

# National Reform Programme

Austria  
Federal Chancellery



2017

## Contents

TOC

### Annex 1

Table 1	Reporting table for the assessment of CSRs and key macro-structural reforms
Table 2	Reporting table on national Europe 2020 targets
Table 3	Reporting on main reform plans for the next 12 months
Table 4	Reporting table for the assessment of Euro Area Recommendations

### Annex 2

Table 1	Implementation of country-specific recommendations at the provincial level: Description of measures taken and information on their qualitative effects
Table 2	Measures to attain the national Europe 2020 targets at the level of provinces, towns/cities and municipalities
Table 3	Measures to attain the national Europe 2020 targets at the level of social partners

# 1. Introduction

In April 2015, Austria conveyed its National Reform Programme and Stability Programme to the European Commission, which in turn subjected the two documents to an in-depth assessment. On the basis of that review, the European Commission issued a total of three country-specific recommendations for Austria, which were approved by the European Council on 28/29 June 2016 after extensive discussion in the committees and Councils of Ministers, after which the recommendations were formally adopted by the Council on 12 July.

On 22 February 2017, the European Commission presented extensive country reports<sup>1</sup> on all EU member states with the exception of Greece.<sup>2</sup> Those reports provide an assessment of economic and social challenges as well as implementation progress in each country, along with an interim summary of results with regard to national Europe 2020 targets. In its analysis, the Commission comes to the overall conclusion that Austria has made some progress in addressing the country-specific recommendations from the year 2016. The Commission further explains that Austria has made progress in response to the first recommendation, namely ensuring the sustainability of the pension and health care systems as well as streamlining the fiscal framework. As for the second country-specific recommendation, the European Commission also confirms that Austria has made progress in improving the labour market participation of women and in improving the educational achievements of disadvantaged young people. With regard to the third country-specific recommendation, which calls upon Austria to reduce existing regulatory barriers to investment in the service sector, the Commission notes that Austria has made only limited progress. At the same time, the OECD report *Going for Growth* comes to a similar conclusion and confirms Austria's progress with regard to the recommended structural reforms.<sup>3</sup>

The European Commission's summary regarding national Europe 2020 targets highlights that Austria has already reached its targets in the area of education. The report also issues a positive assessment of the dynamic changes observed in the fields of energy efficiency and renewable energy sources. Despite Austria's progress and sound performance with regard to increasing its research expenditure as well as combating poverty and social exclusion, the Commission notes that more effort will be necessary in order to attain the corresponding targets. This also applies to the targets related to increasing the employment rate and reducing greenhouse gas emissions.

Austria's National Reform Programme 2017 follows the structure defined in the guidelines issued in September 2016 and addresses the core messages in the European Commission's country analysis of 22 February 2016. The National Reform Programme is also accompanied by two annexes containing tabular overviews of the reform measures taken in response to the country-specific recommendations as well as the attainment of Austria's national Europe 2020 targets at the level of the federal, provincial and local governments as well as the social

---

<sup>1</sup> As a “programme country”, Greece does not receive country-specific recommendations because the country's adherence to economic and budget targets is monitored within the framework of the economic adjustment programme.

<sup>2</sup> cf. European Commission, Country Report Austria 2017. Commission Staff Working Document, Brussels, SWD(2017)85 final ([https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-austria-de\\_0.pdf](https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-austria-de_0.pdf))

<sup>3</sup> cf. OECD 2017, Economic Policy Reforms 2017: Going for Growth. Paris.

partners. For the first time, this year's National Reform Programme also presents Austria's specific contribution to implementing the Euro Area Recommendations (Annex 1, Table 4).

## 2. Overall economic environment

In the year 2016, economic growth in Austria accelerated to 1.5%, after the country's real gross domestic product had grown by (just) less than 1% for four consecutive years. According to the most recent forecasts published by the Austrian Institute of Economic Research (WIFO),<sup>4</sup> Austria's economic growth is expected to increase to 2.0% in 2017.<sup>5</sup> The main driver of this considerable upturn is private consumption. The overall rate of employment will also continue to climb in the coming months, especially in the service sector. At the same time, despite strong anticipated growth in employment, the unemployment rate is expected to remain unchanged because the labour supply will again grow faster than employment in 2017. In addition to an increase in immigration from abroad (i.e., an increased number of workers from countries that joined the EU in 2004/2007), the increasing labour force participation of older workers and of women will contribute to growth in Austria's labour supply.

Since the beginning of the year 2015, the investments of Austrian businesses in plant and equipment have risen sharply; this trend is likely to slacken from early 2017 onward. However, the investment package<sup>6</sup> presented by the federal government in October 2016 is expected to boost investment growth by 0.3 percentage points in 2017 and by 0.1 percentage points in 2018.<sup>7</sup>

Growth in Austrian exports (real exports of goods and services) slowed from +3.6% in 2015 to +1.7% in 2016. This development can largely be attributed to a decrease in exports to the US, Russia and Turkey. In 2017, export growth is again expected to accelerate to +3.6%. Austria's current account surplus will thus remain stable at +1.6% (2016 and 2017).

In the coming years, housing construction can also be expected to show dynamic growth. The housing construction initiative (*Wohnbauinitiative*)<sup>8</sup> adopted by the Austrian federal government in 2015 is expected to make an additional contribution to this development.

In the year 2016, the rate of inflation will climb to 1.0%, only a slight increase compared to the previous year (0.8%). Overall, however, the inflation rate will continue to exceed the average rate in the euro area. The rising prices of raw materials and energy is expected to bring about an increase in the rate of inflation (HICP) in 2017 and in the two ensuing years.

---

<sup>4</sup> cf. WIFO 2017, Konjunkturprognose März 2017, Hauptergebnisse  
(<http://konjunktur.wifo.ac.at/fileadmin/documents/pdf/he.pdf>)

<sup>5</sup> A detailed depiction of the country's overall economic situation can be found in the Austrian Stability Programme: Update for the period 2016 to 2021. Vienna, Federal Ministry of Finance, April 2017.

<sup>6</sup> cf. Proposal to the Austrian Council of Ministers regarding a package of measures proposed by Working Group 1: Economy and Labour Market, 25 October 2016  
(<http://archiv.bundeskanzleramt.at/DocView.axd?CobId=64119>)

<sup>7</sup> cf. OeNB 2016, Economic Outlook for Austria for 2016 to 2019, pp. 13 et seq.

<sup>8</sup> cf. Proposal to the Austrian Council of Ministers on the Housing Package – Stimulus Package for the Creation of Affordable Housing, 24 March 2015; and Federal Law Gazette I No. 157/2015 (Federal Act on the Establishment of a Housing Construction Investment Bank)

### 3. Country-specific recommendations

Within the framework of the European semester, the European Commission conducted extensive analyses of Member States' economic policies and, on the basis of those analyses, issued specific recommendations for each Member State. These recommendations are to be taken into account in national policymaking over the next 12 to 18 months. The European Council approved those recommendations during its session on 28/29 June 2016 and called upon the Member States to implement them accordingly. In 2016, Austria received three country-specific recommendations.

#### 3.1. Country-Specific Recommendation No. 1

*"Ensure that the deviation from the medium-term budgetary objective in 2016 and in 2017 is limited to the allowance linked to the budgetary impact of the exceptional inflow of refugees in 2015, and to that effect achieve an annual fiscal adjustment of 0.3% of GDP in 2017 unless the medium-term budgetary objective is respected with a lower effort. Ensure the sustainability of the healthcare system, and of the pension system by linking the statutory pension age to life expectancy. Simplify, rationalise and streamline fiscal relations and responsibilities across the various layers of government."*

#### **Adherence to medium-term budgetary objective<sup>9</sup>**

In October 2016, the federal government presented its 2017 budget proposal to the Austrian National Council for approval. The draft budget presented to the National Council largely matches the framework plan adopted in the Federal Budgetary Framework Act 2017–2020 (*Bundesfinanzrahmengesetz 2017 - 2020*) adopted in early 2016. With due consideration of the additional expenditure for refugees / asylum seekers and for the fight against terrorism, Austria will meet its medium-term budgetary objective of 0.5% of GDP.

The Austrian Federal Finance Act 2017 (*Bundesfinanzgesetz 2017*)<sup>10</sup> provides for changes and adjustments in the federal budgetary framework in order to account for current developments and to provide additional funds for specific areas, especially education. Despite this additional spending, the amount paid out in the year 2017 will remain below the limit stipulated in the Federal Budgetary Framework Act 2017–2020. In January 2017, the federal government's fiscal and economic policy focuses for the next 18 months were redefined in the updated government work programme and will be included in the Federal Budgetary Framework Act 2018–2021, which will be presented to the Austrian legislature for a resolution in autumn 2017.

#### **Fiscal sustainability of the health care system**

In analysing the sustainability of public finances, the European Commission considers the health care sector to play a key role and therefore periodically assesses the projected development of health care expenditure with due attention to demographic change. On the basis of the data and analyses presented in the *2015 Ageing Report*,<sup>11</sup> the Commission sees a

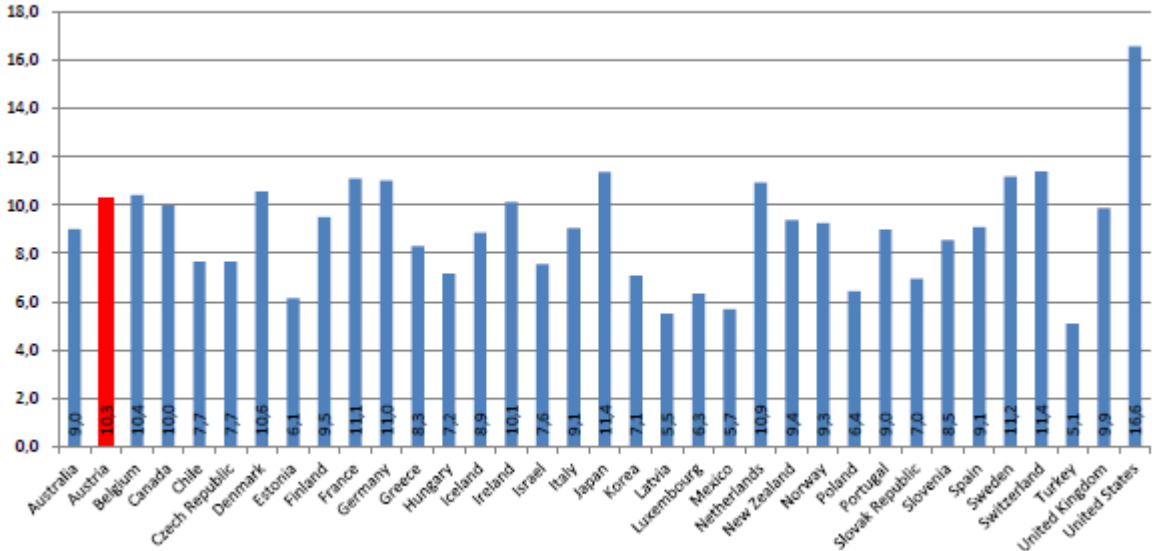
<sup>9</sup> A detailed depiction of Austria's budget development can be found in the Austrian Stability Programme: Update for the period 2016 to 2021. Vienna, Austrian Federal Ministry of Finance.

