

AUSTRALIA

- Catch-up in income per capita relative to the most advanced OECD countries has paused as the economy rebalances in the face of diminishing resource-sector investments and weak global commodity prices. Labour productivity growth has picked up following the global financial crisis but total factor productivity growth remains low.
- Inequality remains above the OECD average, both as measured by the Gini coefficient and by the share of national disposable income held by the poorest 20%.
- The most notable recent progress in *Going for Growth 2015* priorities has been in innovation policy, where a new campaign, the *National Innovation and Science Agenda*, which began in 2015, has added impetus to reform. A number of measures have been taken in taxation too. Infrastructure investment has been dropped as a stand-alone priority but continued progress on this front remains important.
- Raising productive capacity should focus on encouraging innovation, continuing infrastructure improvement, facilitating the adoption of new technologies and boosting skills.

Going for Growth 2017 priorities

Improve framework conditions for businesses and strengthen competition. Building capacity for productivity growth in Australia requires attention to the framework conditions in which businesses operate, including transport and ICT services and related infrastructure. Australia's distance from major world markets and large distances between urban centres makes the economy vulnerable to markets with small number of players with consequent risk of weak competition.

Actions taken: No action taken recently, though implementation of measures in the wake of the Harper Review (finalised in 2015) on competition policy continues along with road-construction projects and a major upgrading of broadband infrastructure.

Recommendations: Press on with follow-up to the Harper review along with road-construction and broadband upgrading, and encourage business dynamics in particular through lighter insolvency regulation.

Enhance the framework for innovation. Helping the economy embrace new innovations and technologies quickly and effectively, and an appropriately incentivised domestic R&D sector are important for building productive capacity in Australia.

Actions taken: Innovation policy has been given renewed impetus through a new policy campaign, the *National Innovation and Science Agenda* launched at the end of 2015. Measures include changes to federal block research grants to universities to encourage greater collaboration with business.

Recommendations: Implementation of the *Agenda* should continue. Alongside general framework conditions for business, there should be particular attention to improving university-business linkages, more effective R&D tax incentives, stronger commercialisation of public-sector research organisations and more co-ordinated governance of the innovation system.

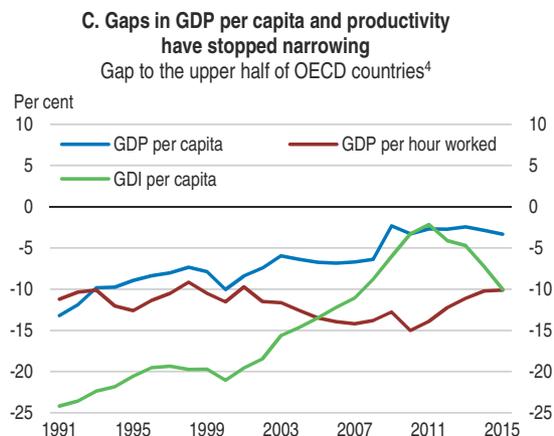
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Growth performance and inequality indicators

A. Growth		
Average annual growth rates (%)	2003-09	2009-15
GDP per capita	1.4	1.0
Labour utilisation	0.5	-0.2
of which: Labour force participation rate	0.5	-0.1
Employment rate ¹	0.1	-0.1
Employment coefficient ²	0.0	0.0
Labour productivity	0.7	1.2
of which: Capital deepening	0.6	0.9
Total factor productivity	0.1	0.3
Dependency ratio	0.2	0.1

B. Inequality		
	Level	Annual variation (percentage points)
	2014	2008-14
Gini coefficient ³	33.7 (31.7)*	0 (0)*
Share of national disposable income held by the poorest 20%	7.2 (7.7)*	0 (0)*

