

SUMMARY OF THE IFTI STUDY ON THE EMPLOYMENT EFFECTS BY SERV



**SERV
GENERATES
SIGNIFICANT
POSITIVE
EXPORT AND
EMPLOYMENT
EFFECTS**

Every Swiss franc of SERV insurance policies and guarantees creates CHF 0.53 worth of new exports in Switzerland that would not be possible without this support from SERV. In an empirical analysis, the Institute for Trade and Innovation (IfTI) at Offenburg University demonstrates that e.g. in 2018 additional Swiss exports worth around 2.5 billion Swiss francs were generated by SERV instruments. The analysis also quantifies employment effects for the Swiss economy as a whole: according to the IfTI study, SERV insurance policies and guarantees created or helped to maintain up to 21 000 jobs in Switzerland in the period between 2017 and 2020.



Significance of the export industry for Switzerland

In the period from 2010 to 2019, prior to the coronavirus pandemic, Swiss exports grew at an average rate of three per cent a year. Swiss domestic growth, measured in terms of gross domestic product, averaged less than two per cent a year over the period under review. This means that Switzerland's international trade makes an above-average contribution to the country's economic growth. Whereas back in 2010, exports accounted for around 33 per cent of Switzerland's gross domestic product, this figure rose to 43 per cent in the years that followed, making Switzerland a

very open economy. A significant portion of the country's economic output can be attributed to international trade.

Swiss exports are dominated by a small number of industries. The two Swiss industries with the strongest exports are the pharmaceutical and metal industries, followed by the electronics and optical industry, mechanical engineering and the chemical industry. The pharmaceutical industry has often increased its exports significantly in recent years, whereas the metal industry has reported a marked decline in export volume over the

past few years, even though exports remain at a high level of over 50 billion US dollars. Exports from Switzerland to fast-growing emerging markets such as China, India and Indonesia have posted a particular increase in recent years.

Figure 1 shows three larger groups of countries. Industrialised regions with mature institutions based on the rule of law, such as the European Union and the US or Australia, are associated with the lowest country risk. Countries in Central Africa, on the other hand, are mostly associated with very high country risks.

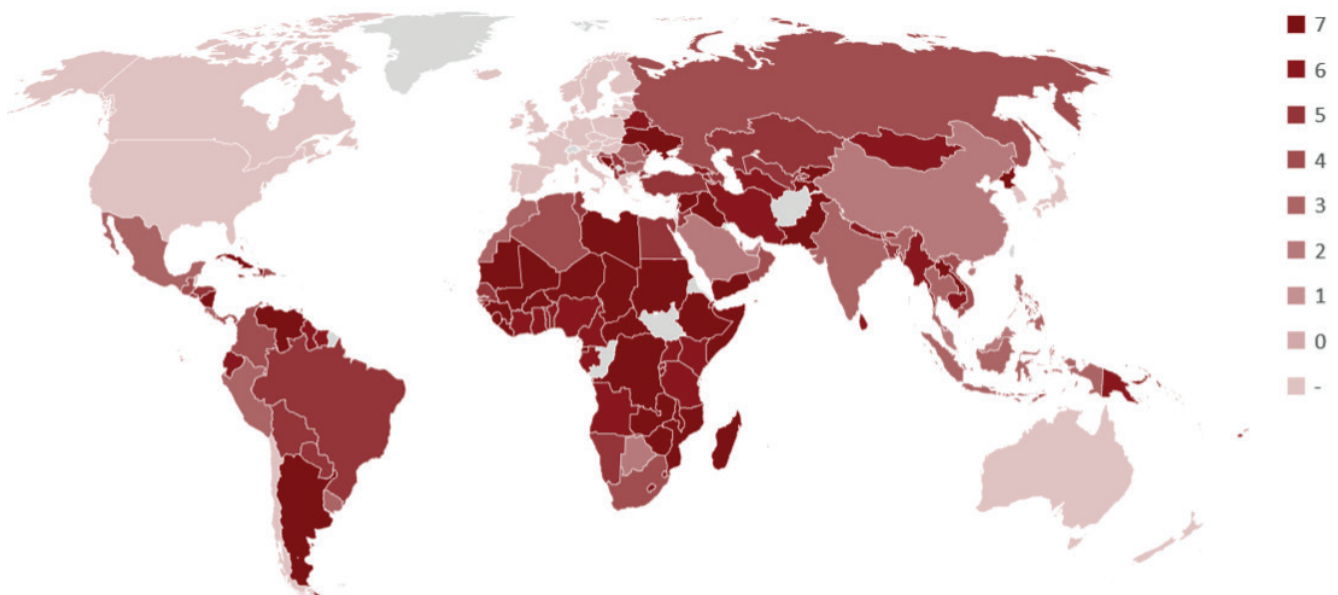


Figure 1: country risk (2019); Source: OECD, own illustration

Note: The world map shows the country risk measured on the basis of the OECD risk metric. Countries in dark red have the highest risk (level 7), while those in light red have the lowest risk (level 0). No data is available for the countries presented in grey. High-income industrialised countries are not classified in the year analysed (-).

Role played by SERV

SERV insurance policies and guarantees are used primarily in countries with a high country risk. The biggest volumes covered by SERV instruments are seen in fast-growing emerging markets such as Türkiye, South Africa, China and India. Moreover, SERV instruments are concentrated on a small number of highly export oriented sectors. In recent years, the biggest volume of SERV instruments has been used for exports in the machinery industry,

followed by the vehicle, electrical, pharmaceutical and chemical industries.

