



2017 OECD ECONOMIC SURVEY OF AUSTRALIA

Boosting innovation

Paris, 2 March 2017 (3 March, Australian
Eastern Time)

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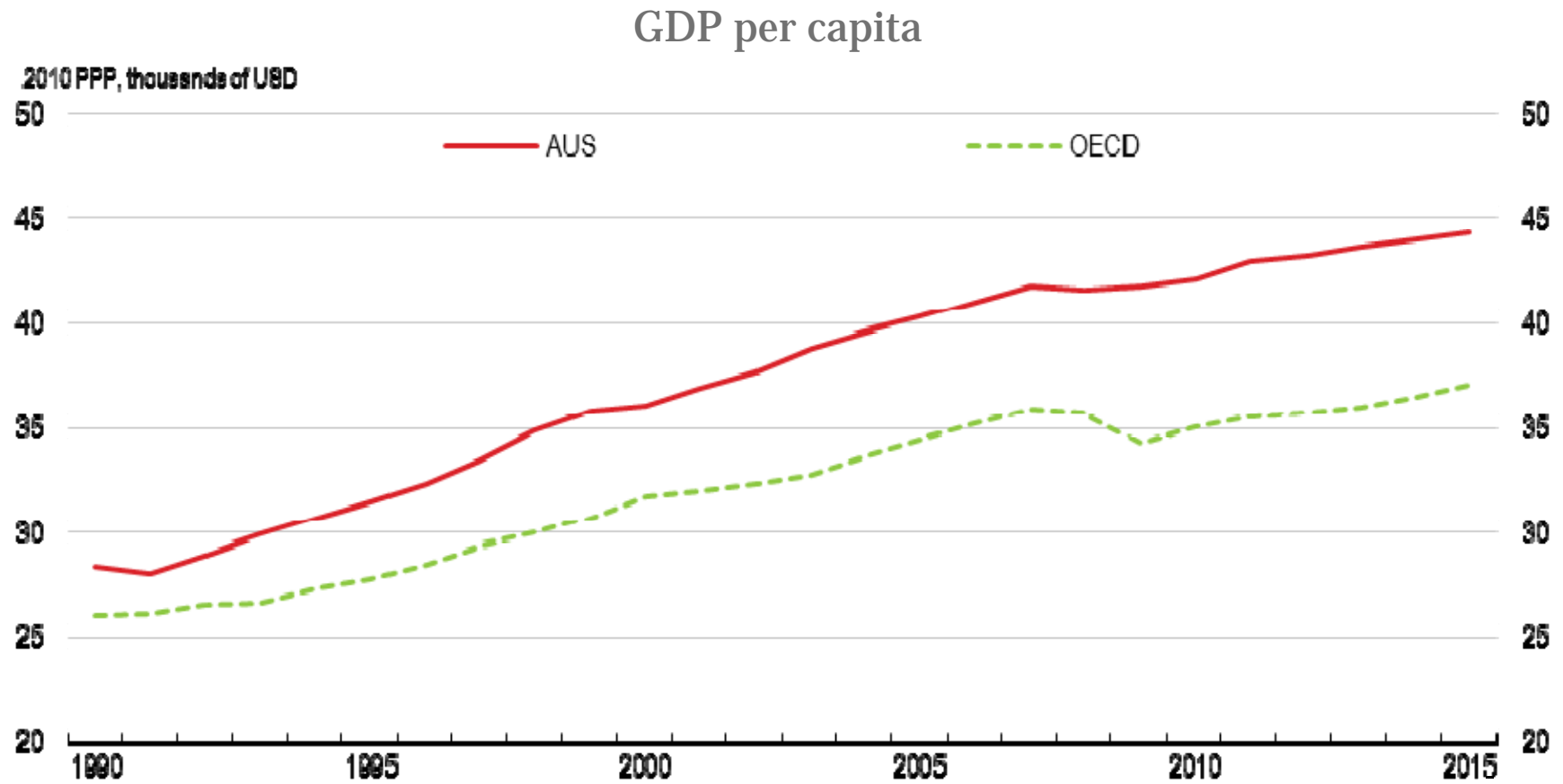


Key messages

- **Macroeconomic and financial institutions and policies are broadly sound**
- **Further structural reform is required to raise productivity growth through a better climate for business and stronger R&D outcomes**
- **Widening income inequalities require continued attention**



Income continues to rise



Source: OECD National Accounts statistics.



Well-being is high

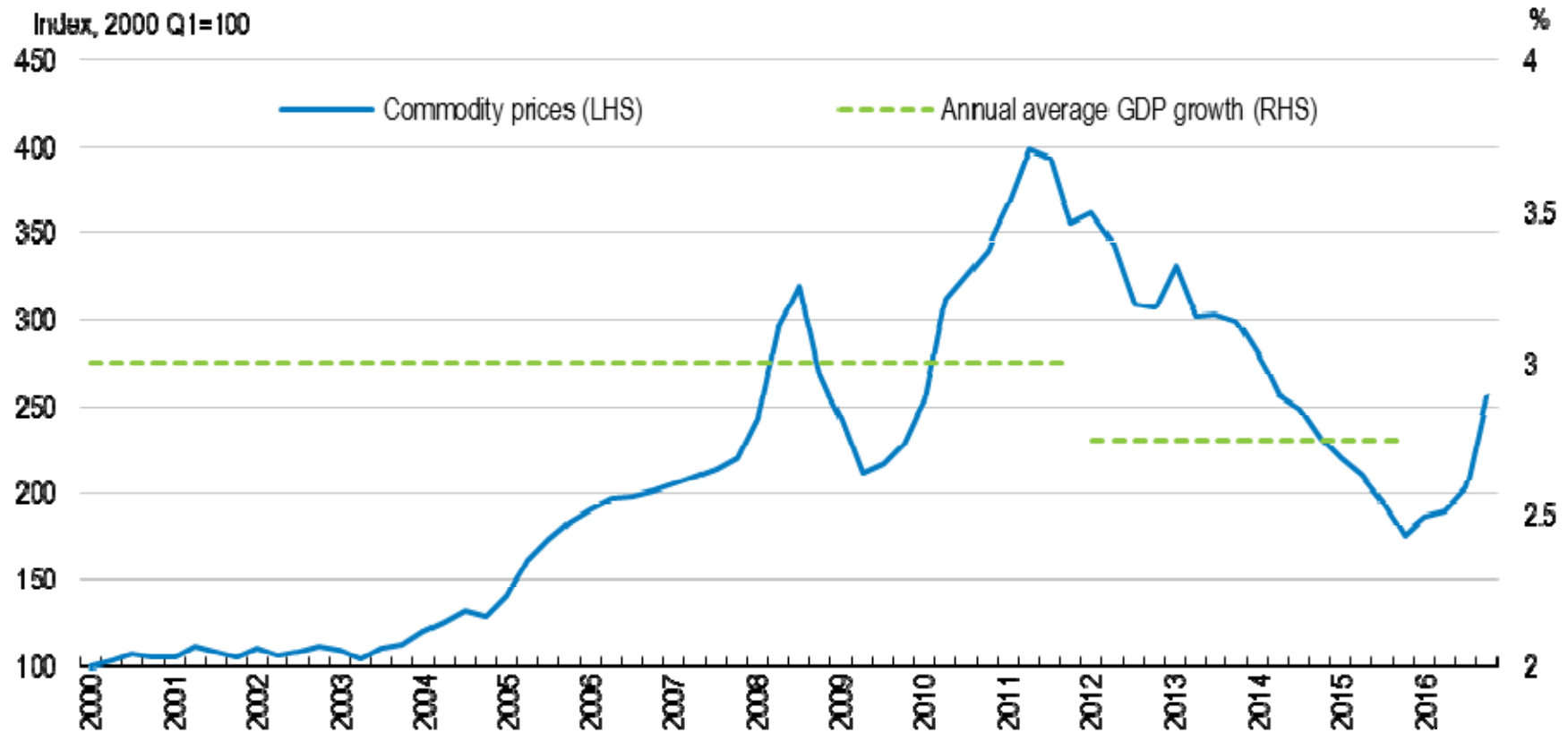
OECD Better Life Index



Source: OECD.