<sup>10</sup> cf. Austrian Federal Finance Act 2017, Federal Law Gazette I No. 101/2016

<sup>11</sup> European Commission (2015). The 2015 Ageing Report. Economic and budgetary projections for the 28 EU Member States (2013-2060), in: European Economy 3/2015

medium-level risk to financial sustainability in Austria in the medium to long term. With regard to the health care reform in 2013, the Commission likewise recommends additional measures in order for Austria to withstand the cost pressure and to optimise medical care at the same time. The target management system agreed upon by the federal and provincial governments as well as Austria's social security institutions in 2013 will help to improve coordination between individual areas of care as well as planning and organisation across sectors. At the same time, increases in public health care expenditure were capped at 3.6% per year until 2016. The most recent data published by Statistics Austria confirm that annual growth in current health care expenditure has remained below the agreed limit in recent years.<sup>12</sup> Austrian public health care expenditure came to EUR 26.5 billion (not including investments) in 2015; this figure equals approximately 75% of current health care expenditure. The share of spending borne by the public sector has thus remained largely stable since the 1990s. At 10.3% of GDP, Austria's public health care expenditure puts the country in 10<sup>th</sup> place among OECD member states, among which the average percentage is 9%.

Chart 1: Current health care expenditure as a percentage of GDP in 2015 (OECD countries)



Source: Statistics Austria, OECD Health Statistics 2016.

According to the agreement on the sharing of revenues/expenses among federal, provincial and local governments concluded in November 2016 for the 2017–2021 period, Austria will continue on this path of expenditure containment. By the year 2021, the annual growth rate in public health care expenditure is to be reduced to 3.2%. In the field of adult care, increases in spending will be capped at 4.6% per year.

Along with the conclusion of the agreement mentioned above, the two agreements under Article 15a of the Austrian Federal Constitutional Act (*Bundes-Verfassungsgesetz – B-VG*) were presented to and adopted by the Austrian Parliament. The main objective of the Article 15a agreement on the organisation and funding of health care<sup>13</sup> is to shift services from cost-

<sup>12</sup> cf. Statistics Austria, Current health care expenditure (as of 15 February 2017) [http://www.statistik.at/web\\_de/statistiken/menschen\\_und\\_gesellschaft/gesundheit/gesundheitsausgaben/index.html](http://www.statistik.at/web_de/statistiken/menschen_und_gesellschaft/gesundheit/gesundheitsausgaben/index.html)

<sup>13</sup> cf. Agreement according to Art 15a B-VG on the organisation and funding of the health care system ([http://www.bmgf.gv.at/cms/home/attachments/7/8/5/CH1443/CMS1485517984989/15a\\_vereinbarung\\_orga](http://www.bmgf.gv.at/cms/home/attachments/7/8/5/CH1443/CMS1485517984989/15a_vereinbarung_orga))

intensive inpatient care to day clinics and outpatient facilities. In the field of primary care, the objective is to expand outpatient care and to implement 75 multi-profession and/or interdisciplinary primary care units by the year 2021 (i.e., the end of the agreement period). In order to achieve this objective, the federal and provincial governments and the social security institutions agreed to spend EUR 200 million on expanding primary care. Against the backdrop of the specific responsibilities of the federal and provincial governments as well as the social security institutions, the Article 15a agreement under on health care target management<sup>14</sup> governs the further development of the health care target management system, focusing on improving coordination between the various health care sectors and on the further development of organisation and control mechanisms at the federal and provincial level based on effectiveness.

In the target management system, the achievement of objectives/targets is subject to regular monitoring on the basis of clearly defined measures and target values.

### **Fiscal sustainability of the pension system**

The European Commission recommends that Austria should implement further reforms of the pension system in order to ensure its long-term sustainability. In light of increasing average life expectancy, the Commission recommends that Austria should link the statutory retirement age to life expectancy. The development of pension expenditure can primarily be attributed to demographic developments. According to the *2015 Ageing Report*,<sup>15</sup> Austrian pension spending will rise from 13.9% of GDP (2013) to 14.7% by 2040 and then decline slightly, to 14.4% of GDP, by 2060. Therefore, this percentage will grow far less markedly than the share of persons over 65, which is projected to rise from 18.2% in 2013 to 28.9% in 2060. In this context, the European Commission notes that the increase in the number of pension recipients will have a dampening effect on economic growth and that the structure of public-sector revenues and expenditures will change accordingly.

In response to those scenarios, numerous measures have been taken in recent years to increase the actual retirement age in Austria and to contain spending growth. The 2<sup>nd</sup> Stability Act 2012 (*2. Stabilitätsgesetz 2012*) and the Social Security Amendment Act of 2012 (*Sozialrechts-Änderungsgesetz – SRÄG 2012*) tightened the prerequisites for retirement considerably. The most substantial decreases have been observed in disability pensions, where the gradual increase of the disability retirement age to 60 years (from 1 January 2017) in the case of activity-based protection, tighter regulations in the case of occupation-based protection and the introduction of a legal right to vocational rehabilitation have been showing their effects. According to the review prepared by the Austrian Pension Commission,<sup>16</sup> this trend is expected to continue in the coming years. In the case of old-age

---

[nisation und finanzierung text.pdf](#) and

[http://www.bmgf.gv.at/cms/home/attachments/7/8/5/CH1443/CMS1485517984989/15a\\_vereinbarung\\_organisation\\_und\\_finanzierung\\_materialien.pdf](http://www.bmgf.gv.at/cms/home/attachments/7/8/5/CH1443/CMS1485517984989/15a_vereinbarung_organisation_und_finanzierung_materialien.pdf)

<sup>14</sup> cf. Agreement according to Art. 15a B-VG on health care target management

([http://www.bmgf.gv.at/cms/home/attachments/7/8/5/CH1443/CMS1485517984989/15a\\_vereinbarung\\_zielsteuerung-gesundheit\\_text.pdf](http://www.bmgf.gv.at/cms/home/attachments/7/8/5/CH1443/CMS1485517984989/15a_vereinbarung_zielsteuerung-gesundheit_text.pdf);

[http://www.bmgf.gv.at/cms/home/attachments/7/8/5/CH1443/CMS1485517984989/15a\\_vereinbarung\\_zielsteuerung-gesundheit\\_materialien.pdf](http://www.bmgf.gv.at/cms/home/attachments/7/8/5/CH1443/CMS1485517984989/15a_vereinbarung_zielsteuerung-gesundheit_materialien.pdf))

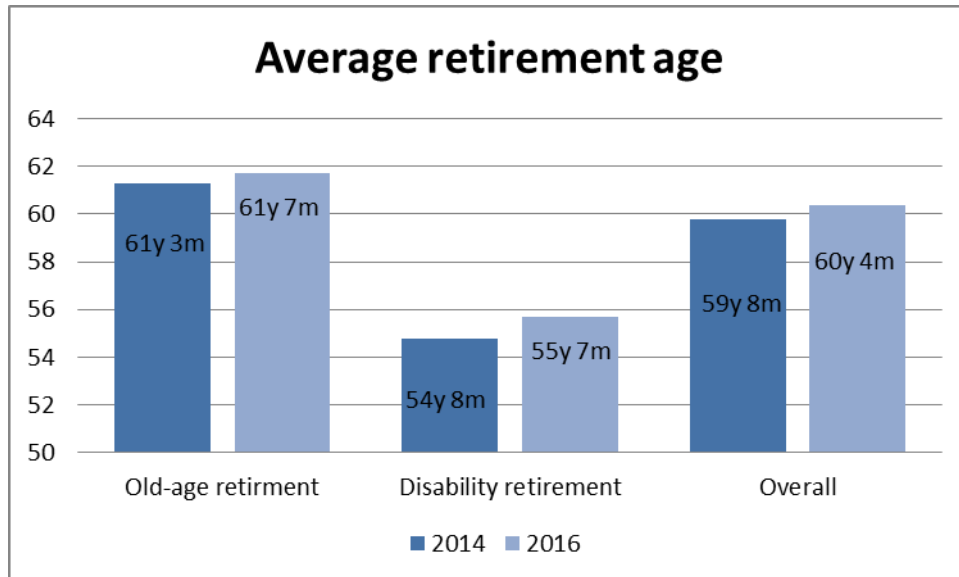
<sup>15</sup> cf. European Commission (2015), The 2015 Ageing Report. Economic and budgetary projections for the 28 EU Member States (2013-2060), in: European Economy 3/2015, p. 74

<sup>16</sup> cf. Gutachten der Kommission zur langfristigen Pensionssicherung über die voraussichtliche Gebarung der Träger der gesetzlichen Pensionsversicherung in den Jahren 2016 bis 2021. Part II (27 October 2016), [https://www.sozialministerium.at/cms/site/attachments/6/5/5/CH3434/CMS1478178195122/gutachten\\_2017\\_teil\\_ii.pdf](https://www.sozialministerium.at/cms/site/attachments/6/5/5/CH3434/CMS1478178195122/gutachten_2017_teil_ii.pdf)



pensions and early retirement pensions, the measures introduced in the years 2015 and 2016 under the 2<sup>nd</sup> Stability Act 2012 have exhibited the desired effect. Despite the projected increases in old-age pensions and early retirement pensions until 2021 – which can be attributed to demographic developments – the dampening effect of the measures stipulated in the 2<sup>nd</sup> Stability Act 2012 has clearly manifested itself.

Chart 2: Average retirement age



Ministry of Social Affairs: Employment, Rehabilitation and Pension Monitoring Report on the Year 2016

Additional measures went into effect on 1 January 2017.<sup>17</sup> For example, persons who work beyond the statutory retirement age are eligible to receive a higher old-age pension. With regard to recipients of minimum pensions who have made pension contributions for at least 30 years, the decision was made to increase the standard rate for compensatory benefits to EUR 1,000 for pensioners who receive benefits below the minimum level.

This means that people who have paid in contributions and have an individual pension claim lower than EUR 1,000 will receive that amount as the minimum pension. In this context, the Austrian government's priority is still to increase the actual retirement age. The Social Security Amendment Acts (SVÄG) of 2016 and 2017, both of which went into effect on 1 January 2017, fundamentally reorganised the areas of early intervention, rehabilitation (even in the case of imminent disability, and also for persons in non-protected professions; simultaneous medical and vocational measures) and reintegration into the labour market (vocational training, career guidance through the pension insurance institution, also for recipients of rehabilitation benefits).

