

AUSTRALIA

Priorities supported by indicators

► **Reform disability benefit schemes (2005, 2007, 2009)**

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

Actions taken: Stricter eligibility criteria have been applied for new DSP claimants since July 2006. Those able to work or to be retrained to work 15 hours or more per week have become ineligible for DSP, and can instead benefit from personalised employment services to help them meet the activity requirements for unemployment benefits. The authorities did not extend these measures to all DSP recipients.

Strengthen competition in network industries (2005, 2007, 2009)

Recommendations: Complete the national energy market; harmonise state regulations for road and railway freight transport; expand and improve broadband internet access; lift barriers to water right transactions.

Actions taken: Since July 2009, a single operator assumes national electricity transmission planning functions. It has been agreed to set up national regulators for heavy vehicles, rail and maritime safety. A draft reform was introduced in the telecom sector at the end of 2009 to reduce the market power of the incumbent, reinforce the competition regime and deliver superfast broadband services. A plan was adopted in 2008 to enhance water management in the Murray Darling Basin and facilitate trading and public buybacks of water rights.

Improve the performance of upper-secondary education (2005, 2007)

Recommendations: Reduce the proportion of early school leavers by improving and promoting vocational education and training (VET).

Actions taken: Higher financial incentives and supports have raised opportunities for students to enrol in the VET system. All secondary schools will have access to vocational training centres and more training places are available. The participation requirement for school, training or work of those below 17 has been strengthened.

Improve the performance of early education (2009)

Recommendations: Enhance the quality of and access to early childhood education and care, especially for disadvantaged groups.

Actions taken: Tax rebates for “out-of-pocket” childcare spending were raised in 2009. The authorities committed to offer 15 hours per week of early childhood education and care (ECEC) to all four-year-olds. The Council of Australian Governments agreed in 2009 on new national quality standards for ECEC including better child-to-staff ratios and staff qualifications. Funding was also raised to address the needs of indigenous children.

Other key priorities

Improve fiscal incentives for workforce participation (2005, 2007, 2009)

Recommendations: Reduce effective marginal tax rates (EMTRs) further.

Actions taken: Income tax cuts have lowered EMTRs, especially for second wage earners and low income families. The conclusions of a review of the tax and welfare system focusing on incentives for workforce participation will be released in early 2010.

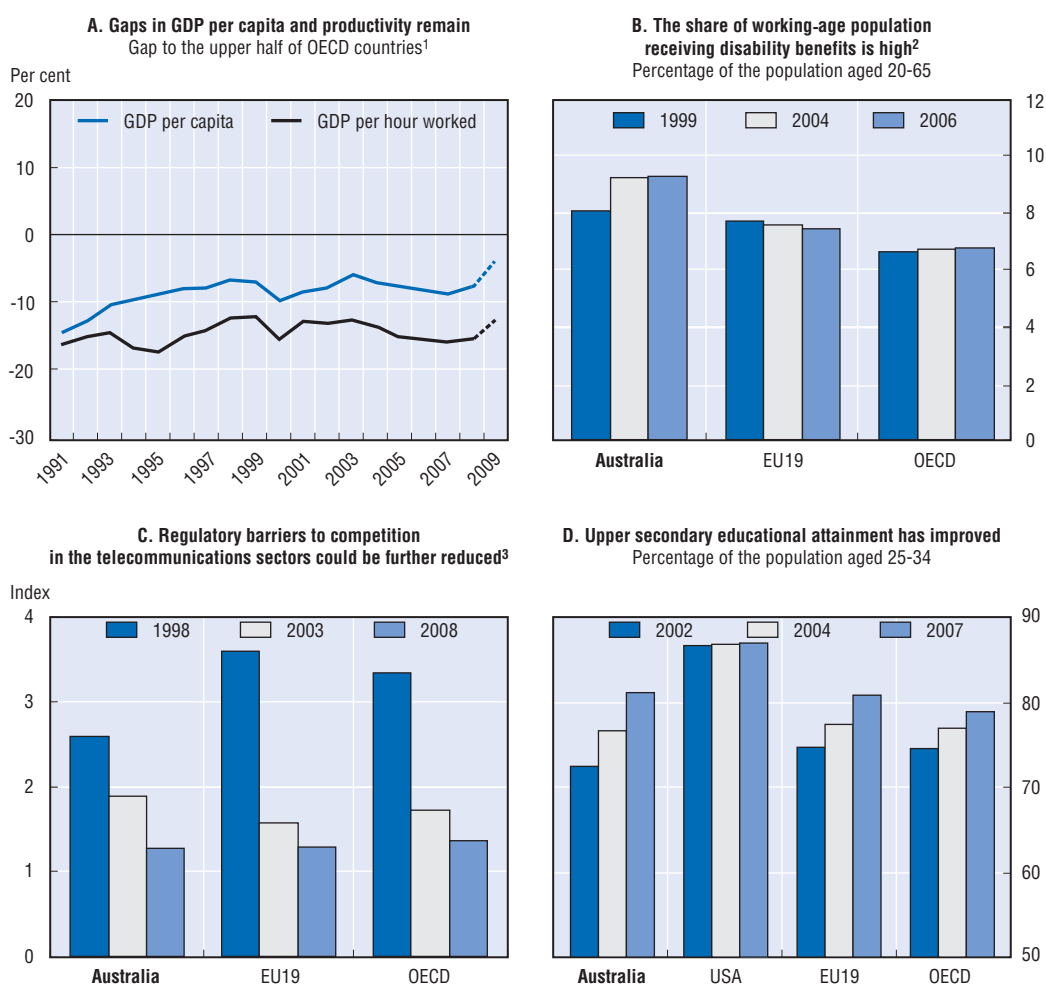
Maintain a flexible wage bargaining system and cut minimum labour costs (2005, 2007, 2009)

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

Actions taken: A 2006 reform fostered individualisation of labour relations and an independent body was created to set the federal minimum wage, taking into account its employment impact. These measures were partly reversed in 2008 through a reinforcement of the role of awards, raising the risk of increases in minimum labour costs, although wage negotiations will continue to take place at the firm level and modernisation of awards is being completed. A new independent body has also been established to set the minimum wage.


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- The income and productivity gaps relative to the upper half of OECD countries have remained stable since the mid-90s.
- In the key priority areas, the reforms of disability benefit schemes and improved fiscal incentives should further boost labour market participation. The reduction of product market segmentation arising from differences in regulation across states and the reform in the education system should foster potential growth. Efforts in these domains need to continue.
- In other areas, reforms have improved federal-state fiscal relations. Policies to combat climate change have been substantially strengthened.



1. Percentage gap with respect to the simple average of the upper half of OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs). The gaps for 2009 are OECD estimates, based on the OECD Economic Outlook, No. 86.
2. Disability benefits include benefits received from schemes to which beneficiaries have paid contributions (contributory), programmes financed by general taxation (non-contributory) and work injury schemes.
3. Index scale of 0-6 from least to most restrictive.

Source: Chart A: OECD, National Accounts and Economic Outlook 86 Databases; Chart B: OECD (2003), *Transforming Disability into Ability* and OECD estimates; Chart C: OECD, Product Market Regulation Database; Chart D: OECD (2009), *Education at a Glance*.

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