

AUSTRALIA

Growth has been steady and brisk on average, but the income gap with leading countries remains significant. Employment rates for the low-skilled and for older workers are still relatively low.

Policy priorities

Reduce minimum cost of labour

Challenge and recommendations: To promote employment of the low-skilled, it was recommended that yearly adjustments to “award wages” (the *de facto* minimum wages) should reflect better the productivity of award wage earners, especially those with low skills.

Actions taken: A new independent body has been established to set and adjust the federal minimum wage. In addition to providing a safety net for the low paid, the criteria for deciding on the level of the minimum wage will include the capacity for the low paid to remain in employment.

Reform disability benefit schemes

Challenge and recommendations: To halt the sharp rise in recent years in the number of people receiving the Disability Support Pension and raise the relatively low labour force participation rate for persons aged 55 and over, it was recommended that eligibility criteria for the Disability Support Pension be tightened.

Actions taken: New places in employment assistance, vocational education and training and rehabilitation services were created recently to improve the work capacity of people with disabilities. Also, a new obligation to seek part-time work is being introduced for people with disabilities who are capable of such work. To promote labour force participation of older workers, they can now access their “superannuation” pensions from 55 while still working,

Strengthen vocational education at the upper-secondary level

Challenge and recommendations: Given the dim job prospects for low-skilled workers, especially for early school-leavers, it was recommended that educational pathways for young people be enhanced.

Actions taken: The 2005-06 budget contained a number of measures to address skills shortages and many of the disincentives which can turn young people away from choosing a career in the trades. These include increased financial support for apprentices and funding to establish Australian Technical Colleges. The Council of Australian Governments is developing further reforms to Australia’s training system.

Reduce marginal effective tax rates for low-income earners further

Challenge and recommendations: To encourage greater labour force participation, it was recommended that benefit entitlement conditions be tightened, and that effective marginal tax rates (EMTRs) be reduced further.

Actions taken: The 2005-06 budget provided for a reduction in EMTRs for lower- and middle-income families, and improved incentives for a second earner in a family to take up part-time or casual work.

Accelerate reforms in the electricity, rail, gas and water industries

Challenge and recommendations: To strengthen competitive pressures in the economy, it was recommended that the National Competition Policy (NCP) Agenda be completed and a new co-ordinated agenda to further advance reform in essential infrastructure service sectors be adopted.

Actions taken: The Council of Australian Governments is currently reviewing NCP arrangements and is expected to consider the matter during the first half of 2006.