Proven programmes such as *fit2work* serve to provide advice and support, and to develop individually tailored solutions in order to maintain employability until the statutory retirement age. The Act on Part-Time-Work to Reintegrate Employees after Long-Term Sickness Leave (*Wiedereingliederungsteilzeitgesetz*)<sup>18</sup> establishes a model under labour law and social law that permits a "gentler" reintegration into working life after a long-term

<sup>17</sup> cf. Austrian Federal Chancellery (2016). National Reform Programme 2016, pp. 8f., and Federal Law Gazette I No. 29/2017 of 18 January 2017.

<sup>18</sup> cf. Act on Part-Time-Work to Reintegrate Employees after Long-Term Sickness Leave, Federal Law Gazette I No. 20/2017.

illness. The act makes it possible to reduce working hours temporarily. During the period of part-time work, the employee's salary is reduced accordingly, but the health insurance institution pays additional reintegration benefits to the employee, thus creating a financial incentive to return to work and to remain employed longer.

In January 2017, the federal government agreed to deploy a federal and provincial government working group in early 2017 to address the still-incomplete harmonisation of pension systems between specific groups of public servants and statutory pension insurance. The group regularly conducts in-depth reviews and analyses of developments in pension insurance, paying particular attention to the sustainability of the Austrian pension system as well as public finances in order to initiate any necessary corrective measures in a timely manner.

### **Simplification and streamlining of various levels of government**

In the Fiscal Equalisation Act 2017 (*Finanzausgleichsgesetz 2017*),<sup>19</sup> the first steps were taken toward "task orientation" in the sharing of revenues/expenses between the federal, provincial and local governments. Additional steps were announced within the framework of the agreement between local authorities from the year 2020/2021 onward. Starting on 1 January 2018, a task-based distribution of revenue shares to the local governments was launched in the course of two pilot projects. In the field of pre-school education (0 to 6 age group), funds are distributed on the basis of precisely defined quantitative and qualitative indicators. This is intended to ensure that public-sector funds are made available precisely where they are required. In the next step, starting on 1 January 2019, the task-based distribution of revenues will be expanded to compulsory schooling (6- to 15-year-olds) in the form of a pilot project. In order to broaden the provincial governments' rather limited freedom under tax law, more assigned tasks and responsibilities will be consolidated in the future, thus enhancing the provincial governments' autonomy in tax-related matters. To this end, Austria will launch a pilot project in which the contribution to housing construction subsidies will be defined exclusively as a provincial government tax from 1 January 2018 onward. The provincial governments will then be able to set the amount of this tax independently and will not be bound by federally defined upper and lower limits. In order to further expand tax autonomy at the sub-national level, the parties to the agreement on the sharing of revenues/expenses among federal, provincial and local governments are examining additional options with international experts.

Another objective is to enhance transparency and comparability. To this end, a benchmarking model is to be developed by the end of 2018 and is slated to go into effect on 1 January 2019. The benchmarking model will enable greater comparability among public-sector services. As a complement to this measure, an ongoing spending review process will also be introduced. The purpose of the reviews is to reveal possible approaches to redistributing tasks and the corresponding shifts in expenditure.

## **3.2. Country-Specific Recommendation No. 2**

*"Improve the labour market participation of women. Take steps to improve the educational achievements of disadvantaged young people, in particular those from a migrant background."*

---

<sup>19</sup> cf. Federal Law Gazette I No. 116/2016

## Labour market participation among women

In its country report on Austria, the European Commission notes that the labour market potential of women is not leveraged sufficiently in Austria. One especially critical point is Austria's rate of part-time work among women, which is high by comparison with the EU; the high percentage of part-time work is due to care obligations. A full 36.8% (2015) of women cite the need to care for children and relatives requiring care as their reason for working part time. According to data published by Statistics Austria, in the year 2015 four out of five part-time employees were women, and the rate of part-time work among women came to 47.4%, which is considerably higher than the EU average of 32.7%.<sup>20</sup> As a result, enhancing the compatibility of family and work is a key objective in Austria. The new regulations on child-care allowances (i.e., the allowance account, partnership bonus, family leave bonus for fathers), which will apply to children born from 2017 onward, are intended to increase the involvement of fathers in child care and to promote a more partnership-based management of family life along with the corresponding effects on the individual living situations, professional situations and income situations of both parents. With regard to social policy measures and awareness-raising measures, existing projects that are considered exemplary have been expanded and extended; these projects include the *berufundfamilie* (career and family) audit, the *hochschuleundfamilie* (tertiary education and family) audit, and the government prize for family-friendly companies (*Unternehmen für Familien*). The objective of the audits is to promote HR policies with a greater awareness of family needs, as family-friendly working environments are a core topic in the compatibility debate. The *Unternehmen für Familien* initiative is a network which businesses and local governments can join in order to help create a family-friendly environment for work and life in their respective areas of activity. This initiative provides networking opportunities, information, reports on experiences, and best practices. The share of women whose main form of employment is an atypical one or who work in low-wage positions is far higher than that of men (2015: 52% of women; 16% of men). This is exacerbated by gender-based segregation between industries; in 2015, women were predominantly employed in the service sector, with the highest shares observed in retail trade (18.4%) and in health care and social services (17.1%). This gender-specific segregation of the labour market is also reflected in the corresponding pay levels and is therefore one of the main reasons behind the large gender pay gap in Austria. According to Eurostat calculations, this gap came to 21.7% in 2015. As a result, initiatives have been launched in order to dismantle the structural differences between employment for men and women on the Austrian labour market. For example, the *meine Technik*<sup>21</sup> online information platform was set up as a means of overcoming gender stereotypes and diversifying educational and career choices. One example of an instrument deployed in order to promote a more partnership-based distribution of unpaid care obligations is the online calculator for joint household incomes (*gleich=berechnet*<sup>22</sup>). In addition, increasing income transparency in order to raise awareness and combating wage discrimination against women constitute decisive tools for closing the gender pay gap. In order to improve women's employment prospects, Austrian labour market policy pursues the objectives of eliminating gender-specific labour segregation, promoting the acquisition of higher professional qualifications, and providing the best

---

<sup>20</sup> cf. Statistics Austria, Employed persons and persons in payroll employment by extent (full/part time) and gender since 1994 ([https://www.statistik.at/web\\_de/statistiken/menschen\\_und\\_gesellschaft/soziales/gender-statistik/erwerbstaetigkeit/index.html](https://www.statistik.at/web_de/statistiken/menschen_und_gesellschaft/soziales/gender-statistik/erwerbstaetigkeit/index.html)) Version: 09 March 2017

<sup>21</sup> See <https://www.meine-technik.at/>

<sup>22</sup> See <https://www.gleich-berechnet.gv.at/>

possible support for women's re-entry into the workforce. Within the framework of the *Wiedereinstieg unterstützen* ("Supporting re-entry") programme, women are provided with information and tailored advising services in order to plan their individual re-entry into the workforce. In the year 2016, more than 6,000 women took part in the programme, and within an average of three months after participating, approximately one-third of the participants were either employed or in a (continuing) education or training programme.<sup>23</sup> Another important instrument is the *Kompetenz mit System* ("Competence with a system") programme, which specifically aims to improve the qualifications of women. The programme consists of three modules which can be completed independently of one another over time. The strength of this programme lies in the fact that women can take advantage of recurring stages of (e.g., seasonal) unemployment to gain skills and to develop their professional prospects, or to completely re-orient their careers. In 2016, a total of 770 women benefited from this measure. With regard to promoting the acquisition of higher qualifications and developing career prospects, the Women's Career Centres (*Frauenberufszentren*) have established themselves as an effective labour market programme for women in recent years. In addition to information and clearing services, the programme also includes skills scorecards, career coaching and career planning. In the year 2016, approximately 12,440 women visited a Women's Career Centre; within three months after visiting, some 44% of those women were in employment or in a (continuing) education and training programme.<sup>24</sup>

### **Improving the educational achievements of disadvantaged young people**

The Austrian education system places great emphasis on equal opportunities, inclusion and integration. In recent months, extensive packages of measures have been adopted and new initiatives have been launched with a view to improving access to education and training, increasing retention in the education system and improving educational achievements. For the 2014–2017 period, a total of EUR 305 million has been earmarked for investments in high-quality pre-school education. The provincial governments will contribute an additional EUR 134 million to the expansion of child care facilities. The main focus of this measure is to improve child care offerings for children under 3 years of age. A study<sup>25</sup> recently completed at the Vienna University of Economics and Business (WU Wien) shows that disadvantaged groups such as second-generation migrants and children whose parents exhibit low educational attainment are those who benefit most from expansions in early childhood education. In addition to the immediate positive effect on labour market participation among women, attending pre-school and kindergarten also has positive medium- to long-term effects on later educational paths, careers and income levels.

According to statistics on child care facilities in 2015/16,<sup>26</sup> the child care coverage rate reached 93% in the 3 to 5 age group in 2015. In this area, Austria has already attained the Barcelona target of 90%. However, Austria still needs to catch up in the under-3 age group, where the child care coverage rate is currently 25.5%, substantially below the defined target of 33%. If we include care provided for children under 3 by qualified child-minders, the

---

<sup>23</sup> cf. Special AMS Report on the Labour Market Situation of Women, February 2017 ([http://www.ams.at/docs/001\\_spezialthema\\_aktuell.pdf](http://www.ams.at/docs/001_spezialthema_aktuell.pdf))

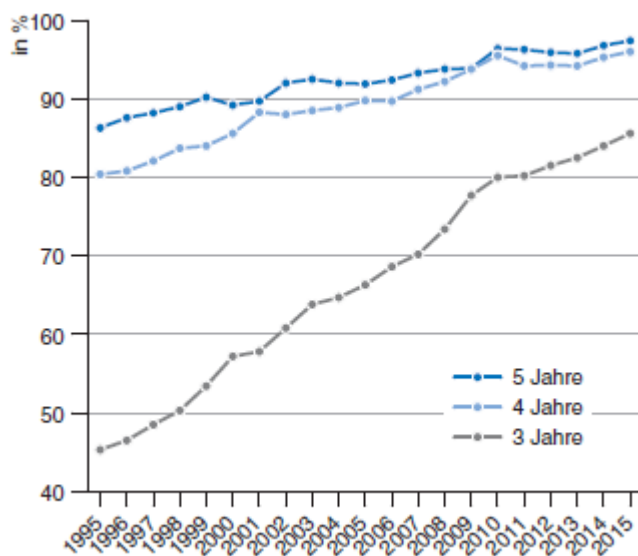
<sup>24</sup> cf. Special AMS Report on the Labour Market Situation of Women, February 2017 ([http://www.ams.at/docs/001\\_spezialthema\\_aktuell.pdf](http://www.ams.at/docs/001_spezialthema_aktuell.pdf))

<sup>25</sup> cf. Fessler, Pirmin/Schneebaum, Alyssa (2016). The Returns to Preschool Attendance. Vienna University of Economics and Business, Department of Economics, Working Paper No. 233.

