

THE FUTURE OF WORK IN SWITZERLAND IN THE DIGITAL AGE

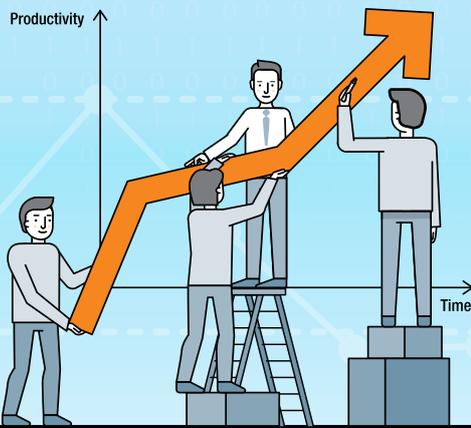
Digital, automation, and AI can revive Swiss productivity growth

0.5%

average productivity growth in Switzerland since 2010

>1%

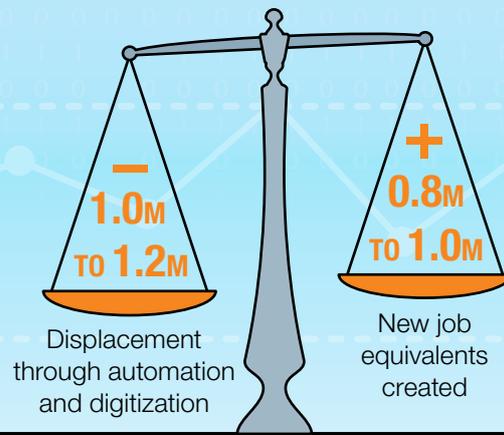
could be added to productivity growth through digital opportunities in 2015–25



There will be disruption — but new jobs can replace old jobs

~1/5–1/4

of all tasks in Switzerland may be automated by 2030, but a roughly equal number of new tasks may also be created



To sustain global competitiveness and inclusive growth, Switzerland needs to...

Accelerate digital transformation

- Companies need bold, large-scale digital transformation
- Policy makers need to enable digitization by opening sectors to innovation and competition



Reskill across society

- Companies need to adapt workforces to the automation era, reskilling at scale
- Switzerland may need to rethink its education system
- Immigration will need to continue to supply skilled workers



IN BRIEF

THE FUTURE OF WORK: SWITZERLAND'S DIGITAL OPPORTUNITY

Digital technologies are proliferating, automation is spreading, and advances in artificial intelligence (AI) technology are adding to the transformation of business and society. A top priority for many companies is how to optimize their use of these technologies, and how to master the massive effort required to develop the skills that will be needed in the workforce of the future. Drawing on research by the McKinsey Global Institute (MGI), this paper looks at digitization in all its forms—digital technologies themselves, automation, and AI—and the future of work in Switzerland in the period to 2030. Among our findings are:

- Today, Switzerland faces the twin challenges of an aging population and comparatively slow productivity growth (near-zero growth since the financial crisis). Digitization, automation, and AI can bring a much-needed productivity boost of about 1 percentage point annually to 2030 across advanced economies.
- Automation will disrupt labor markets and alter the characteristics of jobs, but could create as many new jobs as it displaces. More than half of all activities today are already automatable by adopting and adapting current technology. Typical technology adoption curves suggest that at least half of that potential could be realized by 2030, and possibly more if a technology race materializes. Assuming a midpoint scenario that may well turn out to be conservative, roughly one-fifth to one-quarter of work activities in Switzerland—equivalent to 1.0 million to 1.2 million jobs—could be replaced by automation by 2030. Job displacement is a regular feature of modern labor markets, but the pace of change could double. That does not necessarily mean that there will be net job losses. There is potential to create as many new job activities as are being automated. Activities equivalent to 400,000 new jobs could be created that are linked to technology itself (hardware/software), and companies implementing digital solutions. Another 400,000 job equivalents could be created as automation and AI drive real income growth, boost consumption, and increase demand for domestic employment, feeding into more economic growth. Even more jobs could be created if digitization and automation increase the competitiveness of Switzerland's export-oriented economy, and create global digital leaders.
- The impact on sectors will differ. The most extensive displacement of activities could be in retail and wholesale trade, manufacturing, finance, and the public sector—sectors that account for about half of all salaried employees and around 60 percent of Swiss GDP. Most jobs could be created in healthcare and technical and professional services. Some of the sectors in Switzerland that are likely to be more affected by displacement lag behind their counterparts in other advanced economies on digitization and need to catch up. For example, the share of online in retail is less than 8 percent, compared with 15 percent in Germany and 18 percent in the United Kingdom.
- Switzerland has already had an incentive to digitize and automate because of relatively high salaries, and is arguably well positioned to master the transition. It currently has some of the most competitive companies globally, but it needs to sustain this position and expand jobs linked to exports either by supplying digital technologies and services or adopting them rapidly in its most globalized sectors: 1.4 million jobs in Switzerland directly or indirectly depend on exports in chemicals and pharmaceuticals, machinery, watches, financial services, tourism, and information and communication technologies (ICT). Switzerland also needs to ensure that economic gains are reinvested in the economy to ensure inclusive growth in which productivity growth translates into rising consumption, investment, and robust demand for jobs rather than accumulation of wealth at the top. Fortunately—in contrast to the United States—there are few signs in Switzerland as yet of declining labor shares of income or polarization of wages.
- As Switzerland prepares for these changes to its labor markets in the digital and automation ages, it faces two imperatives: (1) accelerating digital transformation and (2) reskilling.
- First, companies need to embark on more comprehensive digital transformations, redesigning business models, customer journeys, and business processes so that they embed a “digital first” strategy. They need to develop digital operations and marketing with robotic process automation and advanced analytics, and reorganize their activities to support

digital transformation. The risk to companies that do not digitize and automate is that proactive incumbents and new, digitally enabled competitors cannibalize their business. Policy makers can encourage the transition by opening sectors to such disruption.

- Second, there is a skills imperative for Swiss companies and society more broadly. Today, Switzerland has a pool of highly skilled talent including well-educated immigrants, and a strong education system. Nevertheless, an extensive skill shift looms. We estimate that demand for tasks that require basic cognitive or physical and manual skills could decline by around 20 percent. Conversely, the need for social and emotional and technological skills is set to rise by around 20 percent and up to 50 percent, respectively. This transition will not be easy, as current job mobility is particularly low among those most strongly affected. The skill shift will exceed the

regular rate at which labor and skills have dropped out of the market (through retirement, for instance). Furthermore, Switzerland's higher-education institutes only produce around 3,000 technology graduates a year—less than half the estimated number needed with advanced technological and IT skills. Education providers will need to shift their offers toward teaching technological and emotional skills, and toward lifelong learning. Executives point out that the required profiles are not sufficiently available. In McKinsey's quarterly panel survey conducted in November 2017, close to half of executives said that they will focus on training to adjust to their future workforce rather than hiring externally. Leading companies have already embarked on large-scale reskilling efforts, but more need to join. Immigration will need to continue to be part of the answer to Switzerland's shifting need for skills in the digital and automation era.