But low commodity prices have slowed growth

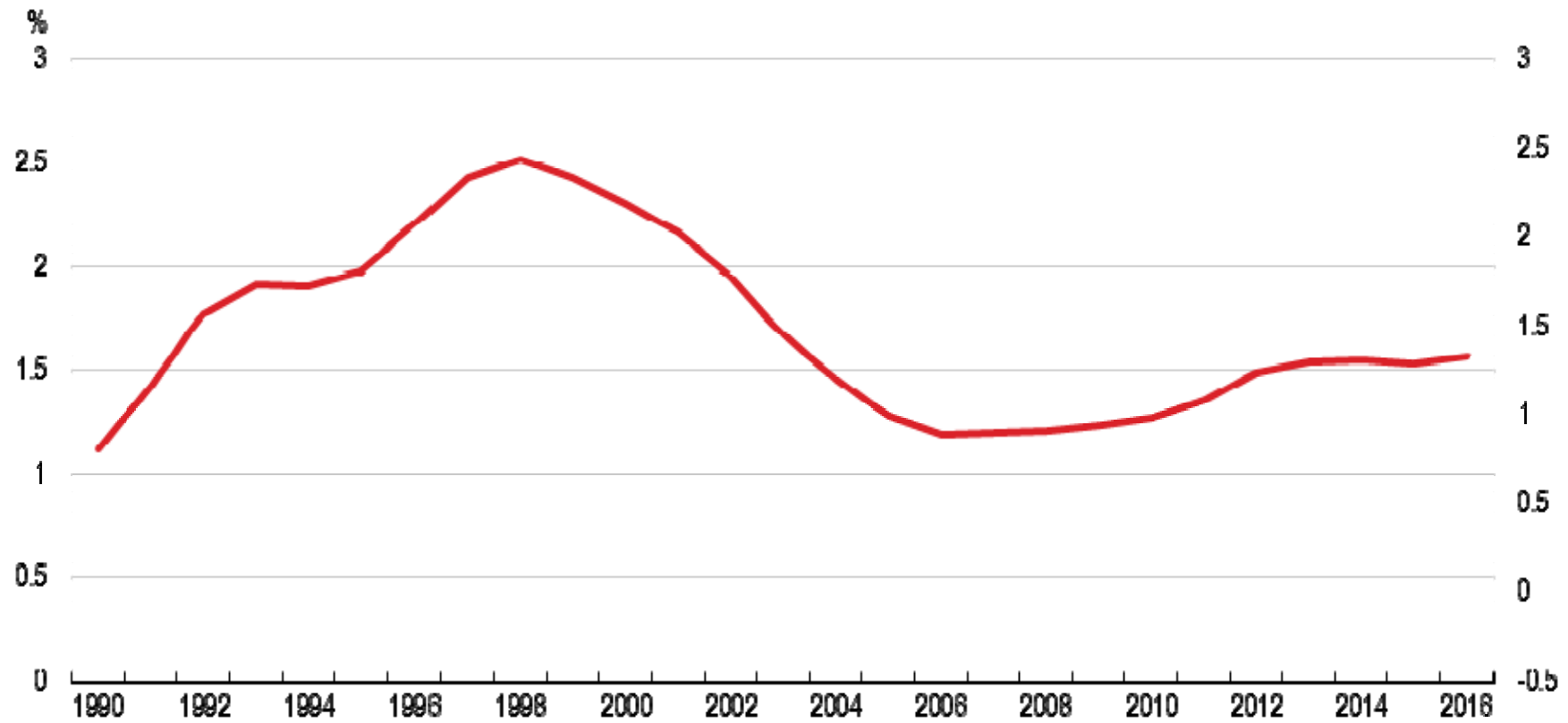


Source: OECD Analytical database; Reserve Bank of Australia.



Productivity growth has also slowed

Labour productivity growth trend (per hour worked)

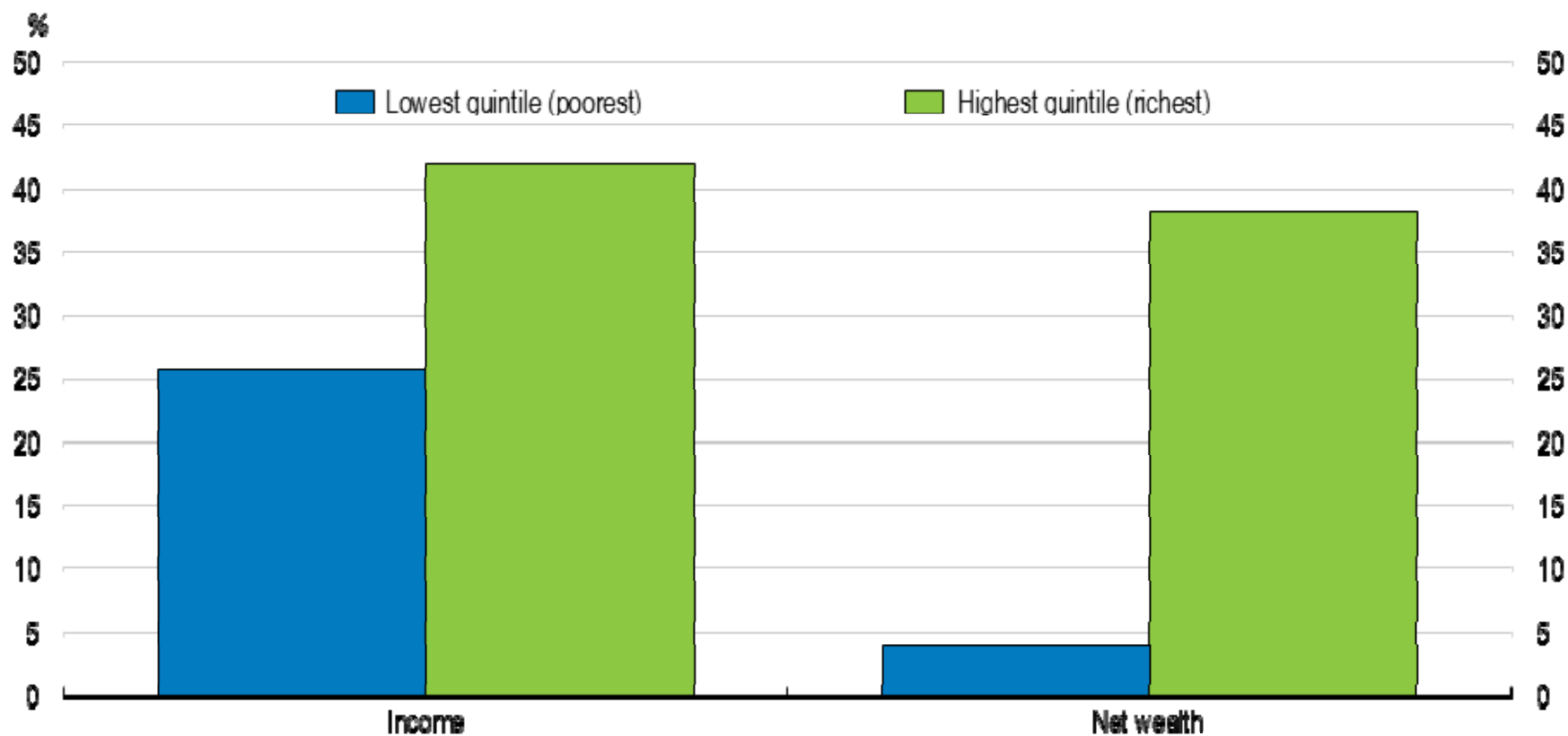


Source: The Conference Board.



Inequality has risen

Real increase of household income and wealth, 2004-14



Source: Australian Bureau of Statistics.

