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- The small GDP per capita gap *vis-à-vis* leading OECD economies has continued to narrow, reflecting labour productivity gains. Improvements in labour force participation – especially of older workers – have been partly offset by cyclically declining average hours worked.
- Progress has been made to tighten eligibility to early retirement schemes. In contrast, little has been achieved to reduce the labour tax burden and to enhance competition in the service sector.
- Reducing effective marginal income tax rates, in particular for the low-skilled, would improve work incentives and together with further steps towards eliminating all subsidised avenues to early retirement, would strengthen labour utilisation. Enhancing competition in the service sector and improving the general level of education by facilitating higher tertiary graduation rates would foster productivity growth.
- Improving educational outcomes and access to higher education for immigrants and disadvantaged youth would also boost human capital accumulation and reduce inequality. Shifting taxation from labour income towards environmental externalities would support sustainable growth.

Growth performance indicators

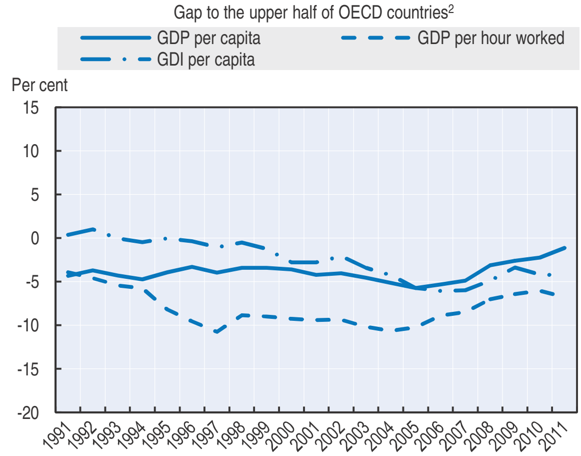
A. Average annual trend growth rates

Per cent

		2001-06	2006-11
Potential GDP per capita		1.4	1.3
Potential labour utilisation		0.2	0.4
of which:	Labour force participation rate	0.3	0.4
	Employment rate[1]	0.0	0.0
Potential labour productivity		1.2	0.9
of which:	Capital intensity	0.3	0.2
	Labour efficiency	0.7	0.6
	Human capital	0.2	0.1

B. The small gaps in GDP per capita and productivity have been reduced

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/10.1787/888932775896

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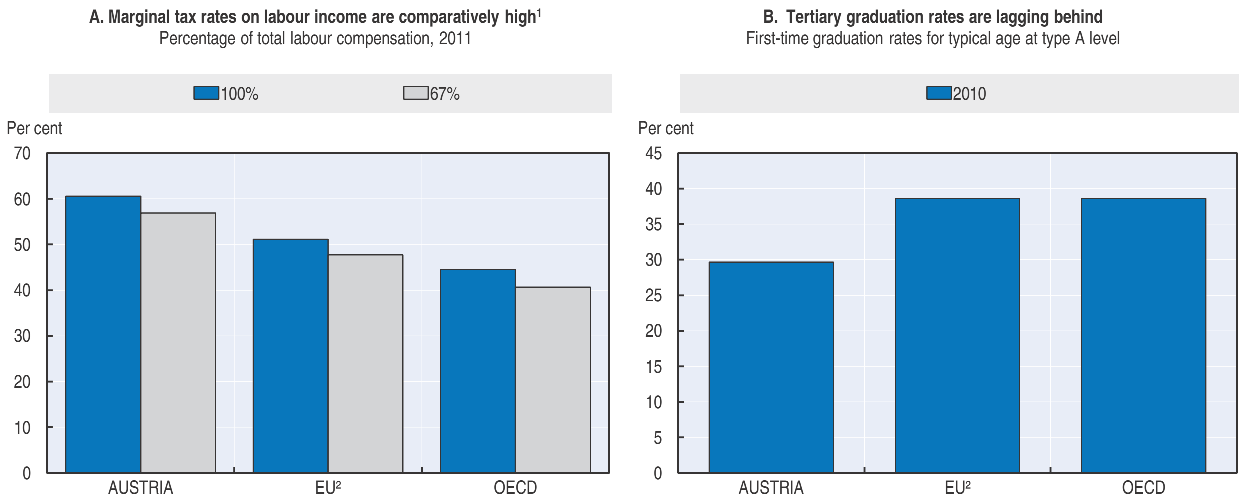
Policy indicators



1. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers. Evaluated at 100% and 67% of average earnings for a single person with no child.
2. Average of 21 EU countries members of the OECD.

Source: OECD, *Taxing Wages Database and Education at a Glance 2012: OECD Indicators.*

StatLink http://dx.doi.org/10.1787/888932775915

Identifying *Going for Growth 2013* priorities

Priorities supported by indicators

Lower marginal tax rates on labour income. High effective marginal income tax rates especially at low income levels undermine work incentives.

