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### Priorities supported by indicators

#### **Improve graduation rates from tertiary education (2007, 2009, 2011)**

**Recommendations:** Postpone early tracking and strengthen language support to immigrant students. Extend performance-based funding in tertiary education and allow universities to reintroduce tuition fees, accompanied by a comprehensive income-contingent student loan system.

**Actions taken:** The “New Secondary School” (*Neue Mittelschule*), which unifies formerly separated pupils aged 10-14, was launched as a pilot project in 2008-09. The government announced in May 2011 that it will be extended to the entire secondary education system by 2015-16.

#### **Reduce barriers to entry in network industries (2007, 2009, 2011)**

**Recommendations:** Ensure that access prices are not kept artificially high. Relax ownership restrictions in and fully privatise the electricity sector. Stimulate competition in rail transportation. Reduce or eliminate remaining cross-subsidies in all network industries.

**Actions taken:** Further progress has been made in implementing EU directives in the gas and electricity sectors. A Natural Gas Act strengthening competition was adopted in 2011. New access obligations were set for telecommunication network operators identified as possessing significant market power in 2010.

#### **Reduce incentives to exit early from the labour force (2007, 2009, 2011)**

**Recommendations:** Phase in all provisions of past pension reforms without relaxing their conditions. Tighten eligibility criteria to ensure that disability pensions are only used in well-justified cases.

**Actions taken:** Some backtracking with respect to the 2003-04 reform resulted from halving the discount rate and the extension of special early retirement programmes in 2007-08. Eligibility to disability pension was tightened in 2011, and a tightening of access to early retirement schemes is planned for 2014. The initiative “fit2work” started in 2011, an information and consulting service on health at the workplace, aims to reduce invalidity and early exit from the labour market.

### Other key priorities

#### **Reduce barriers to competition in professional services and retail trade (2007, 2009, 2011)**

**Recommendations:** Reduce the statutory regulations of trades and professions and curb sectoral self-regulations hindering competition in “professional” services. Abolish compulsory membership to professional associations in liberal professions. Further promote competition in retail trade.

**Actions taken:** The Crafts, Trade, Service and Industry Act was amended in 2008 and 2010 to facilitate entry in several professions. Shop opening hours were extended in January 2008. The Horizontal Services Act implementing the EU Services Directive at federal level was adopted in October 2011.