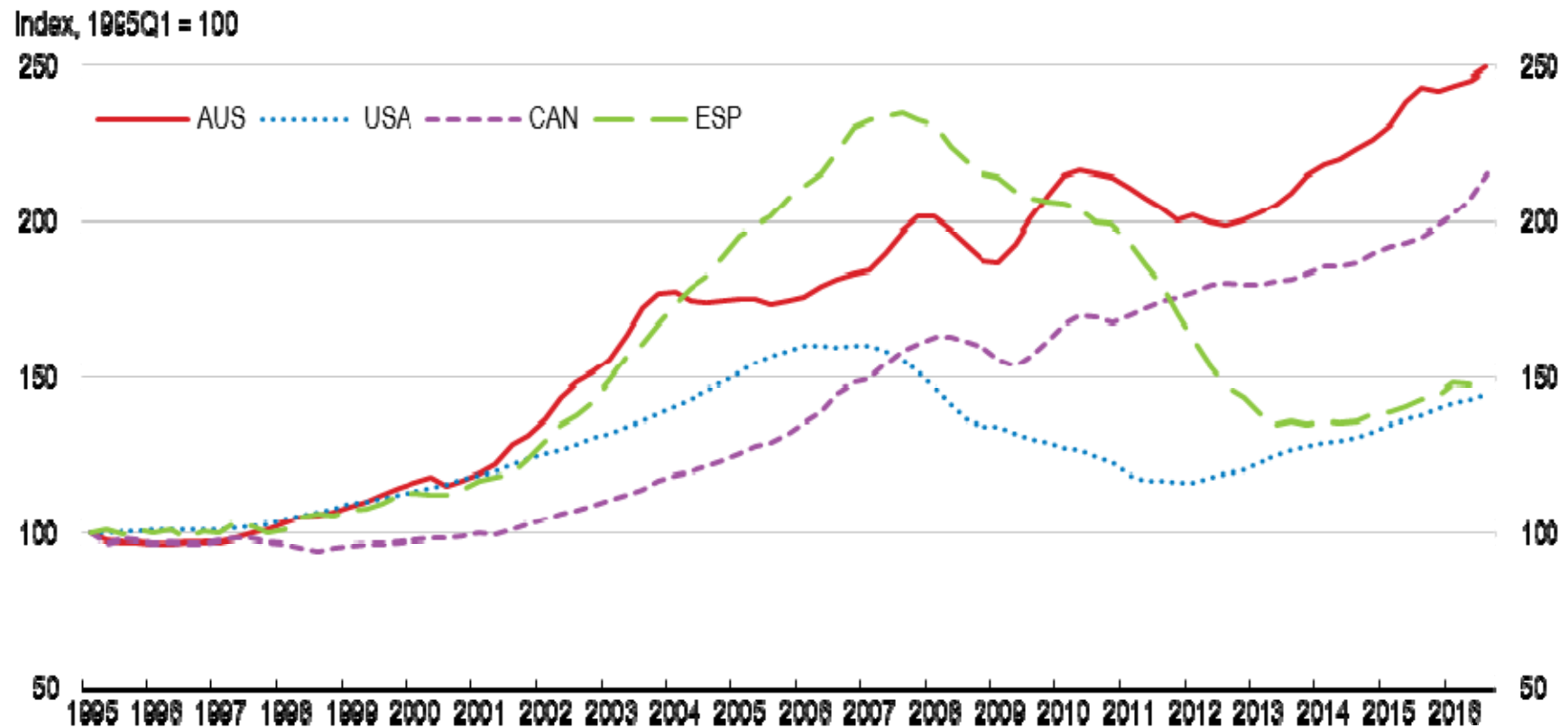


Macroeconomic and financial institutions
and policies are sound



House prices continue to rise

Real house price developments

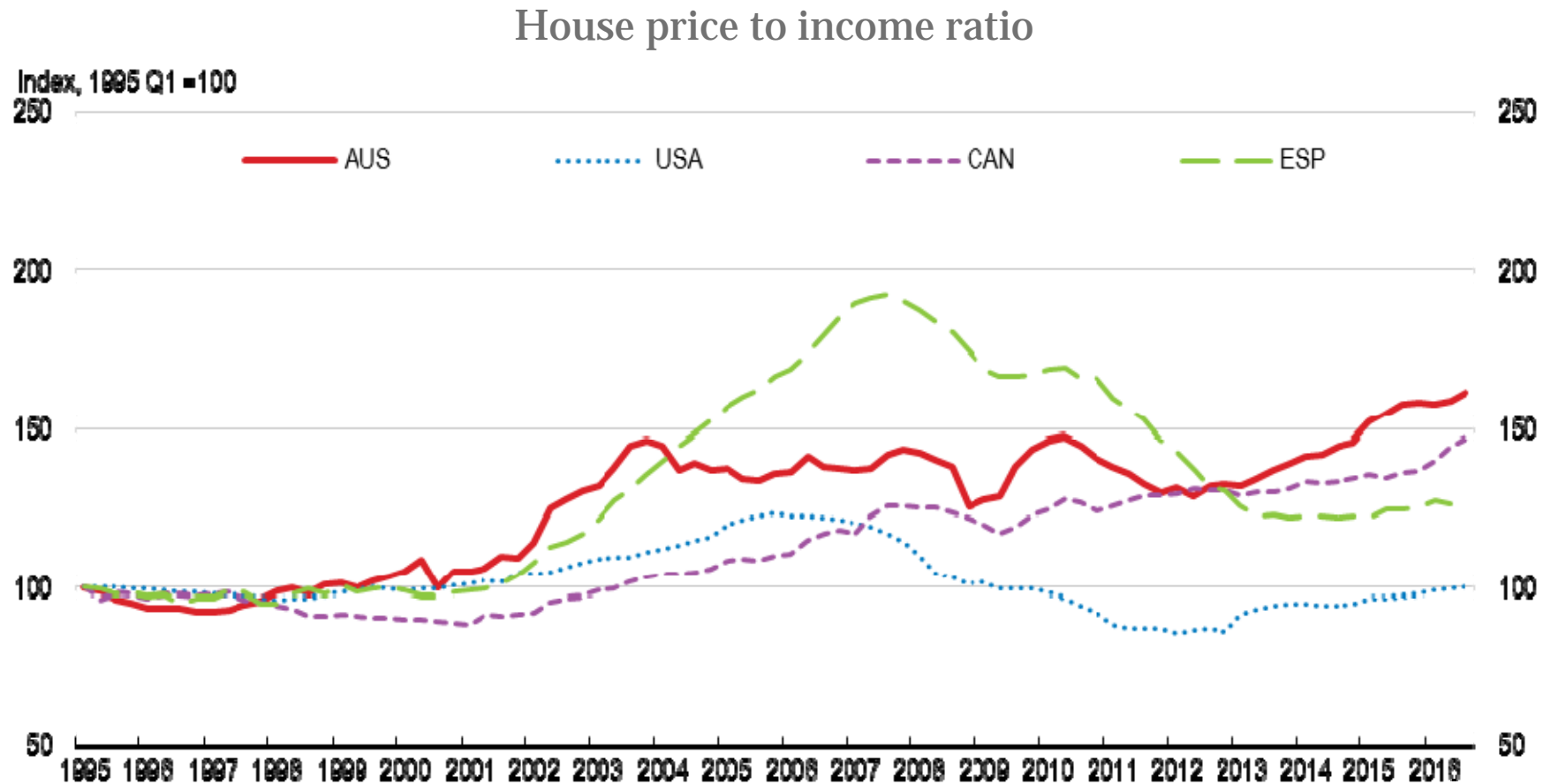


Source: OECD Analytical House Price database.

