AUSTRALIA

- Over the past decade, per capita income grew strongly in Australia, fostered by high terms of trade and employment rates. As a result, it has significantly surpassed the average of the most advanced OECD countries. However, productivity gains have substantially weakened over this period, partly due to temporary effects linked to the on-going mining boom.
- Employment performance has remained remarkable over the past years, thanks to structural reforms which brought many long-term unemployed, older workers, lone mothers and partly-disabled people into employment.
- Sustaining past trend growth of living standards would be helped by improving the long-term drivers of productivity such as the tax system, infrastructure and innovation policy.
- Raising enrolment in pre-primary education would help boosting female employment while improving equality of opportunities and social mobility.

Growth performance indicators

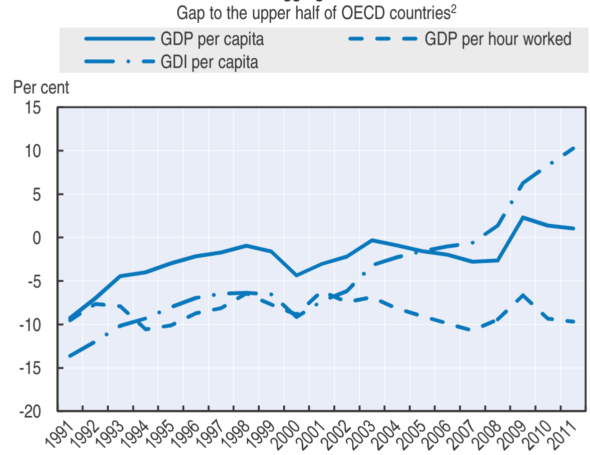
A. Average annual trend growth rates

Per cent

		2001-06	2006-11
Potential GDP per capita		1.6	1.3
Potential labour utilisation		0.5	0.2
of which:	Labour force participation rate	0.3	0.2
	Employment rate[1]	0.2	0.0
Potential labour productivity		1.1	1.1
of which:	Capital intensity	0.7	1.1
	Labour efficiency	0.3	-0.2
	Human capital	0.1	0.2

B. The gap in GDP per capita has been closed but productivity has been lagging somewhat

Gap to the upper half of OECD countries[2]



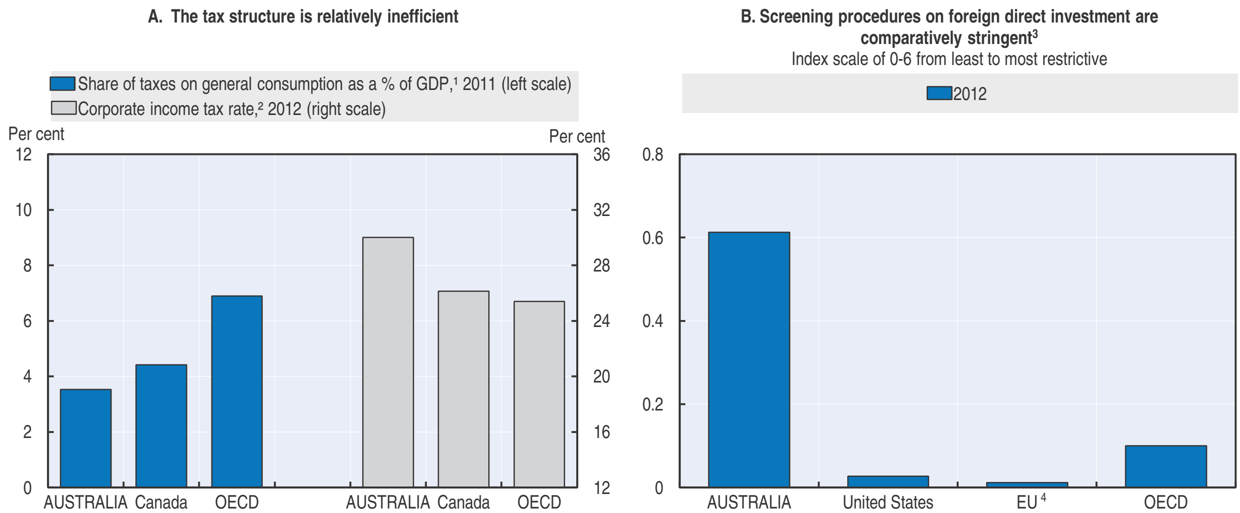
1. The employment rate is defined with respect to the economically active population and therefore captures the (inverse) changes in the structural unemployment rate.
2. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: OECD, *National Accounts and OECD Economic Outlook 92 Databases.*

StatLink http://dx.doi.org/10.1787/888932775839

AUSTRALIA

Policy indicators



1. Data refer to 2010 for Australia.
2. Combined central and sub-central (statutory) corporate income tax rate.
3. The OECD FDI regulatory restrictiveness index looks only at statutory restrictions and does not assess the manner in which they are implemented.
4. Average of 21 EU countries members of the OECD.

Source: OECD, *Revenue Statistics and Tax Databases*; *www.oecd.org/social/inequality.htm.*

StatLink http://dx.doi.org/10.1787/888932775858

Going for Growth 2013 priorities

Priorities supported by indicators

Improve the efficiency of the tax system. General consumption tax burden is relatively low while headline company tax is comparatively high for a capital-importing country like Australia.

