

AUSTRALIA

Growth has been strong and stable, but the income gap with the best performing countries remains substantial because of a large productivity shortfall. Employment rates for the low-skilled and older workers are still relatively low, notwithstanding recent improvements.

Priorities supported by indicators

Reform disability benefit schemes

The sharp rise in the number of people receiving the Disability Support Pension (DSP) peaked in 2004, but the continuing high level contributes to the relatively low employment rate for persons aged 55 and over.

Actions taken: The 2005/06 Budget increased work obligations and tightened eligibility for new claimants of DSP; those capable of working 15 hours or more per week will receive unemployment benefits instead of disability benefits, entailing increased obligations to look for work.

Recommendations: Extend the job capacity assessment and associated support services more systematically to those who started receiving DSP before July 2006, with eligibility being based only on medical criteria, thus removing the additional consideration of employment prospects for those aged over 55.

Improve upper-secondary education attainments

The high share of the low-skilled in unemployment and inactivity, especially early school-leavers, suggests that the upper-secondary education system's emphasis on preparation for university is too narrow, hampering innovative activities and productivity growth.

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. Included in this are new programmes targeting existing workers with low qualifications to improve their basic skills so they can attain VET or year 12 (final school year) qualifications.

Recommendations: Promote enrolment in the VET system, as well as address the high level of non-completion of such courses, by raising their quality and providing additional support for disadvantaged groups, such as those with minimal previous educational attainment or from low-income families.

Strengthen competition in network industries

Although overall product market regulation is among the least restraining of competition in the OECD, there is scope to raise nation-wide competition and efficiency in the provision of water, transport, electricity and telecommunications.

Actions taken: An agreement between the federal and state governments in 2006 aims to implement a consistent national system of economic regulation for infrastructure services of national significance. The National Water Initiative (NWI) in 2004 aims to establish a nationwide market-based system of managing water resources.

Recommendations: Establish nationally uniform regulations for the interstate rail network as a prelude to achieving greater competitive neutrality in rail and road transportation. In the electricity sector, lift remaining retail price regulations for households and privatise state-owned generation to strengthen competition in that segment. Remove remaining regulatory constraints on trading water so that water moves to higher value uses.

Other key priorities

- Further reduce marginal effective tax rates for low-income earners, particularly to lower the incidence of low-wage traps and thus make it more worthwhile to move from part-time to full-time work, by reducing the lower rates of income tax and raising personal allowances or by reducing withdrawal rates for means-tested family benefits.
- In order to increase flexibility of wage bargaining and determination, phase out or rationalise the system of "award wages", which still sets complex wage floors in significant parts of the labour market.