❖ **Maintain tight macro-prudential measures and facilitate housing supply**



The house-price-to-income ratio is rising

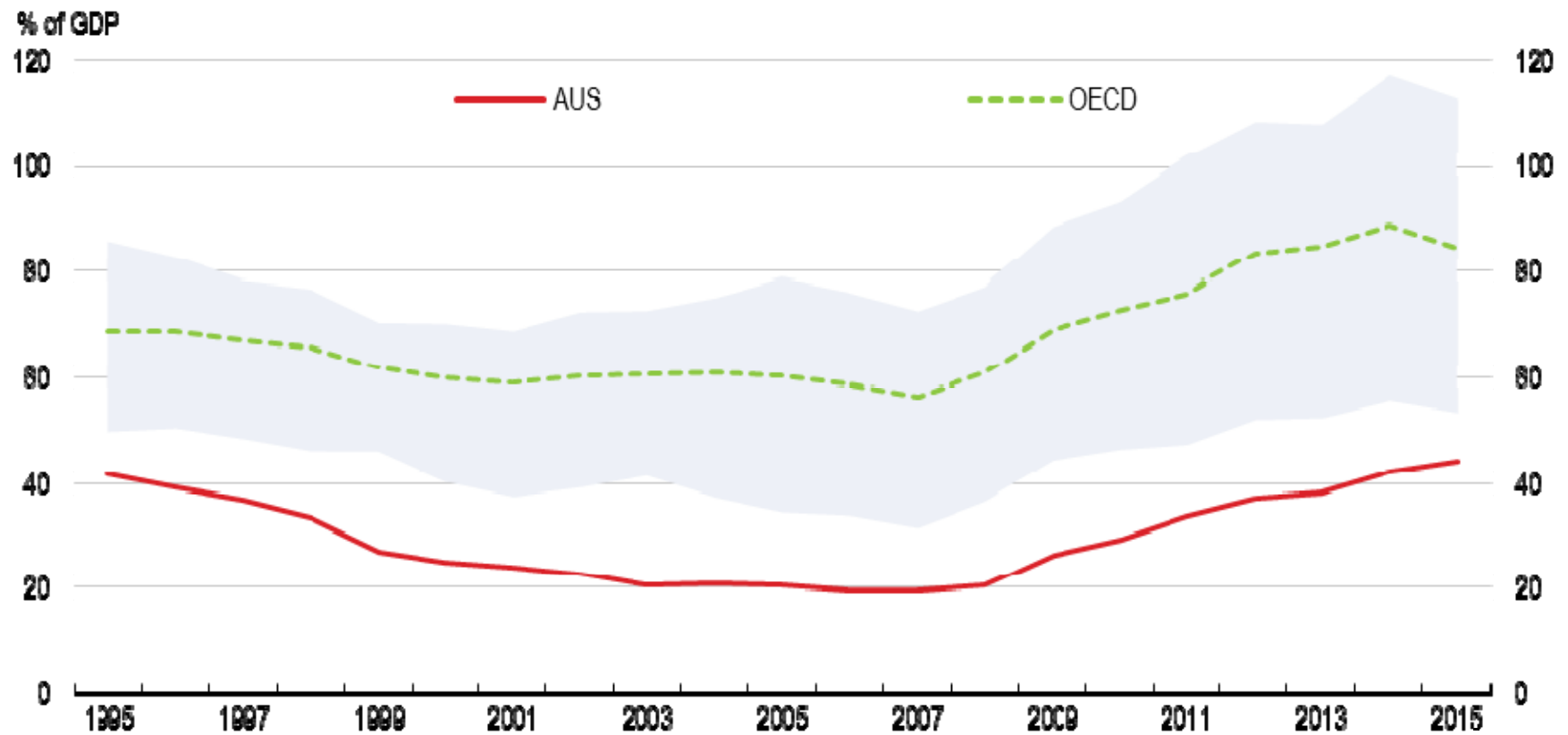


Source: OECD Analytical House Price database.



Public debt remains comparatively low

Gross public debt



Source: OECD Analytical database.



Other recommendations on macroeconomic policy

- ❖ **Rely more heavily on fiscal policy if downside risks materialise**
- ❖ **Consider a spending ceiling, target debt in the long term and make greater use of stabilisation funds**