<sup>26</sup> cf. Statistics Austria (2016), Child care facilities statistics 2015/16 ([http://www.statistik.at/web\\_de/statistiken/menschen\\_und\\_gesellschaft/bildung\\_und\\_kultur/formales\\_bildungswesen/indertagesheime\\_kinderbetreuung/index.html](http://www.statistik.at/web_de/statistiken/menschen_und_gesellschaft/bildung_und_kultur/formales_bildungswesen/indertagesheime_kinderbetreuung/index.html))

coverage rate is nearly two percentage points higher (27.4%).<sup>27</sup> An examination of child care coverage rates over the last ten years shows substantial increases in all three age groups. The child care coverage rate among 3-year-olds rose from 66.3% in 2005 to 85.6% in 2015. The rate for 4-year-olds showed an increase from 89.8% to 96.0%, and among 5-year olds the rate climbed from 91.9% to 97.4%.<sup>28</sup> The free compulsory year of nursery school for all 5-year-old children is an important measure that specifically supports children whose native language is not German in improving their language skills before enrolling in school. Within the framework of the pilot project for the task-based sharing of revenues/expenses between various levels of government, efforts are being made in cooperation with the provincial governments as well as the Austrian Association of Cities and Towns in order to implement a second compulsory year of nursery school.

Chart 3: Child care coverage rates for children 3, 4 and 5 years of age / Time series from 1995 to 2015



Source: Statistics Austria, Child care facilities statistics 2015/16; resident population according to population updates (from 2002: population register)

Nearly 17% of children in child care facilities do not have Austrian citizenship, and nearly three out of ten children do not speak German as their native language. In order to develop skills as effectively as possible and to detect shortcomings as early as possible, special attention is paid to the transition from nursery school to primary school. One instrument that is still in the pilot stage and will be launched at 50 locations in Upper Austria in the autumn of 2017 is known as the "education compass" (*Bildungskompass*). This programme documents children's skills and abilities from the age of 3½ years onward, thus providing valuable insights for their transition to primary school.

<sup>27</sup> cf. Statistics Austria, Child care facilities statistics 2015/16, Table: Care provided by child-minders and children's groups in 2015, p.21

([http://www.statistik.at/web\\_de/statistiken/menschen\\_und\\_gesellschaft/bildung\\_und\\_kultur/formales\\_bildungswesen/kindertagesheime\\_kinderbetreuung/index.html](http://www.statistik.at/web_de/statistiken/menschen_und_gesellschaft/bildung_und_kultur/formales_bildungswesen/kindertagesheime_kinderbetreuung/index.html))

<sup>28</sup> If we include 5-year-old children who are admitted to school early, the child care coverage rate among 5-year-olds comes to 98.4%; cf. Statistics Austria Child care facilities statistics 2015/16

([http://www.statistik.at/web\\_de/statistiken/menschen\\_und\\_gesellschaft/bildung\\_und\\_kultur/formales\\_bildungswesen/kindertagesheime\\_kinderbetreuung/index.html](http://www.statistik.at/web_de/statistiken/menschen_und_gesellschaft/bildung_und_kultur/formales_bildungswesen/kindertagesheime_kinderbetreuung/index.html))

The federal government aims to halve the size of persistently large risk groups in reading, mathematics and natural sciences at Austrian schools, and to double the size of the top groups, which have remained too small. To this end, the Austrian government is taking measures for the sake of individualisation and differentiated support in order to detect learning challenges as well as interests and talents early, and to enable learning success in basic skills. In order to enhance access to education and information for pupils, digitisation will make a decisive contribution and will be introduced broadly in Austria's schools. Among other changes, the 2016 Amendment to the School Act<sup>29</sup> calls for a redesign of the school entry stage and provides for further development of instruction and learning towards individualisation and skills orientation. For the first time ever, the new system for primary school enrolment (*SchülerInneneinschreibung NEU*) has made it possible for nursery schools and schools to exchange data for support purposes. As a complement to the integrative language support courses for pupils whose native language is not German, early language learning groups (*Sprachstartgruppen*) can be established in lieu of compulsory subjects in primary schools. In the field of pre-school teacher training, the educational institutions for pre-school education have been transformed into and upgraded to training institutions for early childhood educators in the form of vocational upper secondary schools.

In recent years, Austria has undertaken significant efforts to support the integration of migrants and refugees into its education and training system. For education, a total of EUR 223.75 million from the country's two integration funds has been earmarked for additional teacher efforts and additional integration measures in the 2016–2018 period.

For the sake of improving educational achievements among young people with low-level qualifications and reducing the number of early departures from education and training, Austria's labour market and education policies saw a strategic reorientation in 2016. On 1 July 2017, mandatory education/training<sup>30</sup> for youths up to the age of 18 will go into effect for the first time; this requirement will apply to youths who complete their mandatory schooling in 2017. This obligation is designed to ensure that all young people under the age of 18 complete some kind of education or training programme beyond compulsory schooling in order to increase their chances of full and sustained participation in economic and social life, and to meet the increasing qualification demands of the labour market. This education/training obligation can be fulfilled by continuing in an academic upper secondary school, a vocational lower secondary school or an upper secondary school, or by completing a dual education and training programme. A total of EUR 69.4 million per year will be available for the "Education/training until 18" (*Ausbildung bis 18*) initiative once it is fully implemented (from 2020 onward). Based on Statistics Austria's calculations, some 12,000 potential early school leavers will benefit from this measure by the time it reaches full implementation in the 2018/19 school year. On the basis of that measure, the Austrian Council of Ministers adopted the *Ausbildungsgarantie bis 25* ("Education and training guarantee until the age of 25") for unemployed young people in October 2016. Launched on 1 January 2017, the initiative offers additional qualification opportunities for unemployed people between 19 and 24 years of age. For this initiative, which is currently limited to a duration of two years, a budget of EUR 37 million has been allocated for the year 2017.

The measures described in this section serve as supplements to existing initiatives such as the expansion of all-day school forms. Under the Education Investment Act<sup>31</sup> adopted in

---

<sup>29</sup> cf. 2016 Amendment to the School Act, Federal Law Gazette I No. 56/2016

<sup>30</sup> cf. Compulsory Education and Training Act (*Ausbildungspflichtgesetz – APfIG*), Federal Law Gazette I No. 62/2016

<sup>31</sup> cf. Education Investment Act (*Bildungsinvestitionsgesetz*; Federal Law Gazette I No. 8/2017)

December 2016, by the year 2025 a total of EUR 750 million from the bank levy will be invested in the expansion of all-day school forms. The target is to expand all-day school offerings from 22% in the 2015/16 school year to 40% by the year 2025. In total, this measure is designed to increase the number of spots by approximately 88,000. The school autonomy package adopted within the framework of the Austria's education reform and slated to start in the autumn of 2018 serves to account for various demands put forward by schools and to broaden individual schools' latitude for action significantly. In this way, the nature of educational offerings can be tailored to the specific needs of each school location, which will be decisive in enhancing equal opportunities for school pupils. With regard to the allocation of resources to individual schools, the competent minister can issue ordinances defining the appropriate criteria to account for pupils' socio-economic backgrounds. The funding of schools on the basis of an "opportunity index" means that resources will be allocated on the basis of social characteristics of the pupil population as indicators of educational disadvantages. These characteristics include the language spoken by the pupils on an everyday basis, the educational attainment level and employment positions of their parents, the receipt of social benefits, etc.

### **3.3. Country-Specific Recommendation No. 3**

*"Reduce, in the area of services, administrative and regulatory barriers for investments, such as restrictive authorisation requirements and restrictions on legal form and shareholding, and impediments to setting up interdisciplinary companies."*

In its country-specific recommendations, the European Commission periodically calls upon Austria to reduce the high administrative and regulatory barriers in the service sector and to improve funding opportunities.

In order to dismantle rigid, outdated structures on the service markets and to improve the general conditions for businesses, the federal government initiated a reform of the Austrian Trades Ordinance (*Gewerbeordnung*) in the summer of 2016. The government's proposal was submitted to the Austrian Parliament in February 2017. The proposed legislation pursues four concrete goals: First, the bill is designed to simplify the procedures necessary to acquire operating licences for business premises and to increase the rate of application of the simplified licensing procedure from its current level of 20% to 50%. The second objective is to reduce financial burdens on the business community. As the processes of establishing businesses and registering trades have always been associated with fees and federal administrative levies, the bill provides for an across-the-board exemption from federal fees and administrative levies. This will reduce the burden on businesses by approximately EUR 10.5 million per year. Steps have also been taken to liberalise regulated trades. Of the 21 "partial trades" (i.e., trades with less stringent qualification requirements), 19 have been transformed into unregulated trades. In addition, authorisations to conduct ancillary business activities will be expanded. In practice, this means that businesses will be able to engage in a wider scope of activities for which they do not have a separate trade licence. The fourth objective is to develop business-related vocational education and training. This measure is designed to increase permeability in the education system and to encourage the acquisition of higher qualifications.

With the government resolution on debureaucratisation and deregulation as well as the Deregulation Act of 2017 and the Deregulation Principles Act, the federal government has launched additional measures to reduce bureaucratic burdens. The introduction of

horizontal principles such as the "one in, one out" principle for new regulatory burdens as well as specific measures to reduce weights and measures inspection requirements and reporting requirements will help to make Austria more attractive as a business location. An eGovernment offensive has provided new impetus for digitisation in the Austrian business world, mainly by introducing the right to electronic communication, obligatory electronic delivery of official documents to businesses, as well as electronic tendering. Significant simplifications have arisen from changes in the founding process, for example thanks to the possibility of establishing one-person limited liability companies (GmbHs) without a notary and the more rapid issuance of VAT registration numbers by the tax authorities. A public digital monitoring mechanism ([entlastungsmonitor.gv.at](http://entlastungsmonitor.gv.at)<sup>32</sup>) for these projects allows the general public to gain clear and transparent insight into their implementation.

In order to facilitate the establishment of interdisciplinary businesses and to identify options for the elimination of existing barriers, an open-ended discussion process was launched with all relevant stakeholders at the end of 2015. The parties involved were unable to reach an agreement, and therefore the discussion was suspended in 2016.

With regard to the European Commission's recommendation of reducing existing restrictions on legal forms of business organisations and ownership structures, Austria has introduced a number of adaptations in recent years, for example with regard to law firms, in order to account for the actual requirements of business practice; the currently permitted legal forms in this field are sole proprietorships, private corporations, limited and general partnerships, limited liability companies and limited partnerships with a limited liability company as the general partner. Another point worth highlighting with regard to law firms is the fact that European attorneys can be partners in an Austrian law firm without restrictions. However, the other potential shareholders/partners in such firms are still limited, as this is the only means of upholding the principle of personal professional practice, preserving strict professional confidentiality obligations, and generally avoiding external influences. Similarly, the professional obligations of attorneys are not comparable to those of other professional groups, especially those which are not subject to professional conduct and disciplinary laws. For this reason, it is not possible to establish interdisciplinary firms that include law firms; in this context, it is important to emphasise that "combined interdisciplinary incorporation" is the only activity that is prohibited in Austria. It is permissible – and indeed common practice – for various professions to engage in interdisciplinary cooperation on a contractual basis. In the case of attorneys, the admission requirements also addressed by the European Commission arise from the overriding interests of the justice system, which must prioritise the high quality of attorneys, and those of businesses and consumers who avail themselves of legal services. Similar overriding interests are the reasons behind existing restrictions on access to and activities in other regulated/unregulated professions. In order to facilitate access to simple and low-cost business loans for SMEs, the Alternative Financing Act<sup>33</sup> adopted in autumn 2015 created a special legal framework that is tailored to the needs of newly established and innovative businesses. At the same time, the issuers of alternative financial instruments are subjected to uniform information and disclosure obligations, and investor protection is reinforced.