SERV insurance policies and guarantees have a significant positive impact on Swiss exports. For the consideration period (2010 – 2019), SERV instruments show an effectiveness of 53%. Half of the insured Swiss exports would not be possible without SERV insurance and guarantees. This means that, with a cover ratio fluctu-

ating between one per cent and three per cent of Swiss exports in recent years, SERV instruments play a significant role in generating additional Swiss exports every year. In 2018, for example, these additional exports amounted to more than 2500 million Swiss francs. On average, every Swiss franc attributable to a SERV insurance policy or guarantee creates CHF 0.53 in new Swiss exports that would not be possible without such support.

SERV INSTRUMENTS ARE 53 PER CENT EFFECTIVE!

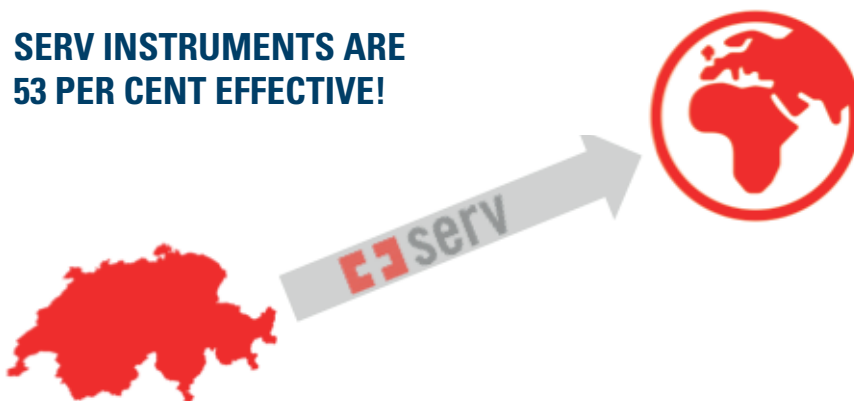


Figure 2: SERV effectiveness; Source: own illustration

Positive export effects created by SERV can be witnessed in a wide variety of sectors. This is partly due to the wide range of sectors in which SERV insurance policies and guarantees are used. SERV insurance policies and guarantees create exports via two mechanisms: in addition to the efficiency of the SERV instruments (estimated empirical effect), the cover volume utilised is also important.

Up to 21 000 jobs

In the years 2017 to 2020, SERV instruments created or helped to maintain an average of up to 21 000 jobs in Switzerland. In

2019, the direct employment effects attributable to SERV instruments – i.e. jobs directly created in the sectors analysed – reached

6 727, with the direct and indirect (total) jobs attributable to SERV instruments accounting for 21 016 employees.



Quantification of the jobs created or maintained by SERV instruments in Switzerland by sector reveals a clear focus on a small number of sectors, which also account for the lion's share of Swiss exports. This analysis shows that the biggest employment effects can be observed in the machinery industry, where approximately 9 000 jobs attributable to SERV instruments were created in 2019. Based on the analysis, the pharmaceutical industry accounts for almost a further 5 000 jobs.

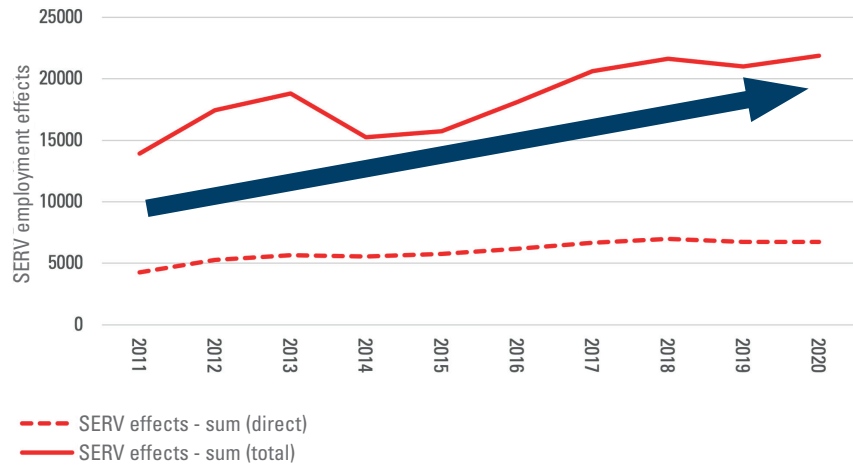


Figure 3:
Jobs created or maintained by SERV instruments (2011–2020)

Notes

To date, no official input-output table has been available for Switzerland showing sector links with other countries. This means that it is impossible to distinguish between domestic and foreign jobs attributable to SERV instruments. Similarly, based on the data available so far, it is also impossible to differentiate between different employment qualifications. As a result, any analysis focusing exclusively on employment effects does not capture other effects that SERV instruments have. They are expected to result in further positive effects, e.g. in the form of higher wages or tax revenues. Consequently, the employment effects calculated only represent part of the overall economic prosperity-enhancing effect of SERV insurance policies and guarantees.

About the authors

Professor Erdal Yalcin is Professor of International Economics at Konstanz University of Applied Sciences and a research-oriented policy advisor for international institutions. His research focuses on the different impacts of international trade agreements, trade finance, international value chains and the role that uncertainty plays in trade policy. He is a member of numerous international research and committee networks, such as CESifo.

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SERV generates significant positive export and employment effects



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