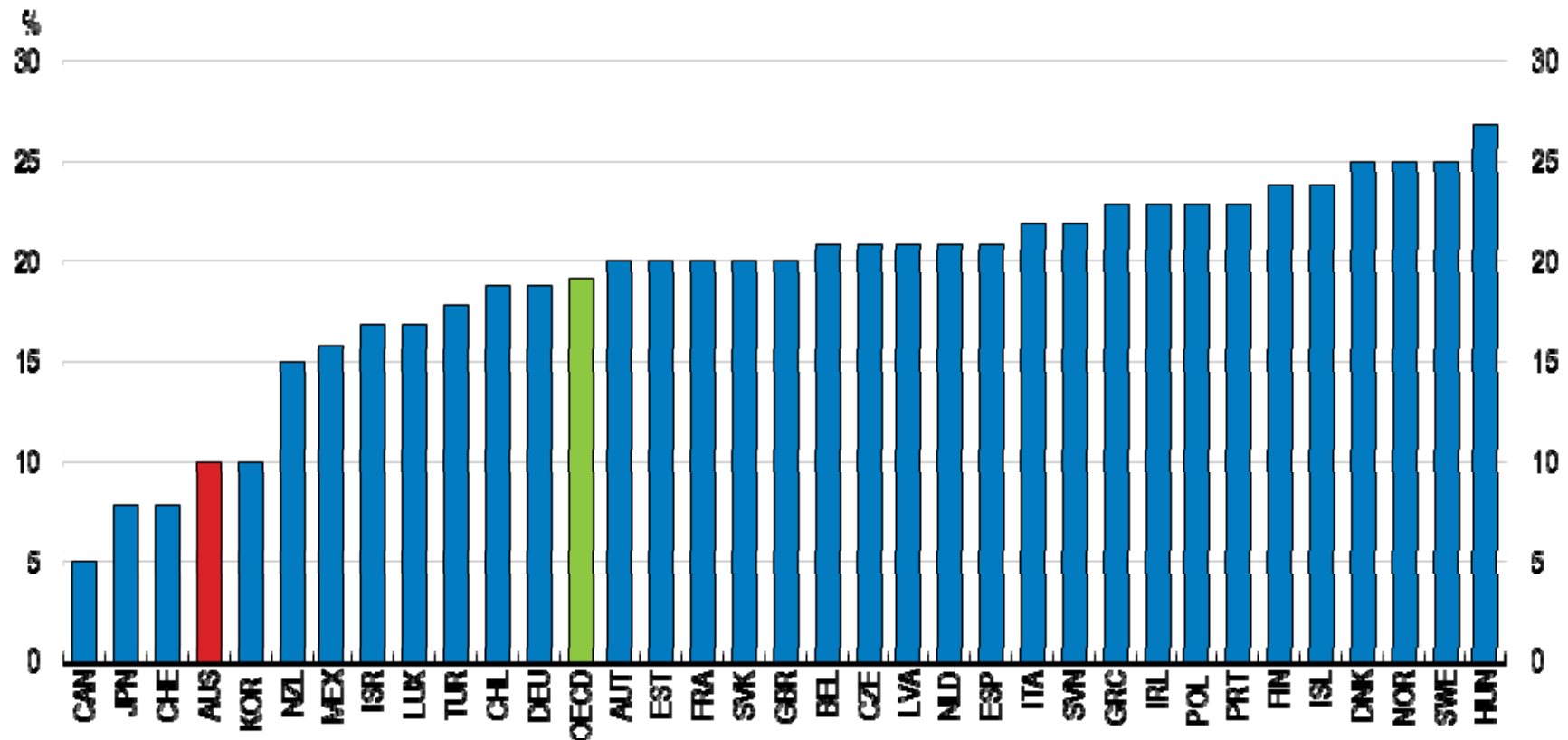


Boosting productivity growth through a better climate for business



Pro-growth tax reform is needed

Standard rates of Value Added Tax/Goods and Services Tax, 2016



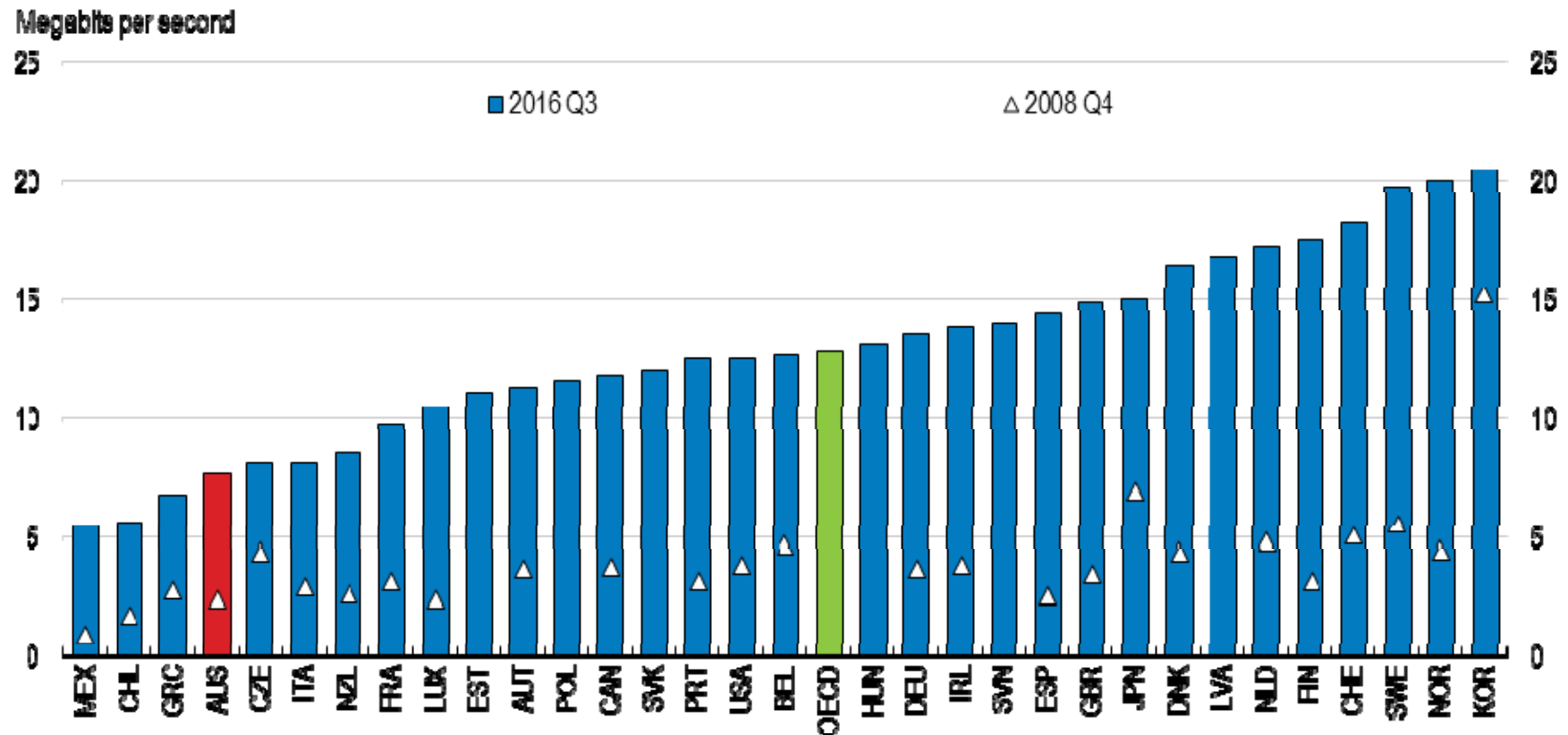
Source: OECD.

- ❖ Further shift from corporate income tax taxes and inefficient taxes
- ❖ Raise the Goods and Services Tax and land taxes



There is room to improve telecoms

Average fixed broadband speed



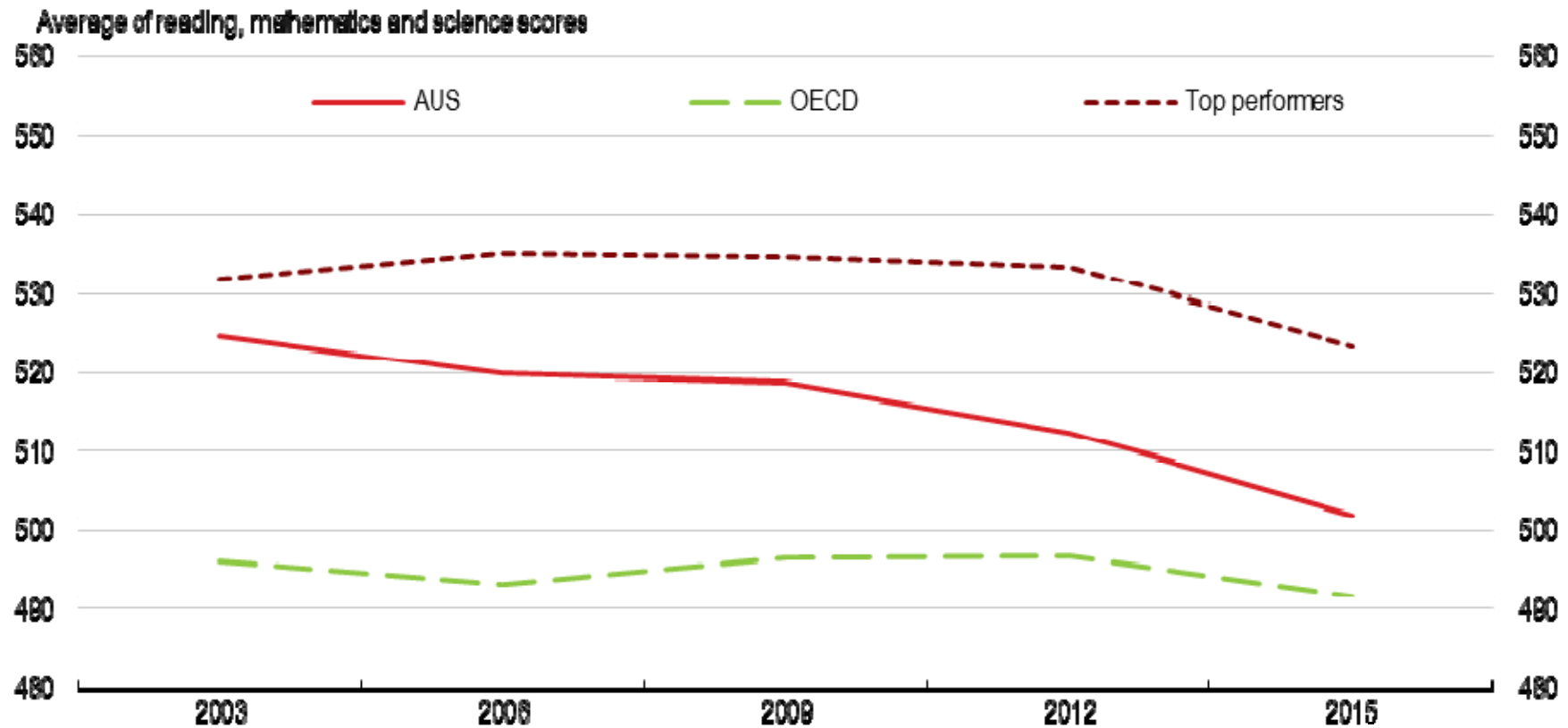
Source: Akamai (2016), State of the Internet report.

- ❖ Facilitate entry of a fourth operator in mobile telephony



Skills have deteriorated

PISA results



Source: OECD PISA database.