Actions taken: To ease the tax burden on businesses and on SMEs in particular, simplified and more generous amortisation rules are in place since July 2012 and it is now possible to "carry back" losses to offset past taxable income.

Recommendations: Reduce the corporate tax rate. To enlarge the room for manoeuvre, measures to offset the fiscal revenue losses should go beyond the increases in other business taxes currently envisaged and include a higher goods and services tax (GST), whose rate is low and base narrow, and/or cuts in subsidies, for instance, for the automotive sector and irrigation infrastructure.

Relax barriers to foreign direct investment. Screening procedures on foreign direct investment are comparatively stringent.

Actions taken: No action taken.

Recommendations: Apply to other countries the lighter screening procedures granted to the United States. Provide for the formal involvement of specialised agencies (*e.g.* national security) in the screening procedure to enhance transparency.

AUSTRALIA

Enhance capacity and regulation in infrastructure. Addressing infrastructure service shortfalls in a cost-effective way will help productivity performance and sustainable growth.

Actions taken: Efforts have been made to attract greater private participation in financing infrastructure projects, including by introducing a more favourable tax treatment of business losses for projects in the 2011-12 Budget.

Recommendations: Expand user and congestion charges in transport.

Other key priorities

Improve performance of early childhood education. Enrolment rates in pre-primary education are lower in Australia than in the best-performing OECD countries in this domain.

Actions taken: Access to pre-school education for all children aged four should be available by 2013 for 15 hours a week, 40 weeks a year.

Recommendations: Reform childcare support to better account for the higher costs of pre-primary education for very young children. Enhance targeting of childcare support by making it more conditional on employment and job search equipments for parents without special disadvantages.

****Enhance innovation policy*.***[1] Innovation performance is weakened by the limited collaboration between firms and universities.

Recommendations: Fiscal savings allowing, introduce new measures to complement existing support mechanisms to boost business-research collaboration, *e.g.* well-designed innovation vouchers for academic contracting. Ensure that additional measures take into account the local context in which they are implemented, that they are simple to use and effectively advertised with efficient brokering.

Previous *Going for Growth* recommendation no longer considered a priority

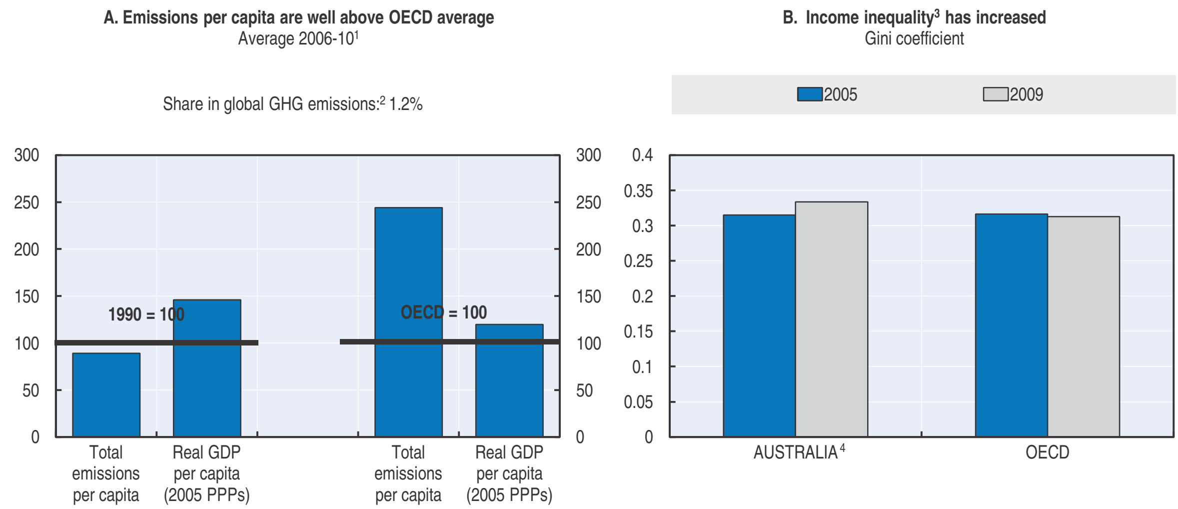
Increase incentives for workforce participation. In order to raise labour market participation it was recommended that disincentives embedded on the tax and benefit system be removed.

Actions taken: Recent reforms to promote workforce participation have included a further reduction of personal income tax for low-income earners in the 2012-13 Budget, a phasing out of tax offsets for the dependent spouse since July 2011, changes in income support for single parents as from 2013, a gradual change in the retirement age from 65 in 2017 to 67 in 2023, new rules to foster partly-disabled people search for jobs since July 2012 and higher wage subsidies for employers hiring people with disability.

1. New policy priorities identified in *Going for Growth 2013* (with respect to *Going for Growth 2011*) are preceded and followed by an "*".

AUSTRALIA

Other dimensions of well-being: Performance indicators



1. Total GHG emissions including LULUCF in CO_2 equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data and is an average of years 2005, 2008 and 2010.
3. Income inequality is measured by the Gini coefficient based on equivalised household disposable income for total population.
4. Data refer to 2004 and 2009/2010.

Source: United Nations Framework Convention on Climate Change (UNFCCC) Database; OECD, *Energy (IEA) Database* and *OECD Income Distribution Database*, provisional data, *www.oecd.org/social/inequality.htm*.

StatLink http://dx.doi.org/10.1787/888932775877