Actions taken: The 2012 consolidation package includes increases in social security contributions and income taxation for high-income earners and the abolition of exemptions from unemployment contributions for older workers.

Recommendations: Reduce marginal income tax rates especially for low-skilled workers, by partly or fully waiving social security contributions, financed by a further broadening of the tax base and increases in consumption, environmental and recurrent property taxes.

Reduce incentives to exit early from the labour force. The effective retirement age remains low and several subsidised avenues to early retirement still exist.

Actions taken: In 2011 and 2012 eligibility to early retirement schemes, in particular to invalidity pensions, has been tightened. In addition, initiatives to improve the health-related employability of older workers have been launched, such as consulting services on health at the workplace ("fit2work") and better streamlined occupational medical examinations ("*Gesundheitsstraße*").

Recommendations: Eliminate all remaining subsidised avenues to early retirement. Tighten eligibility to disability pensions also for those above 50 and help partially disabled to better use their remaining work capacity.

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Reduce barriers to entry in network industries. Limited competition in network industries slows productivity growth and innovation.

Actions taken: A Natural Gas Act strengthening competition was adopted in 2011. A new regulation to facilitate switching suppliers from 2013 onward has been issued by the regulator.

Recommendations: Ensure that network access prices are not kept artificially high. Stimulate competition in railways. Eliminate or reduce all remaining cross-subsidies in all network industries.

Other key priorities

Improve graduation rates for tertiary education. Tertiary attainment – including of immigrants – is below EU average, in contrast to high post-secondary non-tertiary graduation rates. Drop-out rates from tertiary education are also high, holding back productivity growth and innovation.

Actions taken: The 2012 consolidation package envisages additional public funds for tertiary education of about EUR 1 billion over 2013-16, partly allocated based on performance indicators. The New Secondary School ("Neue Mittelschule"), which unifies formerly separated pupils aged 10-14, is planned to replace general secondary schools nation-wide by 2018-19.

Recommendations: Clarify the legal basis to allow universities to re-introduce tuition fees accompanied by a comprehensive grant and income-contingent student loan system to avoid socio-economic segregation.

Reduce barriers to competition in professional services and retail trade. Restrictive regulations (including self-imposed ones) in many services hinder competition and productivity growth.

Actions taken: The Horizontal Services Act implementing the EU Services Directive was adopted in 2011. The social partners have submitted proposals to reform the competition law and strengthen the competition authority.

Recommendations: Reduce the statutory regulations of trades and professions and curb sectoral self-regulations. Abolish compulsory membership to professional associations in liberal professions**.**

Previous *Going for Growth* recommendations no longer considered as a priority

For this country, all 2011 *Going for Growth* recommendations remain as priorities.

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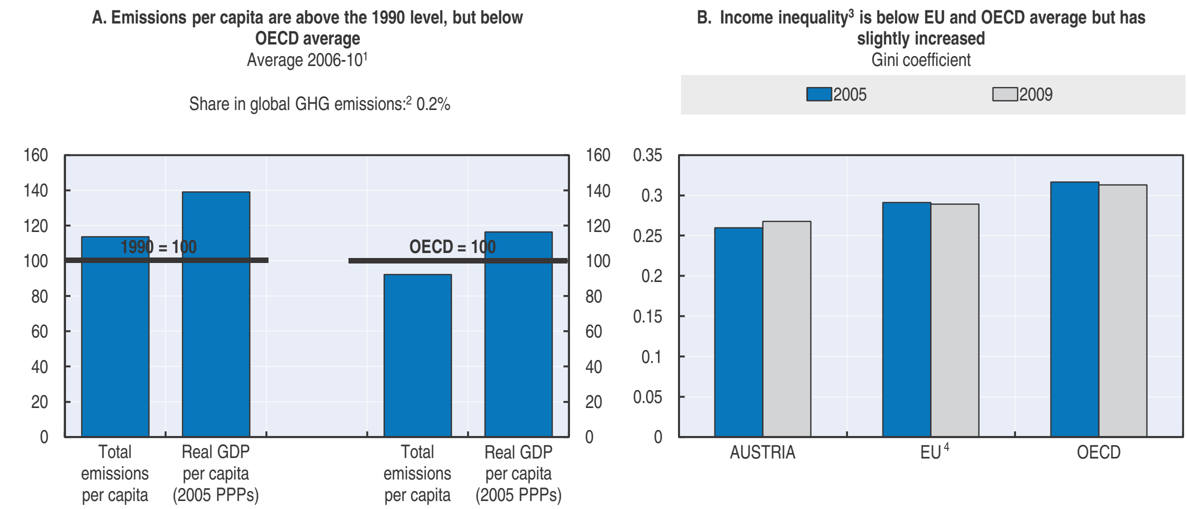
Other dimensions of well-being: Performance indicators



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. Average of 21 EU countries members of the OECD.

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/10.1787/888932775934