❖ **Broaden the scope of subsidies for innovation-related subjects**



Further recommendations on boosting the climate for business

- ❖ **Improve competition law, notably by strengthening the definition of abuse of dominant position**
- ❖ **Adjust insolvency legislation**
- ❖ **Increase labour mobility, for instance by lowering inter-state differences in education and training programmes**
- ❖ **Encourage market entry by innovative businesses. Use competition policy tools to combat resistance by incumbents and adjust sectoral regulation quickly as new firms and industries emerge**
- ❖ **Encourage more innovation in public services by opening up procurement to more bidders and further development of digital government services**

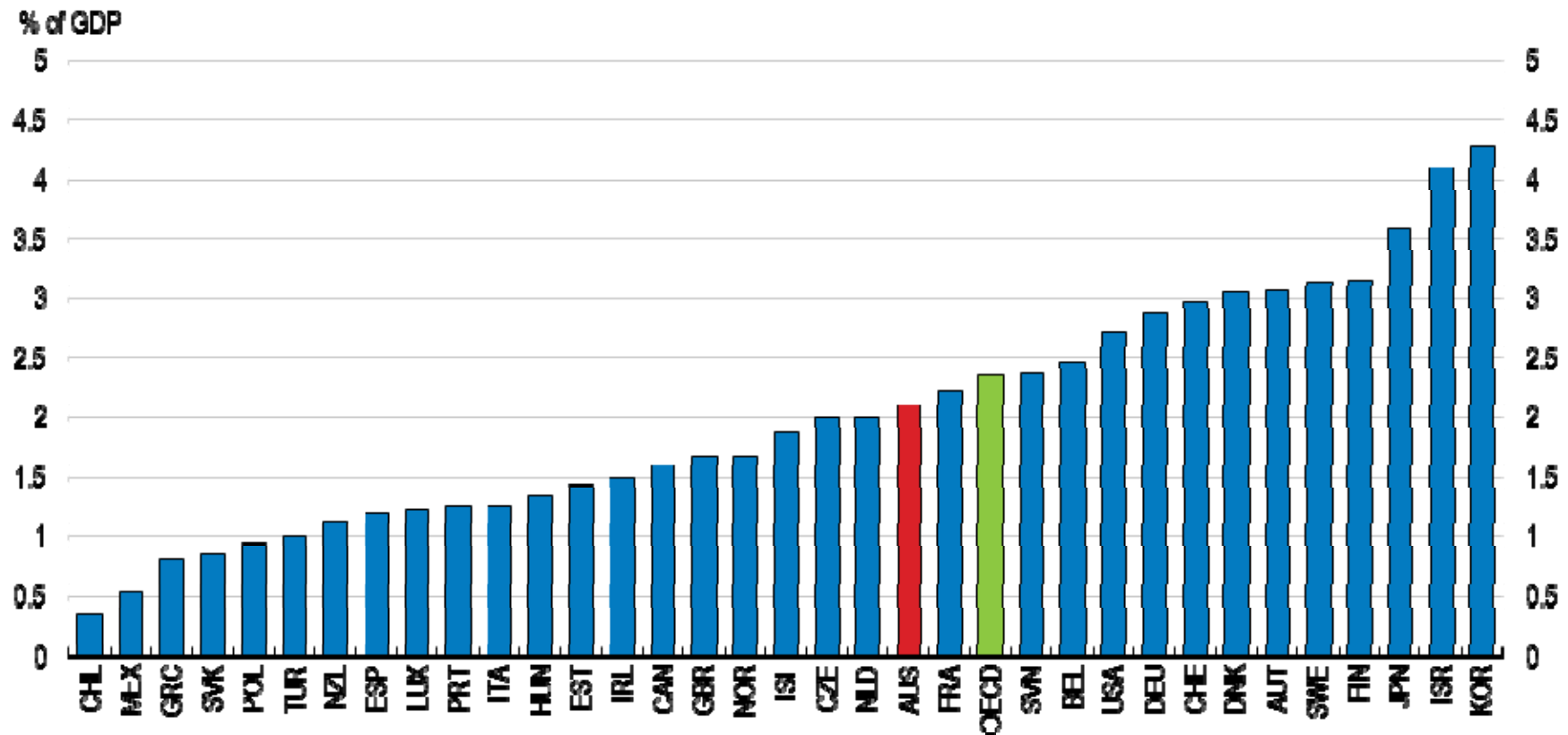


Boosting productivity growth through stronger R&D outcomes



R&D spending is middle-ranking

R&D spending as a share of GDP, 2014 or latest

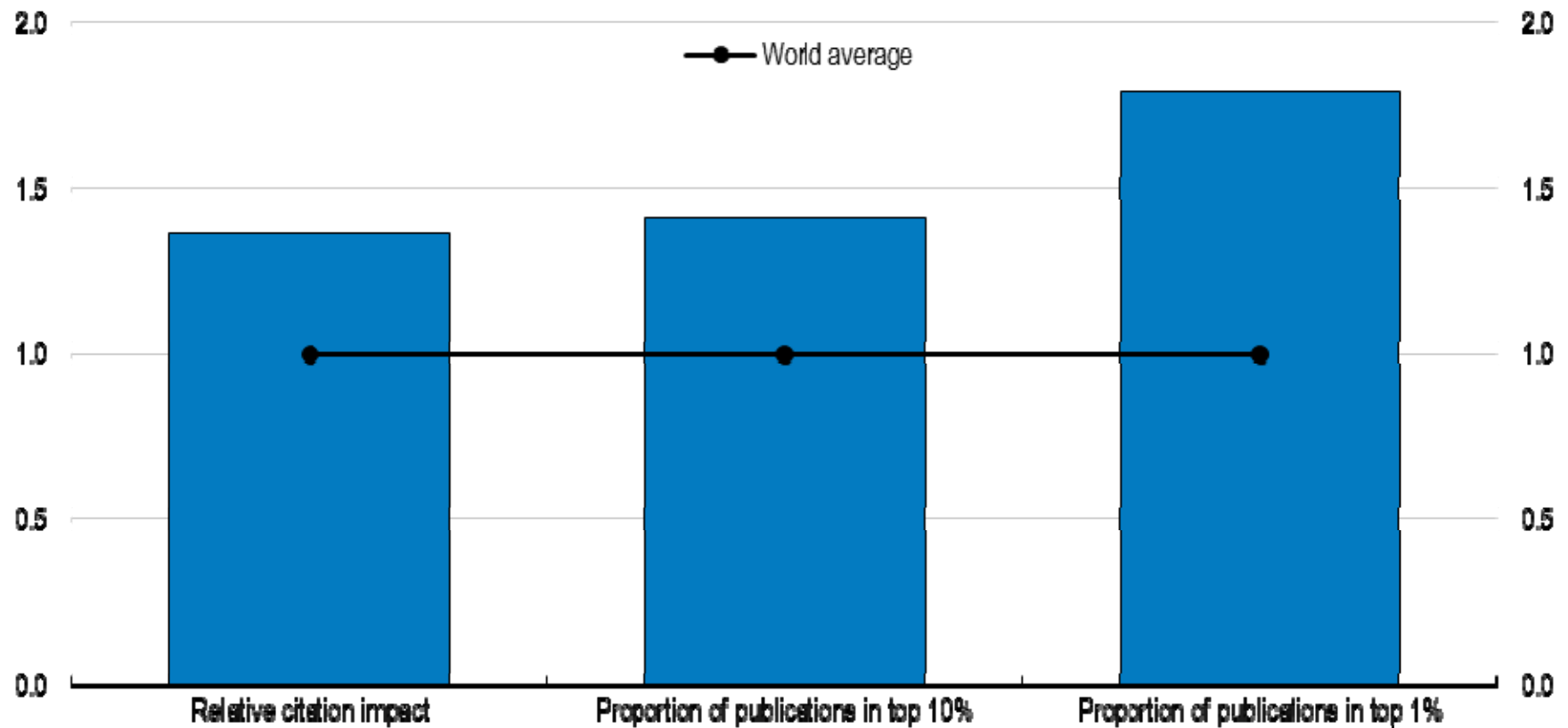


Source: OECD MSTI database.