---

<sup>32</sup> See also [www.entlastungsmonitor.gv.at](http://www.entlastungsmonitor.gv.at).

<sup>33</sup> cf. Alternative Financing Act (*Alternativfinanzierungsgesetz – AltFG*), Federal Law Gazette I No. 114/2015; see also National Reform Programme 2016, Austrian Federal Chancellery, Vienna.



## 4. Europe 2020 targets: Progress and measures taken

Austria's national Europe 2020 targets were defined by the country's federal government in October 2010 and have served as core guidelines for policymaking since that time. In its country report on Austria,<sup>34</sup> the European Commission confirms that progress can be observed in all areas. The national targets of increasing the number of people with tertiary education degrees and decreasing the share of early school leavers have already been met. Austria is also on track to meet the targets defined for renewable energy sources and energy efficiency. Despite the progress made and the positive developments observed in increasing R&D intensity and in combating poverty and social exclusion, additional efforts will be necessary in order to achieve Austria's ambitious national targets. The same applies to raising the employment rate and reducing greenhouse gas emissions.

Table 1: Overview of Europe 2020 targets

	Austrian national target		EU headline target	
	2020	As of 2015	2020	As of 2015
<b>Employment rate in % (20 to 64 age group)</b>	77	74.3	75	70.1
<b>R&amp;D investment in % of GDP</b>	3.76	3.07	3	2.03
<b>Emissions target Reduction in sectors not covered by emissions trading (compared to 2005)</b>	-16%	-13.1%	-10%	-12%
<b>Share of renewable energy in gross final energy consumption</b>	34%	33.1% <sup>(1)</sup>	20%	16% <sup>(1)</sup>
<b>Energy efficiency / stabilisation of gross final energy consumption</b>	25.1	27.4	1,086	1,082.2
<b>Early school leavers (18 to 24 age group)</b>	9.5%	7.0% <sup>(2)</sup>	10%	10.8% <sup>(2)</sup>
<b>Tertiary educational attainment</b>	38%	39.7% <sup>(2)</sup>	40%	39.0% <sup>(2)</sup>
<b>Reduction of share of population in or at risk of poverty / social exclusion (compared to 2008)</b>	-235,000	-147,000	-20,000,000	-1,696,000 <sup>(3)</sup>

<sup>(1)</sup> Value for 2014

<sup>(2)</sup> (Preliminary) value for 2016

<sup>(3)</sup> EU-27

### 4.1. Labour market and employment

Austria's economic recovery since the year 2015 has also manifested itself in accelerated employment growth (both payroll employment and self-employment). However, despite

<sup>34</sup> cf. European Commission, Country Report Austria 2017. Commission Staff Working Document, Brussels, SWD(2017)85 final, p. 2 and pp. 53 et seq. ([https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-austria-de\\_0.pdf](https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-austria-de_0.pdf))

employment growth of 1.5% in the course of the year 2016, Austria's unemployment rate remained unchanged from the previous year at 9.1% (calculated under the national definition). Forecasts indicate that the labour supply will continue to increase by an average of 1.3% per year until 2020.<sup>35</sup> A number of factors are responsible for this increase in the labour supply: First, it is growing due to the immigration of foreign workers (including recognised refugees and persons granted subsidiary protection); at the same time, the labour market participation rate of older workers has increased as a result of the reforms related to early retirement and disability pensions (see also Section 3.1.). Finally the increased labour market participation rate among women has also affected the labour supply in Austria. On the basis of the most recent forecasts (which point to an acceleration of economic growth), a reduction or stabilisation of the unemployment rate appears to be imminent.

Table 2: Overview of labour market statistics for 2016 (calculated according to national definitions)<sup>36</sup>

	Current figures	Change on previous year	
		absolute	relative
<b>Payroll employment</b>	3,586,872	+52,018	+1.5%
<b>Women</b>	1,677,849	+21,153	+1.3%
<b>Men</b>	1,909,022	+30,864	+1.6%
<b>Unemployed persons</b>	357,313	+2,981	+0.8%
<b>Women</b>	152,855	+3,594	+2.4%
<b>Men</b>	204,458	-613	-0.3%
<b>Unemployment rate (registered)</b>	9.1%	+/-0	
<b>Women</b>	8.3%	percentage points	
<b>Men</b>	9.7%	-0.0	
		percentage points	
		+0.1	
		percentage points	

Source: Ministry of Social Affairs, BALI database

In light of the unemployment rate and the continued growth of the labour supply, Austria's labour market policy remains an important factor. This is also reflected in the federal government's 2017 budget proposal. With regard to older workers, women, and people from migration backgrounds, the funds available for active labour market policy measures will again be increased substantially in the year 2017. Another key focal point is long-term unemployment. The longer people remain unemployed, the more difficult it becomes to place them in jobs; therefore, a budget of up to EUR 120 million per year will be made available for the long-term unemployed (based on Austrian Public Employment Service cases) from 2017 onward. In order to keep older workers in employment longer, the *Initiative 50+* programme launched in 2014 will continue. For the purpose of integrating unemployed people over the age of 50 who have been registered with the Austrian Public

<sup>35</sup> cf. Baumgartner, Josef/Kaniovski, Serguei (2016), Update der mittelfristigen Prognose der österreichischen Wirtschaft 2016 bis 2020, in: WIFO Monatsberichte 89(4), pp. 219–225.

<sup>36</sup> cf. Ministry of Social Affairs (<http://www.arbeitsmarktpolitik.at/bali/>)

Employment Service for more than 180 days, funding will be increased to EUR 175 million in 2017. Up to 60% of the funds will be used for integration subsidies and subsidised wages, and up to 40% will be used for social enterprises and non-profit employment projects. In 2016, some 23,000 people benefited from this programme, and it is expected to provide approximately 25,000 people with new employment opportunities in 2017. Within the framework of the federal government's updated work programme for 2017/18,<sup>37</sup> specific measures were also adopted for older workers and older unemployed persons and will be implemented in the coming months: In order to facilitate the hiring of workers over the age of 50, the dismissal protection regulations applicable to that age group will be relaxed from 2017 onward.<sup>38</sup> This measure is slated for implementation by summer 2017. The *Beschäftigungsaktion 20.000* ("Employment Action 20,000") initiative will also be launched in the summer of 2017; with a budget of EUR 200 million, this initiative is intended for older long-term unemployed people and will first be launched as a pilot project in one district per federal province. The underlying idea is to create additional jobs in municipal governments, non-profit associations and businesses. In the pilot projects, due attention will be paid to ensuring that the initiative serves as a complement to – and not a replacement for – conventional employment relationships. In the medium to long term, the objective of this initiative is to promote sustained integration into the mainstream labour market. The accompanying monitoring of employment rates among older employees<sup>39</sup> will provide the federal government with a sound basis for the timely development of additional measures to increase employment in the 50+ age group.

The limited-term reintroduction of the skilled labour grant (*Fachkräftestipendium*) as of 1 January 2017 is intended to better adapt the available qualification opportunities to the demand for qualifications and to eliminate bottlenecks in the labour market. This measure has been reintroduced until the end of 2018 in order to promote the acquisition of higher qualifications, education and training in professions where there is a shortage of labour, and the completion of education at later stages. In total, the measure will benefit some 6,500 people. A similar objective is being pursued in the AQUA project (*Arbeitsplatznahe Ausbildung*), which also focuses on aligning supply and demand with regard to qualification opportunities. In this project, businesses that cannot satisfy their needs for skilled workers due to a lack of qualified applicants are provided with an opportunity to have workers trained specifically for the positions in question. Job seekers who do not have any (relevant) training will be given the opportunity to gain qualifications with secure placement in an employment relationship once they complete the training. In 2017 and 2018, approximately 6,500 people will benefit from this programme.

In order to better utilise the labour market potential of people from migration backgrounds and to ensure faster labour-market integration for people who have been granted asylum and subsidiary protection in Austria, the Act on the Recognition and Evaluation of Qualifications Earned Abroad was adopted by the Austrian Parliament in the summer of 2016.<sup>40</sup> The objective of this act is to enable comparability between qualifications/degrees earned abroad and the Austrian reference systems, thus ensuring that workers from abroad

---

<sup>37</sup> cf. Für Österreich. Arbeitsprogramm der Bundesregierung 2017/2018. Vienna, January 2017 (<http://archiv.bundestkanzleramt.at/DocView.axd?CobId=65201>)

<sup>38</sup> cf. National Council Resolution of March 2017: Amendment of the Austrian Labour Relations Act (*Arbeitsverfassungsgesetz*) § 115, para. 3b

<sup>39</sup> cf. Work Programme of the Austrian Federal Government 2013–2018. Vienna, December 2013, p. 63.

<sup>40</sup> cf. Act on the Recognition and Evaluation of Qualifications Earned Abroad (*Anerkennungs- und Bewertungsgesetz – AuBG*; Federal Law Gazette I No. 55/2016).

can be integrated into the workforce in line with their qualifications. In order to ensure that people who have been granted asylum or subsidiary protection – who often no longer possess appropriate evidence of their qualifications – can also benefit from the simplified recognition procedures, special procedural provisions were introduced for the assessment of professional qualifications. For the sake of collecting more detailed information on the qualifications of people who have been granted asylum, the Austrian Public Employment Service launched a pilot project known as the *Kompetenzcheck* ("Skills Check") in the fall of 2015. Since the beginning of 2016, skills checks have been used to survey the qualifications of people entitled to asylum in all federal provinces of Austria. Throughout Austria, nearly 6,000 people entitled to asylum have completed such a skills check. The evaluation shows that a majority of the participants from Syria, Iran and Iraq possess education and training beyond compulsory schooling and have either completed upper secondary school or a tertiary degree programme.<sup>41</sup> In 2016, the Austrian Public Employment Service spent approximately EUR 98 million on measures to integrate people entitled to asylum into the labour market. In addition to the skills checks mentioned above, German language courses have been offered for people entitled to asylum who are looking for employment, and education/training and qualification opportunities have been funded. In 2017, an additional EUR 80 million will be available for the Public Employment Service's labour policy measures and subsidies.<sup>42</sup> Another key point in the successful integration of people who have been granted asylum and subsidiary protection as well as asylum seekers with a high probability of recognition is the obligatory "integration year", which will be implemented under the Labour Market Integration Act (*Arbeitsmarktintegrationsgesetz*). The objective of this measure, which is complemented by the Integration Act (*Integrationsgesetz*), is to ensure that people who have been granted asylum are integrated into the labour market as early as possible. The core components of the integration year are the acquisition of German language skills, career guidance, and the acquisition of knowledge and skills in the course of work training in the non-profit sector.

