

**COMMUNICATION FROM SWITZERLAND**

The Services Sector, Small and Medium-sized Enterprises and Employment:  
the Case of Switzerland

The following communication, dated 20 September 2011, from the delegation of Switzerland, is being circulated to the Members of the Council for Trade in Services.

**I. DEFINITION AND CHARACTERISTICS**

1. The so-called "sectoral papers" presented by the Secretariat shed some light on the role and importance of small and medium-sized enterprises in the services sector.<sup>1</sup> The objective of the present communication is to present the characteristics of small and medium-sized enterprises (SMEs) in the tertiary sector in Switzerland's economy. Statistical data are based on Full-Time Equivalents (FTEs).<sup>2</sup>

2. The Swiss economy is characterized first and foremost by approximately 299'000 SMEs. These enterprises represent 99,7 per cent of all companies in Switzerland and two-thirds of all employees. In many sectors, the growth in respect of employment by SMEs is higher than the national average.

3. They generally have a high ability to occupy niche positions. In general, Switzerland's SMEs can be considered as the "backbone of the Swiss economy". Small and medium-sized companies in Switzerland's tertiary sector represent circa 2.3 million Full-Time Equivalents, compared to circa 448'000 FTEs for Switzerland's big enterprises in the services sector.

4. There is no common definition of what constitutes an SME, and each country or organization has its own definition. The definition most commonly used in Switzerland categorizes companies as follows:

- (a) less than ten FTEs are micro-sized enterprises,
- (b) those with less than fifty FTEs are small-sized enterprises, and
- (c) those with less than 250 FTEs are medium-sized enterprises.

Especially for statistical purposes companies with less than 250 FTEs are considered to be small or medium-sized firms.

5. The relative importance of SMEs for the Swiss economy varies from sub-sector to sub-sector. Table 1 below ranks the 12 sub-sectors of services according to the contribution of SMEs to employment (Switzerland, 2010). Distribution Services (526'700 FTEs), Health Related and Social Services (380'500 FTEs) as well as Professional Services (261'800 FTEs) show the largest employment figures. In these three dominant services

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<sup>1</sup> S/C/W/301; S/C/W/302; S/C/W/303; S/C/W/304; S/C/W/310 and Corr. 1; S/C/W/311; S/C/W/312 and Corr. 1; S/C/W/313; S/C/W/314; S/C/W/315; S/C/W/316; S/C/W/317; S/C/W/318; S/C/W/319; S/C/W/320; S/C/W/324; S/C/W/326; S/C/W/334.

<sup>2</sup> All statistical information are provided by Federal Statistical Office, Neuchâtel, Switzerland.

sub-sectors, Swiss SMEs employ nearly 1.17 million FTEs, i.e. approximately 50 per cent of all FTEs in the services sector in the SMEs in Switzerland.

**Table 1: Services sectors in Switzerland's SMEs (fourth quarter of 2010)**

	<b>Sub-Sector</b>	<b>FTEs</b>
<b>1.</b>	<b>Distribution Services</b>	<b>526'700</b>
<b>2.</b>	<b>Health Related and Social Services</b>	<b>380'500</b>
<b>3.</b>	<b>Professional Services</b>	<b>261'800</b>
4.	Financial and Insurance Related Services	211'900
5.	Educational Services	191'900
6.	Transport and Storage Services	185'300
7.	Hotels, Restaurants, Gastronomy in general	181'400
8.	Other Economic Services (e.g. car rental, travel agencies, etc.)	117'300
9.	Information and Communication Services	112'300
10.	Other Services	72'300
11.	Artistic, Entertainment and Recreational Services	34'200
12.	Housing and Real Estate	23'100
		<b>2'298'700</b>

Source: Federal Statistical Office, Neuchâtel, Switzerland.

## II. DETAILED CONSIDERATION OF THE THREE DOMINANT SUB-SECTORS

6. The ranking of the three main services sub-sectors in Switzerland's SMEs may cause some astonishment, and an examination of the precise composition of each one of them is necessary.

7. Distribution is the sub-sector where SMEs are creating most jobs, according to the official statistics on FTEs in the services sector in the Swiss SMEs. This is due to the fact that the statistics take into account not only of wholesale distribution services or supermarkets, but also of a large range of other distributors, such as small corner stores, groceries, bakeries, souvenir shops, newspaper kiosks or mobile selling activities. They include specialized shops for electronics, appliances, household articles and motor vehicle center, including the after sales activities such as delivery, maintenance and repair. As to the company structure, those entities may be family businesses, so-called "sole-ownerships", or more organized types of firms. In this sub-sector a diminution of FTEs during the 1990's and early 2000's is observed, but that tendency is reversed since 2005. The number of FTEs in small and specialized shops dropped from 567 at end 1991 to as low as 498 at end 2005, possibly a consequence of new forms of business introduced by large-scale stores. The recovery to today's level of 527 amounts to a sizeable 5 per cent, possibly supported by changes in consumers' preferences.

8. Why is the sub-sector Health Related and Social Services taking the second place? In that regard, it is important to note that the statistics concerning that sub-sector contains professions that are usually considered to be professional services according to the *Services Sectoral Classification List*<sup>3</sup>, for example doctors, psychiatrics, physiotherapists and a wide range of para-medical professionals (CPC prov. 93191). Furthermore, the national statistics on Health Related and Social Services contains dental services, including dental hygiene (CPC prov. 9312). In addition it must be underlined, that these statistical data represent a large range of different activities, such as laboratory analysis, various sorts of residential home services, nutrition counseling services, etc. The types of company structures that prevail in that sub-sector vary from the self-employed professional, to the group of partners, in both cases with some employed assistants, to more formalized types juridical persons. This sub-sector shows a steady growth of FTEs over the past 20 years.

9. The Professional Services, which generally can be considered as an important and highly diversified sub-sector, appear to be quite underrepresented in comparison with Distribution Services (Professional Services: 261'800 FTEs; Distribution Services: 526'700 FTEs). The most obvious reason for this is the fact, that, as already mentioned in paragraph 8, certain professions are already included in the Health Related and Social Services Sector. Also this sub-sector shows a steady growth of FTEs over the past 20 years.

<sup>3</sup> Services Sectoral Classification List, MTN.GNS/W/120, 10 July 1991.

10. Despite the fact that the official statistics on SMEs in the Swiss services sector is, to a certain extent, based on a different methodological approach compared to the *Services Sectoral Classification List*, it can be summarized that these three sectors are dominant in Switzerland's service industry.

### **III. CONCLUSION**

11. Switzerland's economy is generally characterized by many small and medium-sized enterprises. A more accurate consideration shows that SMEs play a crucial role in Switzerland's services sector: five times more FTEs are employed in small and medium-sized enterprises than in the large companies.

12. SMEs are dominant in particular in three sub-sectors of the Swiss service industry: a) Distribution Services, b) Health Related and Social Services, and c) Professional Services. All three sub-sectors together represent almost 50 per cent of all jobs in the SMEs in Switzerland's tertiary sector.

13. SME probably use different ways and modes of export compared to large multinationals. Equally, they may be sensitive to other types of trade barriers compared to large firms. Therefore, it may be important to take account of the composition of firms and that aspect of structure of the national economies in analyzing individual sub-sectors, in pursuing the request-and-offer processes and in evaluating the benefits of commitments undertaken.

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