#### **Lower marginal tax rates on labour income (2007, 2009, 2011)**

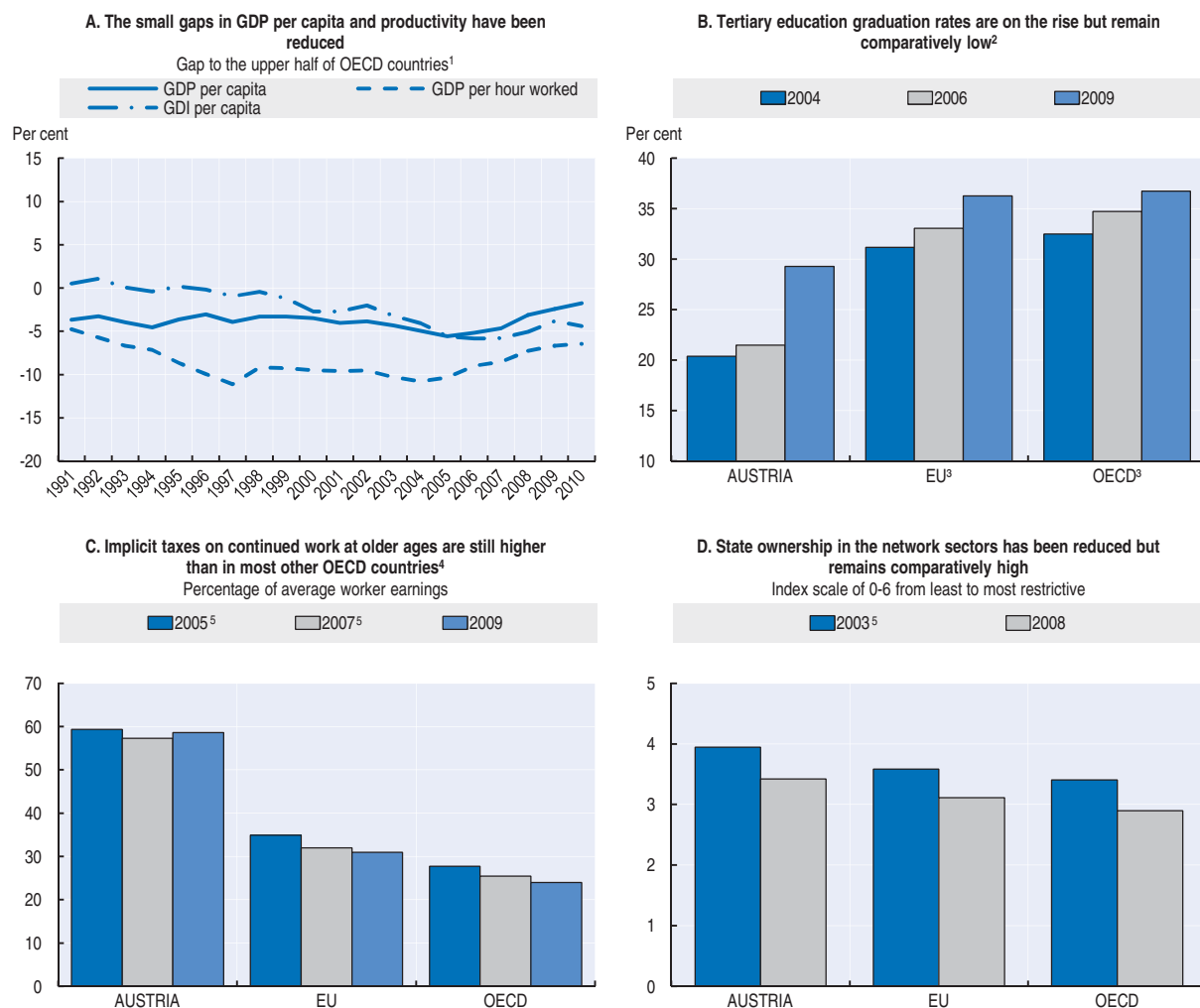
**Recommendations:** Reduce marginal income tax rates especially for low-skilled workers, financed by further broadening the tax base through reducing the numerous tax allowances and possibly increasing taxes on property and consumption (including environmental taxes).

**Actions taken:** Personal income taxes were lowered somewhat in 2009, including through tax relief for families with children, entrepreneurs and freelancers. Unemployment insurance contribution rates were reduced for low-wage workers in 2008. Environmental and financial sector taxes were increased as part of the fiscal consolidation package at the beginning of 2011.

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- The small GDP per capita gap relative to the upper half of OECD countries has declined since 2005, reversing the widening since the early nineties. This improvement is due both to gains in labour productivity and to an increase in labour force participation, notably of older workers.
- Among the key priority areas, some progress has been made in reducing incentives for early retirement and planned measures should be fully implemented. More needs to be done to raise graduation rates from tertiary education, increase competition in the services sector and network industries, and shift the tax burden away from labour.
- In other areas, labour market policy responses to the crisis such as reforms to the short-term working scheme and subsidised study leave, which are still in place, have prevented excessive layoffs.

## Performance and policy indicators



1. 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).
2. First-time graduation rates for single year of age at type A level.
3. Average of European countries in the OECD. EU and OECD averages exclude Belgium, Chile, Estonia, France and Korea.
4. Average implicit tax on continued work for five more years in "early retirement route" (as defined in Duval, 2003) for 55 and 60 year-olds.
5. Average of European countries in the OECD. EU and OECD averages exclude Chile, Estonia, Israel and Slovenia.

Source: Chart A: OECD, *National Accounts and Economic Outlook 90 Databases*; Chart B: OECD (2011), *Education at a Glance*; Chart C: Duval, R. (2003), "The Retirement Effects of Old-Age Pension and Early Retirement Schemes in OECD Countries", OECD Economics Department Working Papers, No. 370, OECD Publishing and OECD calculations; Chart D: OECD, *Product Market Regulation Database*.

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