* OECD average

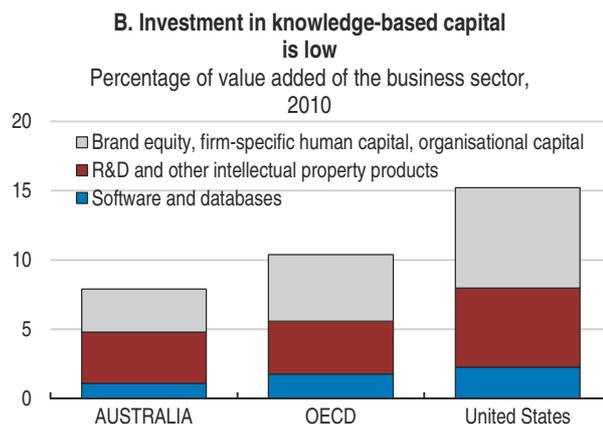
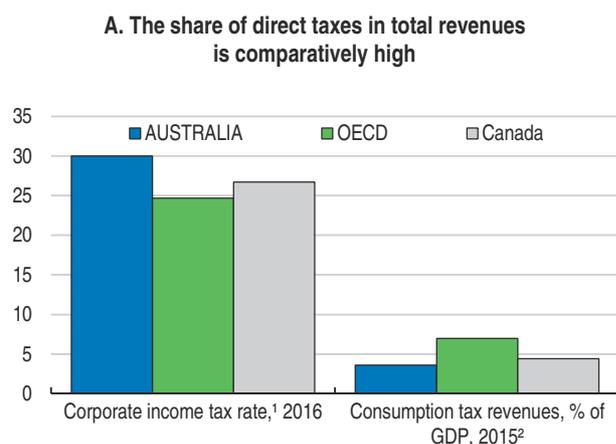


- The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
- This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
- The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
- Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

StatLink <http://dx.doi.org/10.1787/888933454910>

Policy indicators



- Combined central and sub-central (statutory) corporate income tax rate.
- Data refer to 2014 for Australia.

Source: Panel A: OECD, *Revenue Statistics and Tax Databases*; Panel B: OECD, *Science, Technology and Industry Scoreboard 2013*.

StatLink <http://dx.doi.org/10.1787/888933455376>

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***Improve performance and equity in education.*¹** Pre-primary enrolment rates are relatively low. Children from disadvantaged backgrounds face educational and skills shortfalls, fuelling future income inequality and diminishing the productive capacity of the economy.

Actions taken: There remains ongoing implementation of a multi-year school reform process (which began in 2013), which includes introduction of an allocation formula that gives greater weight to socio-economic factors. A new child-care payment (the Child Care Subsidy) is due to replace two existing payments in 2018.

Recommendations: Press on with the multi-year schooling reform and work further towards childcare that target lower-income households and facilitate combining work and family life.

Improve the efficiency of the tax system. Consumption taxes are relatively light while income taxes are heavy. For instance, the rate of value-added tax is comparatively low, while the rate of company tax is high.

Actions taken: The 2016-17 federal budget includes further corporate-tax rate cuts and reform of pensions' ("superannuation") taxation.

Recommendations: While the tax measures underway are largely welcome a wider package of tax reforms should be developed that envisages raising the rate of goods and services tax and/or widening the base in combination with further cuts in direct taxation and the removal of inefficient taxes (for instance, many state-level fees and charges fall into this category) would bring more substantial returns.

Improve opportunities and outcomes for indigenous communities. Gaps between indigenous communities and the rest of the population remain large, including in life expectancy and employment rates.