Research quality compares well

Quality measures of Australian research publications, 2015

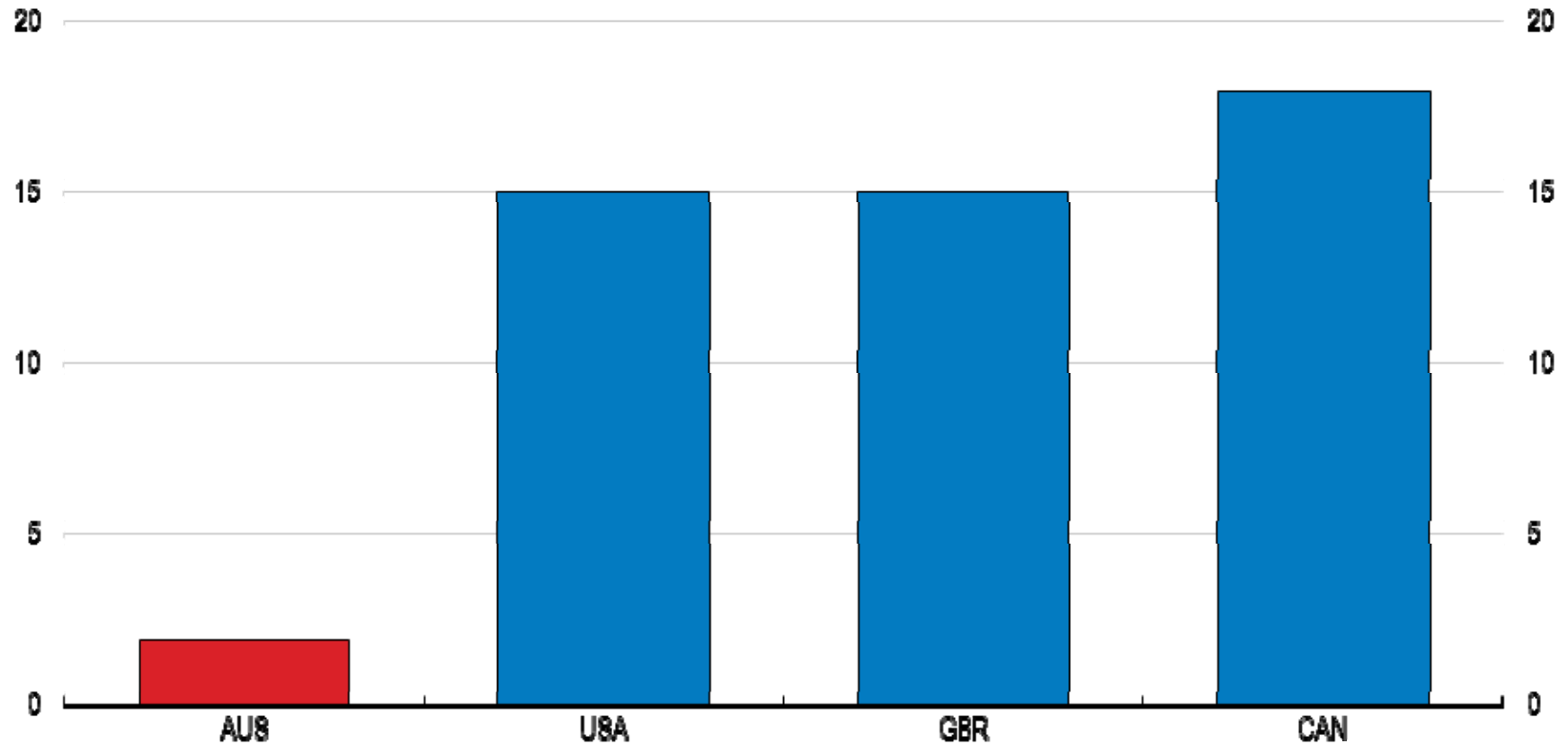


Source: Australian Department of Industry, Innovation and Science.



Commercialisation outcomes are lagging behind

Number of start-up companies formed by research institutions per USD 1bn research expenditure, 2014

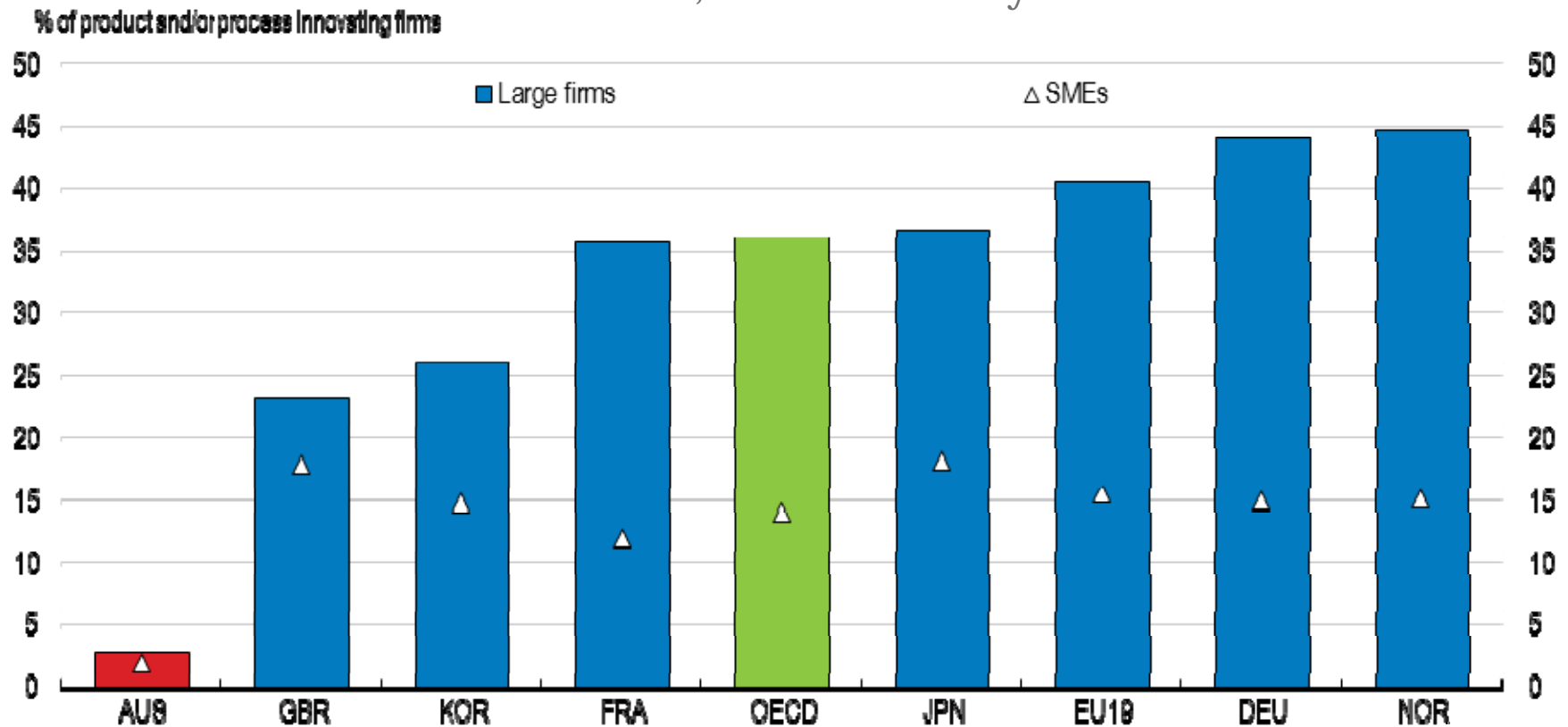


Source: Australian Department of Industry, Innovation and Science.



Business-research collaboration is limited

Firms collaborating on innovation with higher education or research institutions, latest available year



Source: OECD Science, Technology and Industry Scoreboard 2015.