Other important projects which have been adopted by the federal government in order to stimulate the Austrian labour market and which will be implemented in the next 12 to 18 months are designed to increase the flexibility of working hours with due attention to the interests of employees as well as employers. In addition, measures have been taken to create incentives for increased mobility on the labour market. Through adaptations in the subsidised wage programme (*Kombilohn*) and in subsidies for longer commutes (*Entfernungsbeihilfe*), workers receive financial support if they are willing to accept a job at a distant location (more than a one-hour commute in the case of full-time employment). In cases where employment placement is especially difficult (or hardly possible), a separate case management mechanism will be set up starting in January 2018 in order to address individual problem situations. In a resolution adopted by the Austrian Council of Ministers on 21 February 2017,<sup>43</sup> an employment bonus was introduced as an additional active labour market policy instrument. The objective of this measure is to create additional stimuli for employment and to improve location quality by reducing non-wage labour costs. From July 2017 onward, businesses will receive a refund of 50% of non-wage labour costs for each newly created position subject to full social insurance obligations.

---

<sup>41</sup> cf. AMS Arbeitsmarktintegration geflüchteter Menschen: Bilanz und Ausblick (<http://www.ams.at/ueber-ams/medien/ams-oesterreich-news/arbeitsmarktintegration-gefluechteter-menschen-bilanz-ausblick>).

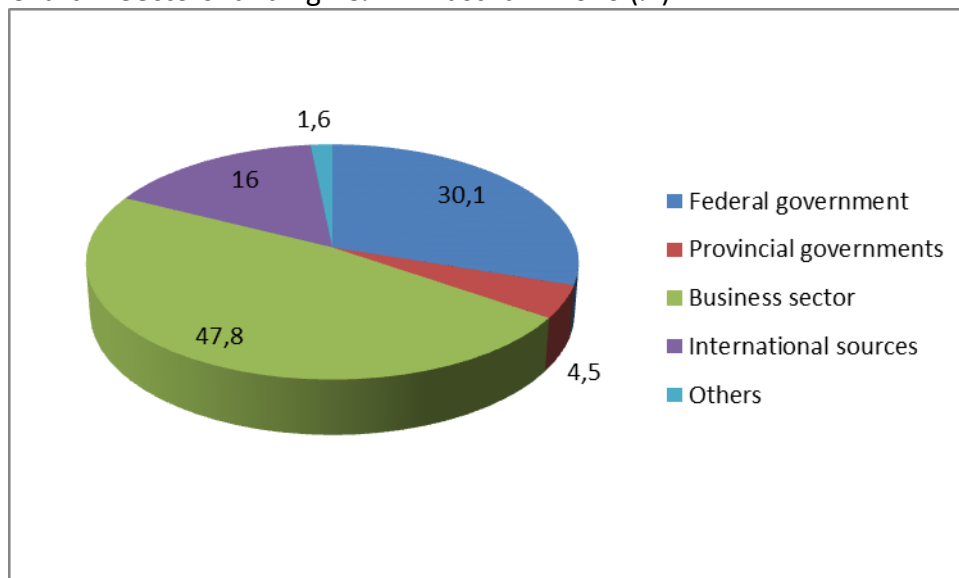
<sup>42</sup> cf. Budget Accompanying Act 2016 (Federal Law Gazette I No. 144/2015).

<sup>43</sup> cf. Proposal to the Austrian Council of Ministers on the Implementation of the "Employment Bonus", 21 February 2017 (<http://archiv.bundeskanzleramt.at/DocView.axd?CobId=65407>)

## 4.2. Research and development (R&D)

According to Statistics Austria's global estimates, a total of EUR 10.7 billion was spent on research and development in 2016. Compared to 2015, the projected total sum of Austrian R&D spending thus rose by 2.9%, reaching 3.07% of GDP.<sup>44</sup>

Chart 4: Sectors funding R&D in Austria in 2016 (%)



Source: Statistics Austria

In quantitative terms, the private business sector is responsible for the largest share of R&D spending (47.8%, or approximately EUR 5.1 billion). Including funds provided by enterprises outside Austria (largely multinational groups with subsidiaries that conduct research in Austria), some 63.9% of R&D spending can be attributed to the private sector.<sup>45</sup> Therefore, Austria is steadily approaching the research funding distribution target defined in the Austrian RTI Strategy (two thirds from the private sector, one third from the public sector). Overall, a substantial increase in R&D spending has been observed in all funding sectors since the year 2013. R&D intensity is an important indicator, but in itself this figure reveals little about the quality of the output and of structural change.

In this context, it is important to mention that in several areas the federal government's RTI Strategy has created important stimuli for change and brought about significant progress since its inception in 2011.<sup>46</sup> The key challenge in attaining the target percentage lies in increasing R&D intensity in the private sector. Many of the federal government's measures are therefore designed as incentives and support for that sector. In order to promote R&D investment activity, the research subsidy was already raised from 10% to 12% in the course of the 2015/16 tax reform. From 2018 onward, this subsidy will be increased to 14%.

<sup>44</sup> cf. Statistics Austria, Global Estimates 2016

([http://www.statistik.at/web\\_de/statistiken/energie\\_umwelt\\_innovation\\_mobilitaet/forschung\\_und\\_innovati on/globalschaetzung\\_forschungsquote\\_jaehrlich/index.html](http://www.statistik.at/web_de/statistiken/energie_umwelt_innovation_mobilitaet/forschung_und_innovati on/globalschaetzung_forschungsquote_jaehrlich/index.html)), as of 10 March 2017.

<sup>45</sup> The international funding sector also included return flows from EU research funding programmes.

<sup>46</sup> See also: Mid-Term Report on the RTI Strategy, in: Austrian Research and Technology Report 2016. Status report pursuant to § 8(1) FOG on federally funded research, technology and innovation in Austria ([https://www.bmvit.gv.at/innovation/publikationen/technologieberichte/downloads/ftbericht2016\\_barrierefrei.pdf](https://www.bmvit.gv.at/innovation/publikationen/technologieberichte/downloads/ftbericht2016_barrierefrei.pdf)).

In order to improve the conditions for private investment, the Austrian Council of Ministers adopted a package of measures to support start-ups in July 2016. To this end, a total of EUR 185 million (EUR 32.2 million in the year 2017) plus an additional EUR 100 million in guarantees will be made available for innovative new companies in the start-up stage. The bulk of funds from this package of measures will be used to subsidise non-wage labour costs for innovative start-ups. In light of the fact that start-ups create more than two jobs in the first year after being founded and thus generate more employment than most new businesses, the package introduced on 1 January 2017 provides subsidies for the non-wage labour costs of three employees over a period of three years; the total available funding volume is EUR 100 million. Over the three-year period, the subsidy is reduced by one-third each year. In order to bundle funds for investors and to make risk capital more easily accessible for innovative, technology-oriented start-ups, a subsidy for investments in innovative start-ups has been offered since 1 January 2017. The "risk capital bonus" (*Risikokapitalprämie*) provides subsidies for investments up to a cumulative amount of EUR 250,000, and a maximum of 20% of the investment amount can be reimbursed to investors. This subsidy is available for equity investments only, and the programme is limited to a duration of three years. As a complement to that measure, an additional EUR 20 million has been earmarked for the establishment and development of knowledge-based and technology-oriented start-ups (*seed financing*) in the 2016-2018 period. Special *Start-Up Fellowships* (academic spin-offs) are designed to facilitate university-based start-ups for researchers as well as students with innovative ideas. The programme is designed to fund salary costs and to enable access to academic research infrastructure. A total of EUR 15 million has been made available for this purpose.

In order to promote basic research as well as applied research and the development of technologies and innovations, the Austrian National Foundation for Research, Technology and Development has been allocated a one-off amount of EUR 100 million from the bank stability levy. In order to advance innovation processes and to expand the range of knowledge diffusion, the availability of technical infrastructure is also being improved. The Austrian broadband network is currently being expanded in order to make the best possible use of information and communication technologies. The Austrian Broadband Strategy 2020 defines the objective of making ultra-fast broadband connections (with data rates of at least 100Mbit/s) available nationwide by the year 2020.

In the federal government's updated work programme (January 2017), it was agreed that public-sector research funding will be increased by EUR 100 million for each of the next three years. Efforts are currently under way to create a legal basis for the allocation of an annual endowment for the National Foundation for Research, Technology and Development from the anniversary fund of the Austrian central bank.

### **4.3. Climate change and energy**

The European Union's climate change and energy policy pursues several objectives: It aims to reduce greenhouse gas emissions, to ensure a reliable supply of energy at affordable prices, and to contribute to growth, employment and competitiveness. In the long term, the EU aims to make the transition to a low-CO<sub>2</sub> economy (decarbonisation). In order to reach this goal, three core strategic goals are to be achieved by the year 2020: Greenhouse gas emissions are to be reduced by 20% compared to their 1990 levels, the share of renewable energy in final energy consumption is to be increased to 20%, and projected energy consumption is to be decreased by 20% thanks to higher energy efficiency. With the

adoption of the EU's climate and energy package, the 20% targets for CO<sub>2</sub> emissions and renewable energy sources were provided with a legal basis. A common framework for ensuring that the energy efficiency target is met was created in the Energy Efficiency Directive.

On the basis of EU legislation, the following targets for the year 2020 were defined for Austria:

- » 16% reduction of greenhouse gas emissions (compared to 2005) in sectors not covered by emissions trading ("effort sharing")
- » 34% share of renewable energy sources in gross final energy consumption
- » A maximum of 25.1 Mtoe in final energy consumption by 2020

### **Reducing greenhouse gas emissions**

Although greenhouse gas emissions in Austria rose by 3.2% in the 2014-2015 period, their level in 2015 was already 2.2. million tons below the limit stipulated in the Austrian Climate Protection Act (*Klimaschutzgesetz*).<sup>47</sup> The total increase of 2.5 million tons can largely be attributed to power generation (+1.2 million tons), as weather conditions caused a shift in domestic power generation from hydroelectric to thermal power stations. The increased consumption in buildings (+0.3 million tons) was also due to weather conditions, which led to higher heating requirements (natural gas and heating oil). In the transport sector, sales of fossil fuels increased (+0.3 million tons); consumption in the industry and energy sector (outside of emissions trading) also rose by 0.5 million tons. At the national level, the Climate Protection Act defines the quantitative targets for emissions not covered by emissions trading. The corresponding limit for the year 2015 was 51.5 million tons of CO<sub>2</sub> equivalents, while actual emissions (outside of emissions trading) came to 49.3 million tons of CO<sub>2</sub> equivalents.<sup>48</sup> Although Austria's emissions were below the annual target for 2015, the European Commission takes a critical view of the country's national greenhouse gas target and believes that Austria will fall 4 percentage points short of the -16% target.<sup>49</sup>

Based on the Green Paper on an Integrated Climate and Energy Strategy published in early 2016, Austria's climate and energy strategy will be developed further by summer 2017. The federal government's updated work programme (January 2017) also provides for a minor and a major amendment to the Austrian Act on Green Electricity.<sup>50</sup> These amendments are intended to stimulate additional investments in the expansion of renewable energy production and will thus also make an essential contribution to reducing CO<sub>2</sub> emissions. The minor amendment to the Act on Green Electricity is meant to enable the installation of photovoltaic systems on multi-family dwellings, to extend the expiration date for previously approved wind projects, and to provide more funds for the expansion of small hydroelectric power plants.

