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GDP per capita is relatively high although convergence vis-à-vis leading countries has stalled. Labour productivity growth is relatively low in sectors not exposed to international competition.

Policy priorities

Reduce the implicit tax on continued work at older ages

Challenge and recommendations: To strengthen labour market participation of older workers, it was recommended that early retirement pensions be made actuarially fair, that pension schemes across the public and private sectors be harmonised, that higher unemployment benefit entitlements for older unemployed workers be eliminated, and that subsidies for old-age part-time employment be phased out.

Actions taken: The pension scheme for federal government workers has been harmonised with the private sector scheme. While early retirement discounts have generally been set to achieve actuarial fairness, smaller discounts have been introduced for workers in onerous jobs and workers with very long work records.

Improve graduation rates from tertiary education

Challenge and recommendations: To raise participation in tertiary education, it was recommended that performance-based funding be strengthened, that academic requirements in occupational-oriented programmes be reduced and that a loan scheme for study fees with income-contingent repayments be introduced.

Actions taken: Performance targets for individual universities have been negotiated between the government and individual universities, with future funding linked to the meeting of targets. Part of university funding is being linked to quantitative performance indicators.

Strengthen competition law and enforcement

Challenge and recommendations: To promote greater competition in product markets, it was recommended that more powers and resources be assigned to the Federal Competition Authority (FCA), that the institutional setup of competition policy be streamlined, that rules on vertical agreements be simplified and that the labour and commerce chambers' right to nominate lay judges be discontinued.

Actions taken: Steps have been taken to increase staffing in the FCA. The FCA has conducted sector-specific investigations and made efforts to improve the transparency of its competition policies.

Reduce administrative burden on start-ups

Challenge and recommendations: To foster the creation of new enterprises, it was recommended that the costs of setting up limited liability companies be reduced, that the regulation of entry in trades and liberal professions be eased further and that compulsory chamber membership for the liberal professions be abolished.

Actions taken: Requirements on professional qualification and experience for self-employed engineers and architects have been eased. Bankruptcy procedures and restrictions on cross-holding of equity for businesses supplying related services have been relaxed.

Reduce inactivity traps in the benefit system

Challenge and recommendations: In order to foster labour market participation and employment, it was recommended that childcare benefits be restructured in favour of vouchers for child care, and that job-placement activities be better integrated with social assistance.

Actions taken: The amount spouses can earn before the partner loses the sole earners tax credit has been increased, but the sole earners tax credit has been extended and childcare cash benefit payments have risen.