

AUSTRALIA

Despite strong and steady growth, the GDP-per-capita gap persists vis-à-vis the leading countries owing to a significant productivity shortfall. Employment rates are relatively low for the low-skilled and older workers, even though they have increased recently.

Policy priorities

Reform disability benefit schemes

Challenge and recommendations: To raise the low participation rate for persons aged 55 and over and those receiving the Disability Support Pension (DSP), it was recommended that the application of the tighter eligibility requirements for new entrants to the DSP programme be extended to all recipients, after assessing their employability on the basis of medical criteria.

Actions taken: No action taken since the 2006 reform which increased work obligations and tightened eligibility for new claimants of DSP. The effects of the reform are being evaluated.

Improve upper-secondary educational attainment

Challenge and recommendations: To reduce the share of early school-leavers who face dim job prospects, it was recommended that enrolment in the vocational and training system be promoted and additional support for children who have difficulties – especially those from disadvantaged groups with low educational attainment – be provided.

Actions taken: The 2007-08 budget increased financial support for remedial classes, permitting more children with problems to benefit. Three technical colleges will also be created, bringing the total to 28. Incentive payments and the extension of the income-contingent loan scheme will raise opportunities for individuals to take up vocational training.

Strengthen competition in network industries

Challenge and recommendations: To stimulate competition and efficiency in infrastructure sectors, it was recommended that a uniform national regulation for the interstate rail network be established and the competitive neutrality between rail and road transportation be reinforced; the retail electricity price regulation for households be removed and the producers still owned by the states be privatised; and the reform of the water sector be accelerated.

Actions taken: The Council of Australian Governments (COAG) agreed to implement uniform national rail safety regulation. With a view to enhancing the national energy market, the COAG agreed to establish a national operator for both electricity and gas with new national transmission planning functions. It also encouraged the states still controlling enterprises in the electricity sector to privatise them. A reform to enhance the management of the main Australian hydraulic basin (the Murray Darling Basin) was adopted.

Further reduce marginal effective tax rates for low-income earners

Challenge and recommendations: To reduce the impact of low-wage traps for low-income earners and encourage them to move from part-time to full-time work, it was recommended that the lower rates of income tax be reduced and personal allowances be raised or withdrawal rates for means-tested family benefits be reduced.

Actions taken: The 2007-08 budget provided for a further personal income tax cut for lower and middle-income families, thus improving incentives for the second earner to work longer hours. Financial support aimed at improving the affordability of childcare facilities has also been raised.

Increase the flexibility of wage bargaining and determination

Challenge and recommendations: To promote employment of the low-skilled and to enhance the resilience of the economy, it was recommended that the complex system of “award wages” – which creates a relatively high wage floor – be phased out, or be simplified.

Actions taken: Simplification of awards is underway, but the 2006 reform of the wage bargaining system has been partially reversed to strengthen the safety net for employees. Individual and collective wage agreements signed for workers earning less than a certain threshold will have to fulfil a set of minimum award conditions.