate and housing as well as healthcare and social welfare.

By contrast, employment prospects in the hotel and catering sector are now far more pessimistic than at the beginning of the year. In this industry, the Employment Indicator has slipped significantly below zero. Following a strong winter season, the companies seem to expect a slightly weaker summer season. The situation for banks is also less than rosy: In this sector, the Employment Indicator has been in the negative for a year now. With Employment Indicators close to zero, the situation in the industrial sector and the retail trade is also on the mediocre side, and job numbers are neither expected to grow nor to decline.

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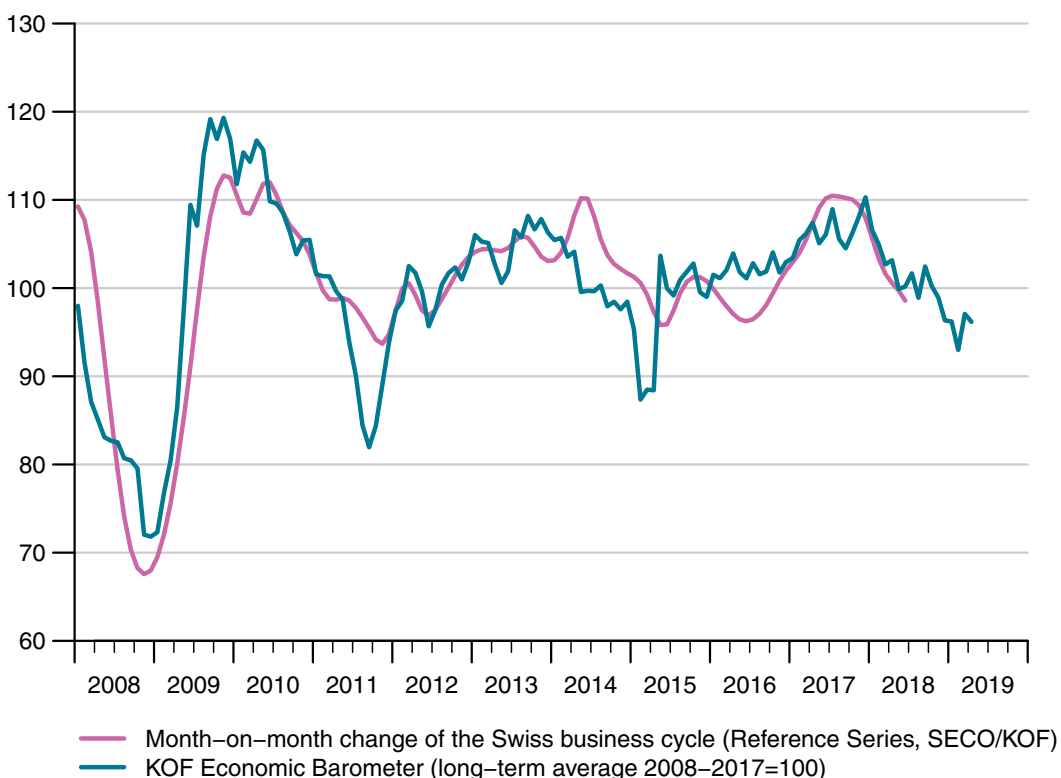
Click here for more information about the indicator and its methodology and to download the data for the indicator:

www.kof.ethz.ch →

Setback for the KOF Economic Barometer

The KOF Economic Barometer fell slightly in April, after the previous month's recovery, which had followed five consecutive declines (see G 8). In April, however, it only lost a small part of the increase of the previous month. The Barometer value is still clearly below average. The Swiss economy is likely to develop sluggish in the coming months.

G 8: KOF Economic Barometer and Reference Series



The KOF Economic Barometer drops by 0.9 points in April, from 97.1 (revised from 97.4) to an index value of 96.2. The decline is largely due to the indicators for the manufacturing sector. In addition, the indicators for the construction industry are slightly declining. The signals for private consumption as well as the banking and insurance sector are almost unchanged. The outlook for other service providers, hotel and catering sector and for foreign demand is slightly better than in the previous month.

In the goods producing sectors (manufacturing and construction), almost all sub-indicators recorded a negative development in April. The negative developments are particularly pronounced in the indicators for employment, the order situation and the competitive position.

Within the manufacturing sector, the outlook for the metal, electrical, textile and clothing industries is clouding over. The indicators for machinery and vehicles and for wood, glass, stone and earth are slightly negative. The chemicals, pharmaceuticals and plastics industry is stable. There is a positive tendency in the food and beverages and in the paper and printing industries.

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For detailed information on the KOF Economic Barometer, visit our website:
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