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Growth has been steady and brisk, but the income gap with leading countries remains significant. Employment rates for the low-skilled and for older workers are still relatively low.

Priorities supported by indicators

Reduce minimum cost of labour

“Award wages” (the *de-facto* minimum wages) are more than half of median earnings – thus relatively higher than in most OECD countries – and may therefore impede employment of the low-skilled.

Actions taken: Continued reforms of the previously rigid industrial relations system have greatly increased workplace flexibility which has raised labour productivity and thus had a dampening effect on unit labour cost.

Recommendations: Yearly adjustments to award wages should take better account of the employability of award-wage earners.

Reform disability benefit schemes

The sharp rise in recent years in the number of people receiving the Disability Support Pension has contributed to the relatively low labour force participation rate for persons aged 55 and over.

Actions taken: To assist people with disabilities to develop and improve their work capacity, new places in employment assistance, vocational education and training and rehabilitation services have been created since mid-2003.

Recommendations: Tighten eligibility criteria for the Disability Support Pension, aiming to encourage labour market engagement of people with substantial work capacity.

Strengthen vocational education at the upper-secondary level

Given the deteriorating labour market prospects for low-skilled workers, especially for early school-leavers, the upper-secondary education system’s emphasis on preparation for university study is too narrow.

Actions taken: A range of recent government initiatives aims at increasing the labour market responsiveness and flexibility of the vocational education and training (VET) system.

Recommendations: The links between schools, VET and higher education should be strengthened by enhancing educational pathways for young people, and by more flexible and better-targeted funding of higher education provision.

Other key priorities

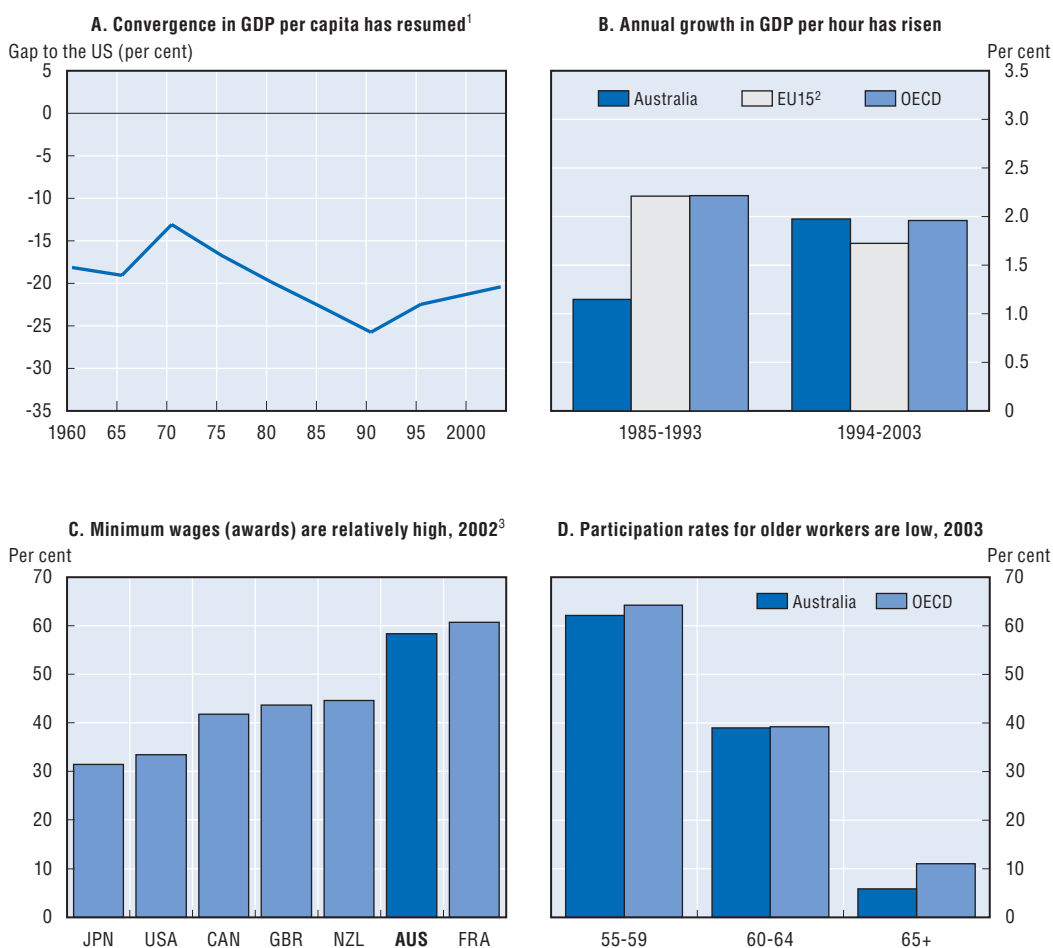
- Re-balance benefit entitlement conditions and mutual obligations strategies, and reduce marginal effective tax rates further, to encourage greater labour force participation.
- Strengthen competitive pressures in the economy via completion of the National Competition Policy Agenda and adoption of a new coordinated agenda to further advance reform in sectors such as electricity, rail, gas and water.

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Structural indicators

	1990	1995	2000	2003
Trend GDP per capita (% growth rate)	2.1	2.0	2.3	2.4
Trend employment rate	69.3	69.5	70.9	71.3
Trend participation rate	73.4	74.6	75.3	75.6
Structural unemployment rate (NAIRU)	5.7	6.8	5.9	5.6

Source: Estimates based on OECD Economic Outlook, No. 76.



1. Percentage gap with respect to US GDP per capita (in constant 2000 PPPs).

2. Excluding Austria and Luxembourg.

3. Minimum wage as a percentage of the median wage.

Source: Charts A and B: National Accounts of OECD Countries, 2004; OECD Labour Force Statistics, 2004; OECD Economic Outlook, No. 76; Charts C and D: OECD Labour Force Statistics, 2004.