Recommendations on boosting R&D outcomes

- ❖ **Put a greater weight, as envisaged, on collaboration in university funding**
- ❖ **Develop a more coordinated approach to industry placements for research students**
- ❖ **Assess research outcomes and impacts in the same way across public-sector research organisations**
- ❖ **Develop a more integrated, “whole-of-government” approach to science, research and innovation and consolidate innovation support programmes**
- ❖ **Make the R&D Tax Incentive more effective**

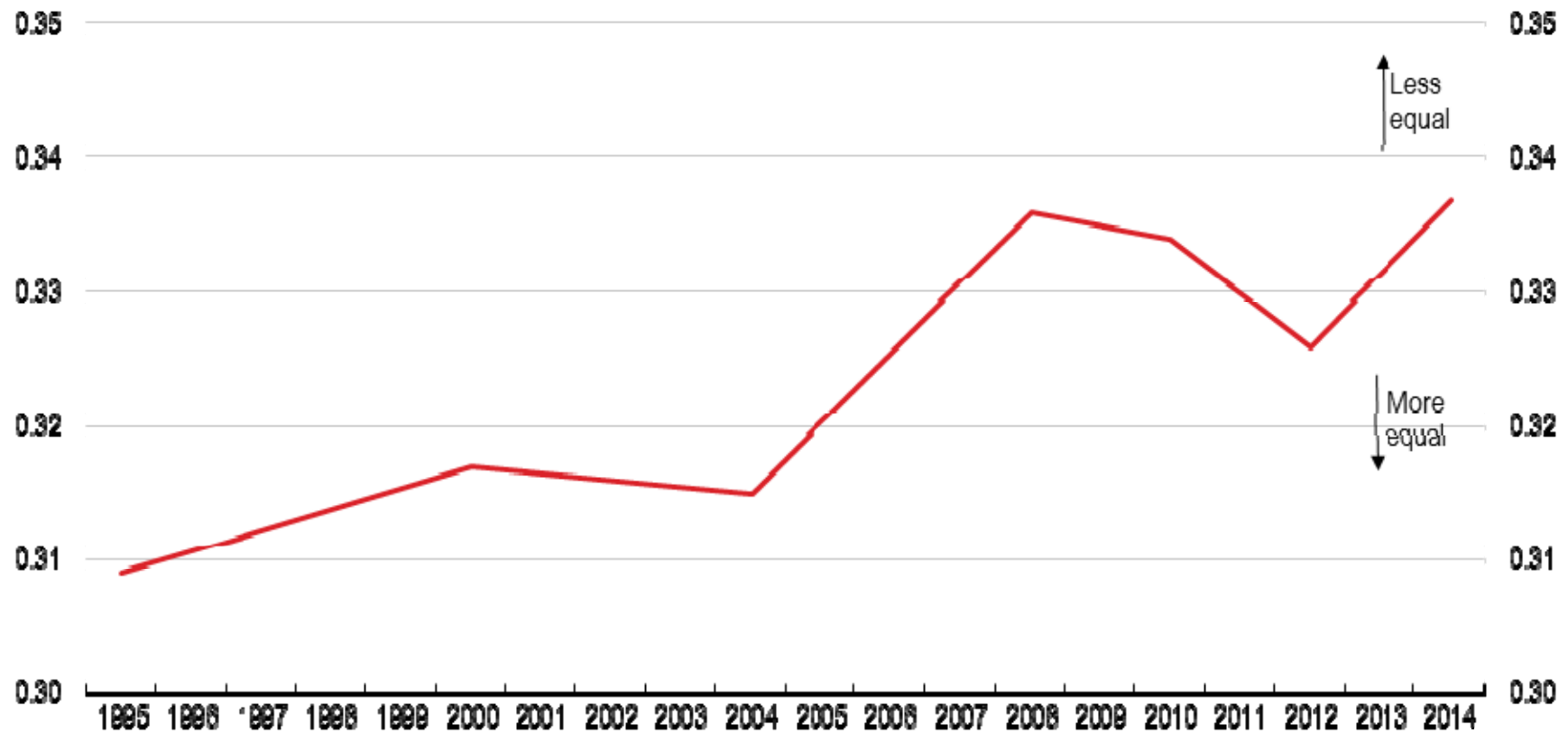


Widening income inequalities



Inequality has risen

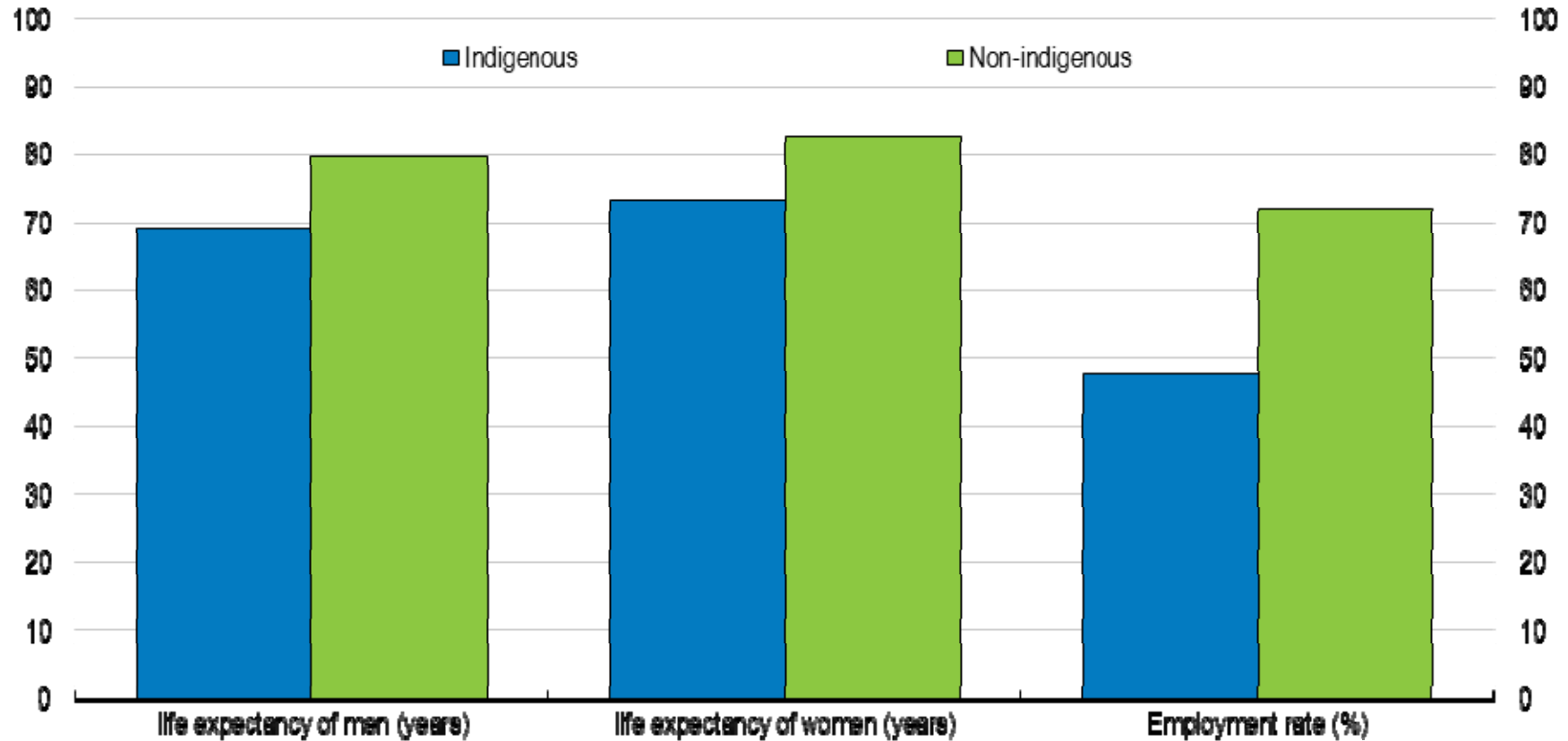
GINI coefficient (disposable income, post taxes and transfers)



Source: OECD Science, Technology and Industry Scoreboard 2015.



Socio-economic gaps for indigenous Australians remain large



Source: Australian Department of the Prime Minister and Cabinet; Australian Bureau of Statistics.



Recommendations on social and environmental goals

- ❖ **Avoid freezing welfare pay outs**
- ❖ **Continue developing an investment approach to welfare policy that focuses on vulnerable groups**
- ❖ **Strengthen the recently introduced safeguard mechanism that accompanies the Emissions Reduction Fund**



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an overview of the *2017 Economic Survey of Australia* and more



www.oecd.org/eco/surveys/economic-survey-australia.htm



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