The Fiscal Equalisation Act 2017<sup>51</sup> creates a new mechanism for the coordination of climate protection measures and for the coverage of costs for the purchase of emissions certificates. Against the backdrop of the Paris Agreement, which went into effect in November 2016, the Austrian federal and provincial governments have committed to the regular development and implementation of effective climate protection measures ("climate protection

---

<sup>47</sup> cf. Climate Protection Act (*Klimaschutzgesetz*), Federal Law Gazette I. No. 106/2011 as last amended

<sup>48</sup> cf. Austrian Environment Agency, 2017, Austria's Annual Greenhouse Gas Inventory 1990-2015, Vienna (<http://www.umweltbundesamt.at/fileadmin/site/publikationen/REP0598.pdf>)

<sup>49</sup> The Commission notes that it would be possible for Austria to meet the target if the country took advantage of the flexibility options provided for in the Effort Sharing Decision.

<sup>50</sup> cf. Für Österreich. Arbeitsprogramm der Bundesregierung 2017/2018. Vienna, January 2017, p. 20 (<http://archiv.bundeskanzleramt.at/DocView.axd?CobId=65201>)

<sup>51</sup> cf. Fiscal Equalisation Act (*Finanzausgleichsgesetz*) 2017, Federal Law Gazette I No. 116/2016.

coordination mechanism“). Should it become necessary to purchase emissions certificates due to a violation of the upper limits on greenhouse gas emissions stipulated under EU law or in international treaties, the costs will be divided between the federal and provincial government at a ratio of 80:20 ("climate protection responsibility mechanism").

### **Increasing the share of renewable energy sources**

The share of renewable energy sources in gross final energy consumption is to be increased to 20% throughout the EU. In the EU Renewable Energy Directive, the target for Austria was set at 34% by the year 2020.<sup>52</sup> According to the European Commission's country report on Austria,<sup>53</sup> the share of renewable energy sources in Austria reached 32.8% in 2015, placing Austria among the EU-28's top performers in this regard. The Austrian federal government intends<sup>54</sup> to continue promoting the expansion of renewable energy sources and will therefore implement a major amendment to the Austrian Act on Green Electricity – which will also revamp Austria's entire system of green electricity subsidies – by the end of the year 2017.

### **Increasing energy efficiency**

With regard to energy efficiency, Austria set an ambitious target that calls for a real reduction of energy consumption by 20%.

The Austrian Energy Efficiency Act (EEff-G)<sup>55</sup> stipulates that, starting in 2014, final energy consumption is to be reduced by a cumulative total of 310 PJ by 2020. This target is to be met through a combination of strategic policy measures and a system of obligations for energy suppliers. The latter is intended to bring about a cumulative reduction of 159 PJ, while the strategic measures are meant to effect a cumulative reduction of 151 PJ.

The individual obligations imposed on energy suppliers are based on the quantity of energy sold to final consumers in Austria: Every supplier that sold at least 25 GWh to final energy consumers in the previous year is required to provide evidence of energy efficiency measures amounting to 0.6% of the previous year's energy sales. The strategic policy measures defined in the Energy Efficiency Act are those taken by the public sector (federal, provincial and local governments) to create a supportive framework and incentives for market participants to contribute to improving energy efficiency. Such measures include taxes (e.g., fuel tax, electricity levy) and government funding programmes (e.g., environmental subsidies in Austria, housing construction subsidies and the thermal rehabilitation programme). According to the report prepared by the Monitoring Body for Energy Efficiency,<sup>56</sup> energy savings of 156.9 PJ were achieved in the first reporting period (2014/2015), which accounted for 51% of Austria's overall target of 310 PJ. Of those savings, 70.2 PJ can be attributed to strategic measures, while savings of 86.7 PJ resulted from the energy efficiency measures taken by energy suppliers.

---

<sup>52</sup> cf. Directive 2009/28/EC of 23 April 2009 (<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0028&from=EN>)

<sup>53</sup> cf. European Commission, 2017, Country Report Austria. Commission Staff Working Document, Brussels, SWD(2017)85 final ([https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-austria-de\\_0.pdf](https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-austria-de_0.pdf))

<sup>54</sup> cf. Für Österreich. Arbeitsprogramm der Bundesregierung 2017/2018. Vienna, January 2017, p. 20 (<http://archiv.bundeskanzleramt.at/DocView.axd?CobId=65201>)

<sup>55</sup> cf. Austrian Energy Efficiency Act (*Energieeffizienzgesetz – EEff-G*), Federal Law Gazette I No.72/2014

<sup>56</sup> cf. Monitoring Body for Energy Efficiency (2016). Status of Implementation of the Energy Efficiency Act (EEffG) in Austria – Report pursuant to § 30 para. 3 EEffG. Vienna ([https://www.monitoringstelle.at/fileadmin/i\\_m\\_at/pdf/Herbstbericht\\_NEEM\\_30\\_final\\_2016-11-21.pdf](https://www.monitoringstelle.at/fileadmin/i_m_at/pdf/Herbstbericht_NEEM_30_final_2016-11-21.pdf)).



## 4.4. Education

### Decreasing the early school leaving rate

Compared to the EU-28 average, Austria has also made excellent progress with regard to the national Europa 2020 target in this area: According to preliminary figures for 2016,<sup>57</sup> the percentage of early school leavers has dropped to 7.0%. The national strategy for the prevention of early departures from education and training was updated in 2016. Among other factors, the reason for this relatively good result is that greater attention has been paid to prevention in recent years, with measures such as expanding all-day child care offerings, more intensive career guidance, skills orientation, the introduction of a new upper secondary education model, the reform of vocational secondary schools and the use of diagnosis tools. In addition, intervention measures such as youth coaching and improved coordination between psychosocial counselling systems have shown positive effects on retention and completion rates.<sup>58</sup> In addition, production schools and other low-threshold opportunities to complete education programmes at a later stage are available as compensatory measures.

The risk of becoming an early school leaver (ESL) is especially high for youths from migration backgrounds as well as youths whose parents exhibit low educational attainment (no more than compulsory schooling).

Table 3: Early school leavers (ESLs)

	Year in %							
	2008	2009	2010	2011	2012	2013	2014	2015
<b>Total</b>	10.2	8.8	8.3	8.5	7.8	7.5	7.0	7.3
<b>Non-migration background</b>	6.4	5.5	5.3	5.9	5.2	4.7	4.6	4.3
<b>First generation</b>	25.7	22.9	21.4	20.7	18.5	19.6	16.0	19.6
<b>Second generation</b>	25.0	20.4	16.3	14.9	18.5	17.1	14.7	16.0

Source: Federal Ministry of Education.<sup>59</sup>

The data indicate that steady improvements were recorded among ESLs from migration backgrounds between 2008 and 2014, whereas a slight increase has been observed recently among migrants of both the first and second generations. One important measure in the area of prevention is the promotion of pupils' skills in their first as well as their second language. As a result, a sound command of the language of instruction as well as the promotion of reading skills are considered especially important. The 2016 Amendment to the School Act<sup>60</sup> therefore also provides for an expansion of early language learning groups

<sup>57</sup> cf. Eurostat, Europe 2020

([http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=de&pcode=t2020\\_20&plugin=1](http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=de&pcode=t2020_20&plugin=1))

<sup>58</sup> See also: National Reform Programme Austria 2016, Vienna.

<sup>59</sup> The measurements refer to the share of 18 to 24-year-olds who have not successfully completed Level II upper secondary education and are currently not outside the country. Persons are considered to be from a migration background in cases where both parents were born abroad; members of the first generation include those who were born abroad, while the second generation refers to those born in Austria; cf. BMB (2016). National Strategy for Preventing Early Departures from Education and Training, p. 19

([https://www.bmb.gv.at/schulen/unterricht/ba/NationaleStrategieSchulabbruch2016\\_final\\_Webversion.pdf?5te7cs](https://www.bmb.gv.at/schulen/unterricht/ba/NationaleStrategieSchulabbruch2016_final_Webversion.pdf?5te7cs))

<sup>60</sup> cf. Federal Law Gazette I No. 56/2016

and language support courses (for pupils whose native language is not German) at all types of schools.

Using funds from the European Social Funds (ESF), Austria has also implemented numerous successful projects for the prevention of early school leaving. For example, at commercial schools there are projects in place that very specifically address the "transition problem" (= dropout rate in the 9<sup>th</sup> year of school) and aim to help youths gain higher qualifications and improve their chances on the job market. In addition, the projects related to school-based social work launched in the ESF 2014-2020 programming period also pursue the objective of reducing the dropout rate by providing low-threshold access to advising and support services.

In the course of implementing the Strategy for Lifelong Learning, the Adult Education Initiative (*Initiative Erwachsenenbildung*) adopted by the federal and provincial governments and launched in 2012 will be continued. At present, negotiations on a third programme period (2018-2021) are under way. The object of the Article 15a agreement is to support education measures in the field of basic education and measures to encourage the completion of compulsory schooling at a later stage. In this way, youths and adults who do not possess a sufficient minimum level of qualifications will enjoy better opportunities for access to the labour market and to continuing education paths.

In its country report on Austria, the European Commission highlights that Austrian teachers do not yet use sufficient digital teaching methods in the classroom, although nearly all of them use digital media and the Internet to prepare classroom activities. The federal government's updated work programme<sup>61</sup> specifies the next concrete steps toward *School 4.0*. In terms of pedagogy, the main focus is on anchoring basic digital education and inclusive media education in the curricula of primary schools and Level I secondary schools. The need for instructors with high-level digital technology skills has been taken into account through a special initiative within the framework of (continuing) training and education for teachers. In addition, digital teaching and learning materials are made available through a single, central portal. As for the IT infrastructure at schools, the programme provides for equipping all schools with broadband service and high-speed wireless networks by the 2020/21 school year. The step-by-step implementation will begin with a pilot project at innovative schools in the eEducation network in the 2017/18 school year.

