AUSTRALIA

Priorities supported by indicators

Enhance capacity and regulation in infrastructure (2007, 2009, 2011)

Recommendations: Address the shortfall in infrastructure by rigorously selecting public projects and ensuring that existing capacity is efficiently used, for instance in road transport and water management.

Actions taken: Selection and funding of projects will rely more heavily on publication of cost-benefit analyses and *ex post* evaluation from 2012. The government will also invest in a smart managed motorway system to curb road congestion in agglomerations.

Relax barriers to foreign direct investment (2011)

Recommendations: Apply to other countries the lighter screening procedures granted to the United States. Involve specialist agencies (*e.g.* national security) in the screening procedure to enhance transparency.

Actions taken: No action taken.

Improve efficiency of the tax system (2011)

Recommendations: Lower further corporate and personal income taxes and raise the goods and services tax. Simplify and rationalise the states' tax system, especially on housing.

Actions taken: Parliament is discussing a reform increasing taxation of non-renewable resources. By 2013, the statutory corporate tax rate will be cut from 30% to 29%.

Reform disability benefit schemes (2007, 2009)

Recommendations: Tighten eligibility criteria for the Disability Support Pension (DSP) and encourage DSP recipients with substantial work capacity to look for a job.

Actions taken: A more rigorous DSP assessment process is being introduced in 2011 and higher wage subsidies will be granted to employers hiring people with disability. From July 2012, DSP recipients under 35 years with an assessed work capacity of at least 8 hours per week will be asked to look for a job.

Other key priorities

Improve education outcomes (2007, 2009, 2011)

Recommendations: Improve and promote apprenticeships and vocational education and training (VET).

Actions taken: Additional training places will be funded through the 2011-12 budget, co-financed by employers and tailored to industry skill needs. States will be given financial incentives from 2012-13 to reform the VET system so as to upgrade skill levels and increase completion rates.

Increase incentives for workforce participation (2007, 2009, 2011)

Recommendations: Reduce effective marginal tax rates on returning to work, especially for low-income families. Make childcare benefits for children under school age conditional on employment or job search of parents.

Actions taken: Payment of the low-income tax offset will be brought forward during the year from 2011-12. Dependent spouse tax offset will be phased out for spouse turning 40 after July 2011. As from 2013, income support for single parents will be restructured to promote participation.

Maintain a flexible wage bargaining system and cut minimum labour costs (2007, 2009)

Recommendations: Rationalise the award system and maintain wage negotiation at firm level.

Actions taken: In 2009, a nationwide system of industrial relations in the private sector reduced the number of awards, created a single regulator and enhanced worker protection. No action taken on minimum labour costs.

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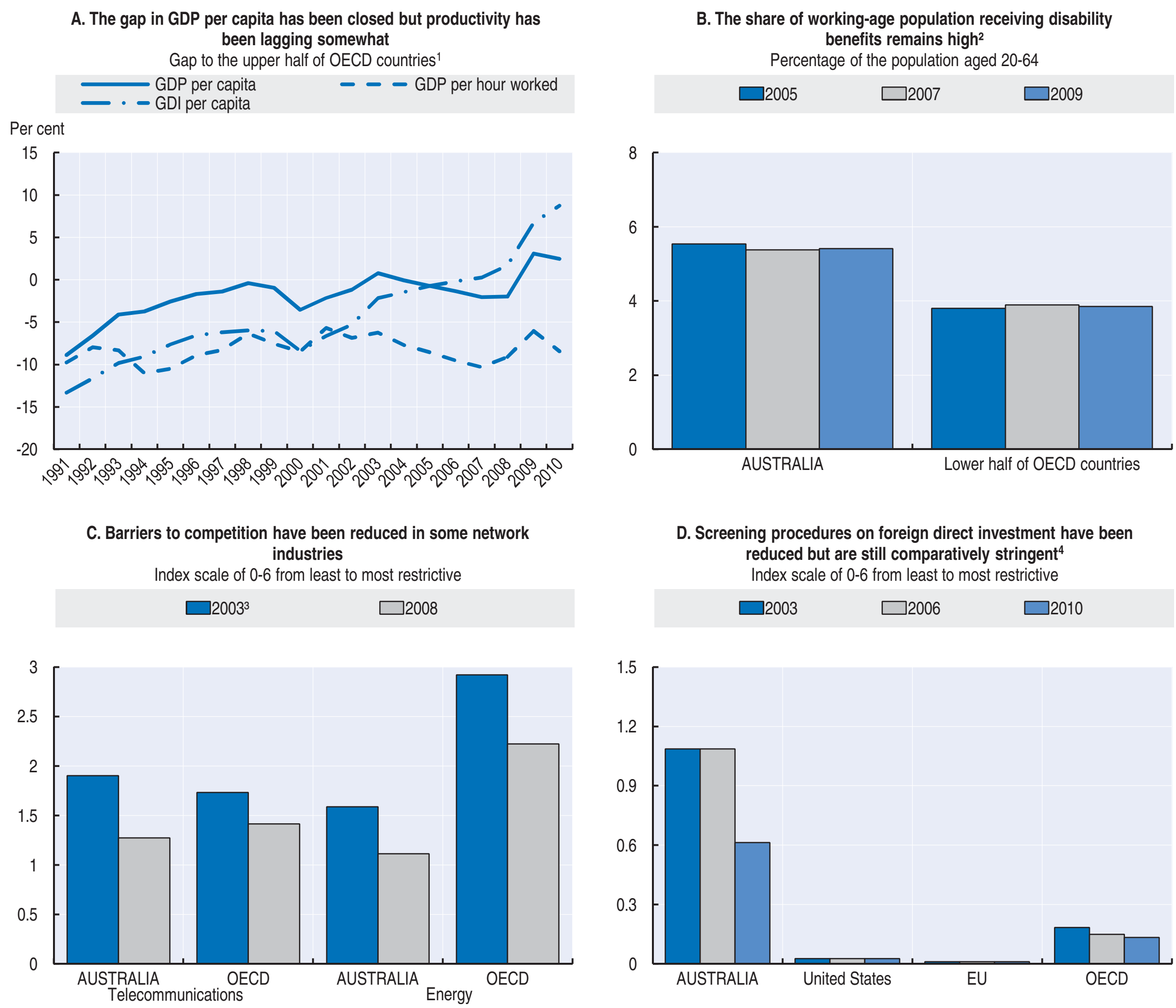
- Per capita GDP has risen to the upper half of OECD countries but productivity has been lagging.
- Among key priority areas, progress has been made to improve the tax system, better use infrastructure capacity and promote workforce participation, but more needs to be done, in particular to further enhance the tax structure and to relax barriers to foreign direct investment.
- In non-priority areas, reform has been launched to promote a more sustainable low-pollution growth path by putting a price on carbon.

Performance and policy indicators



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).
2. For Australia, the last available year is 2008. Lower half of OECD countries in terms of the share of working age population receiving disability benefits. This group excludes Chile, Iceland and Turkey.
3. The OECD average excludes Chile, Estonia, Israel and Slovenia.
4. The OECD FDI regulatory restrictiveness index looks only at statutory restrictions and does not assess the manner in which they are implemented.

Source: Chart A: OECD, *National Accounts and Economic Outlook 90 Databases*; Chart B: OECD (2010), *Sickness, Disability and Work: Breaking the Barriers: A Synthesis of Findings across OECD Countries*; Chart C: OECD, *Product Market Regulation Database*; Chart D: *http://www.oecd.org/investment/index.*

StatLink http://dx.doi.org/10.1787/888932565034