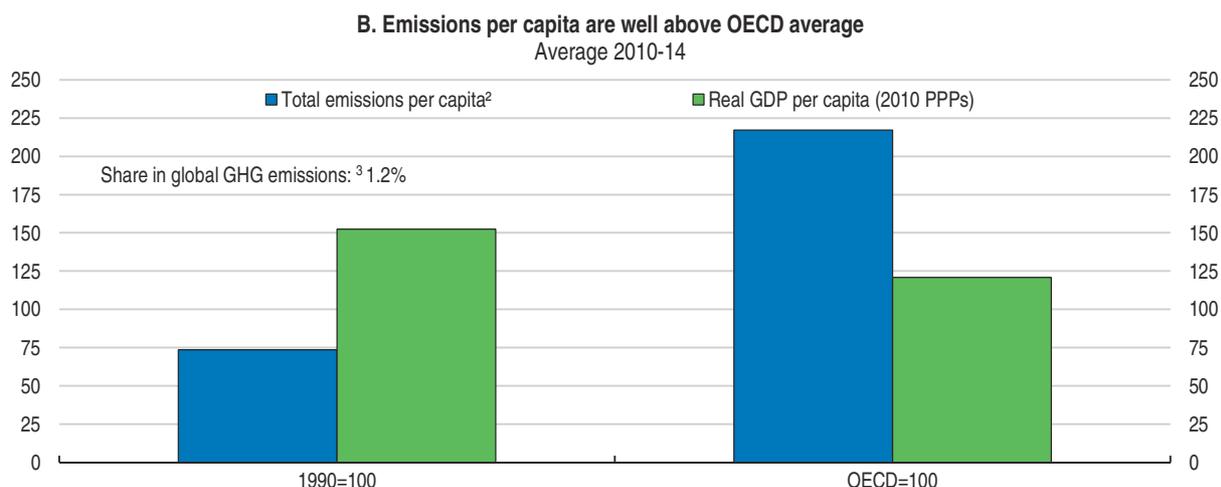
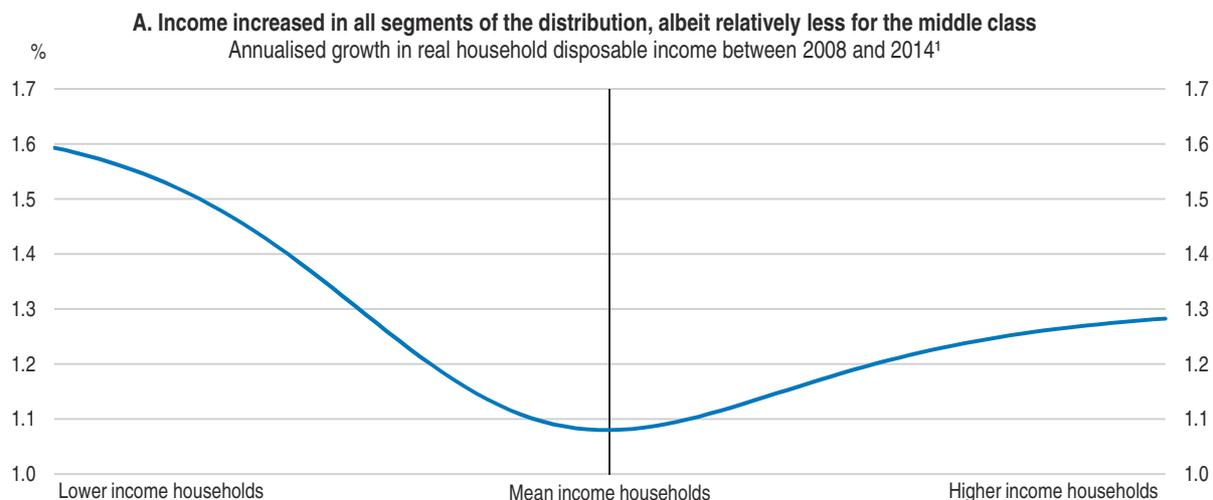
Actions taken: No action taken.

Recommendation: Intensify assessment of current measures and the options for alternative approaches as part of commitment to a more rapid narrowing of gaps in socio-economic opportunities and outcomes for indigenous communities.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "**".

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Beyond GDP per capita: Other policy objectives



1. The data show average annual growth rates in disposable income (i.e. income after tax and transfers) across the distribution and refer to the period between 2008 and 2014. Disposable incomes cover the full population. Income data are expressed in constant prices (OECD base year 2010).
2. Total GHG emissions including LULUCF in CO₂ equivalents (UNFCCC). The OECD average (excluding Israel and Korea) is calculated according to the same definition.
3. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: OECD, *Income Distribution Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink  <http://dx.doi.org/10.1787/888933455837>