### **Increasing tertiary attainment**

According to Eurostat's preliminary data for the year 2016, 39.7%<sup>62</sup> of people in the 30 to 34 age group in Austria hold a tertiary degree,<sup>63</sup> meaning that Austria has already achieved its national Europe 2020 target in the area of tertiary education. According to Eurostat, the share of graduates of tertiary education in the STEM subjects in Austria comes to 21.8%, which the European Commission believes may jeopardise Austria's efforts to join the ranks of innovation leaders. For some time now, Austria has therefore been taking measures to increase completion rates and the number of graduates (e.g., by implementing a quality package for higher education and increasing the number of spots at universities of applied sciences). Additional measures in higher education can be expected on the basis of a commissioned study on developments among students and graduates in STEM fields at

---

<sup>61</sup> cf. Für Österreich. Arbeitsprogramm der Bundesregierung 2017/2018. Vienna, January 2017, pp. 16 et seq. (<http://archiv.bundestkanzleramt.at/DocView.axd?CobId=65201>)

<sup>62</sup> According to Statistics Austria, the final microcensus value for tertiary attainment came to 40.1% in 2016.

<sup>63</sup> cf. Eurostat, Europe 2020

([http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=de&pcode=t2020\\_20&plugin=1](http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=de&pcode=t2020_20&plugin=1))

universities, universities of applied sciences and on the labour market as well as the results of an ongoing strategy project regarding the future of higher education, with particular attention to the field of computer science (*Zukunft Hochschule-Aktionsfeld Informatik*). The European Commission takes a critical view of funding in the higher education sector, as Austria can only meet its standards of excellence given appropriate funding as well as a balanced ratio of students to faculty. By summer 2017, the federal government will therefore develop a concrete plan under which an enrolment-based funding model will be implemented.<sup>64</sup> Implementation is set to begin on 1 January 2019.

For the current performance agreement period (2016-2018), the general budgets of the universities were increased by EUR 615 million compared to the previous period. Of those funds, EUR 300 million will go to structural funds for the higher education area, meaning that a total of EUR 750 million in structural funds for higher education will be available within the framework of university funding in the 2016-2018 period.<sup>65</sup> The allocation of funds earmarked for this purpose is now already based on the principles of enrolment-based funding, meaning that the funds are distributed on the basis of performance and indicators, with especially strong emphasis on the number of active students (i.e., those who complete a certain minimum number of credits in a given period). Another focus in the tertiary sector is the expansion of subsidised spots in study programmes at universities of applied sciences. In accordance with the target defined in the development and funding plan for universities of applied sciences 2017/2018,<sup>66</sup> some 5,300 new places for students are to be created using federal funds between 2013/14 and 2018/19, thus increasing the total number of places at universities of applied sciences to 50,000. In 2016, the rates of federal funding were also raised by 7% to 11.5%, depending on the field of study in question. The measures mentioned above served to increase the federal budget for universities of applied sciences from EUR 281.8 million in 2016 to 310.1 million in 2017.

In order to maintain social diversity at universities in the future, the federal government's updated work programme also includes an agreement on the reform of the study grant system.<sup>67</sup> The reform provides for an increase in the amount of study grants and in the income limits for eligibility. In this way, the government has responded to, *inter alia*, the results of the social survey conducted among students in 2005 and the work of the "Social Security for Students" (*Soziale Absicherung Studierender*) working group.<sup>68</sup> To this end, in February 2017 the Ministry of Science and Research published a strategy document developed in cooperation with all institutions of higher education: The "National Strategy on the Social Dimension of Higher Education. Toward more integrative access and broader participation".<sup>69</sup>

---

<sup>64</sup> cf. Für Österreich. Arbeitsprogramm der Bundesregierung 2017/2018. Vienna, January 2017, p. 20 (<http://archiv.bundeskanzleramt.at/DocView.axd?CobId=65201>), pp. 15 et seq.

<sup>65</sup> cf. Federal Ministry of Finance (2016). Bericht der Bundesregierung. Budgetbericht 2017 ([https://www.bmf.gv.at/budget/das-budget/Budgetbericht\\_2017.pdf](https://www.bmf.gv.at/budget/das-budget/Budgetbericht_2017.pdf))

<sup>66</sup> cf. Federal Ministry of Science, Research and Economy (2015). Fachhochschulentwicklungs- und Finanzierungsplan 2017/2018 ([https://wissenschaft.bmwf.gv.at/uploads/tx\\_contentbox/FH-EFPI\\_bis\\_17-18.pdf](https://wissenschaft.bmwf.gv.at/uploads/tx_contentbox/FH-EFPI_bis_17-18.pdf))

<sup>67</sup> cf. Für Österreich. Arbeitsprogramm der Bundesregierung 2017/2018. Vienna, January 2017, p. 20 (<http://archiv.bundeskanzleramt.at/DocView.axd?CobId=65201>), p. 16

<sup>68</sup> cf. Social survey of students 2015 (<http://www.sozialerhebung.at/index.php/de/zentrale-ergebnisse-2015>).

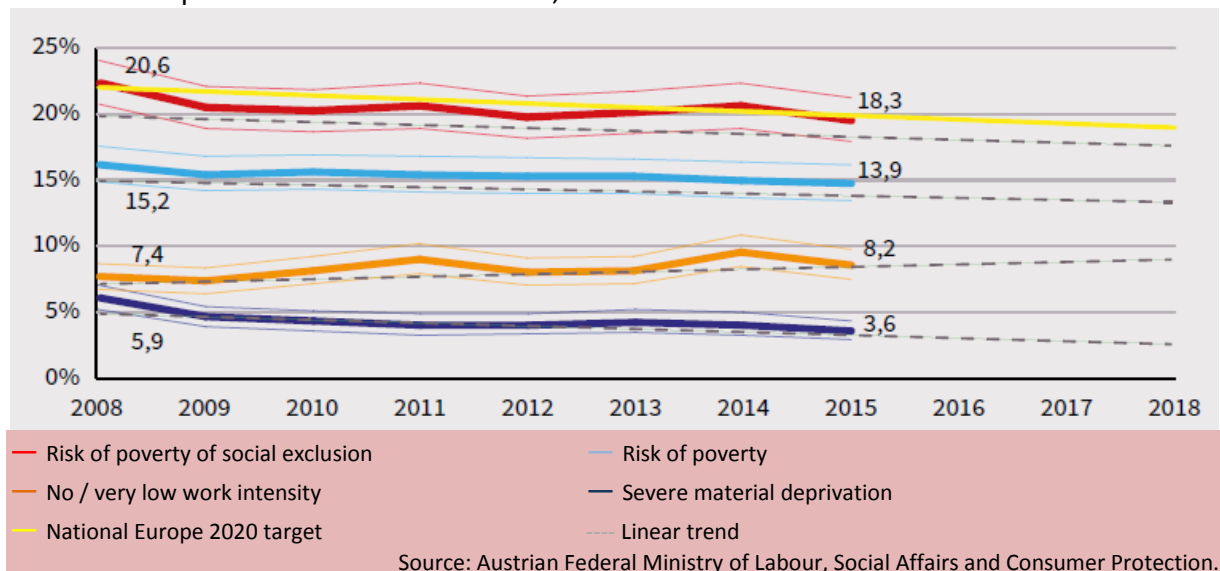
<sup>69</sup> cf.

[https://www.bmwf.gv.at/Presse/AktuellePresseMeldungen/Documents/2017\\_Strategien\\_Book\\_WEB%20nicht%20barrierefrei.pdf](https://www.bmwf.gv.at/Presse/AktuellePresseMeldungen/Documents/2017_Strategien_Book_WEB%20nicht%20barrierefrei.pdf)

#### 4.5. Poverty and social exclusion

According to the definition used in the Europe 2020 strategy, approximately 1,551,000 persons in Austria were at risk of poverty or social exclusion in 2015.<sup>70</sup> The trend in recent years indicates that the rate of poverty risk in Austria has been declining steadily, from 20.6% in 2008 to 18.3% in 2015. This group may be characterised on the basis of three criteria: 13.9% of the overall population (1,178,000 people) are at risk of poverty, that is, their available household income for a one-person household amounted to EUR 1,163 per month or less (12 times per year). 3.6% percent, or 302,000 persons, were affected by significant material deprivation,<sup>71</sup> and 8.2% (526,000 persons) lived in households with no or very low work intensity.<sup>72</sup> While three-quarters (1,167,000 persons) of all people at risk of poverty or social exclusion fulfil only one of the three criteria, a total of 385,000 people are at risk of exclusion based on multiple criteria. According to data from EU-SILC 2015, 239,000 persons live in persistent, manifest poverty, that is, they have fulfilled more than one of the above-mentioned criteria for a period of at least two years.<sup>73</sup>

Chart 5: Europe 2020 indicators in Austria, 2008 to 2015



Considering the three indicators over time, it can be observed that both the risk of poverty and severe material deprivation have declined steadily. The opposite trend can be observed

<sup>70</sup> According to the EU definition, people are considered to be at risk of poverty or social exclusion if they fulfil at least one of the following three conditions: (1) their household income is below the poverty threshold of 60% of the national median equivalent income; (2) severe material deprivation; (3) living in a household with very low work intensity.

<sup>71</sup> Severe material deprivation is considered to exist if at least 4 out of 9 criteria (defined at the EU level) are met: (1) having arrears on mortgage or rent payments, utility bills, hire purchase instalments or other loan payments; (2) not being able to face unexpected financial expenses; not being able to afford (3) one week's annual holiday away from home, (4) heating to keep the apartment/home warm, (5) a meal with meat, chicken, fish (or a vegetarian equivalent) every second day, (6) a car, (7) a washing machine, (8) a colour television, (9) a phone (including mobile phones).

<sup>72</sup> Households with no or very low work intensity are defined as those where the members who are of working age (18-59 years, except students) work less than 20% of their total employment potential. This indicator is only reported for people under 60 years of age.

<sup>73</sup> cf. Ministry of Social Affairs (2017). Sozialbericht. Sozialpolitische Entwicklungen und Maßnahmen 2015-2016. Sozialpolitische Analysen, Vienna, pp. 186 et seq.

(<https://broschuerenservice.sozialministerium.at/Home/Download?publicationId=372>)

in the development of households with no or very low work intensity. With a certain time lag, this indicator reflects the labour-market effects of the economic and financial crisis. Against this backdrop, labour policy measures that aim to create new or additional employment opportunities and to reintegrate unemployed people into the labour market are of high strategic importance (e.g., in the *Beschäftigungsaktion 20,000* agreed upon in the updated government programme; see Section 4.1.).

Due to the numerous interrelated effects involved, efforts to combat poverty in Austria focus on multiple risk factors. As women exhibit a particularly high risk of poverty, it is necessary to take targeted measures for this group. According to the EU's gender pay gap indicator, which measures the gross hourly income of persons in payroll employment in private-sector businesses, Austria's gender pay gap decreased from 25.5% in 2006 to 21.7% in 2015, but is still significantly higher than the EU average of 16.3%. Lower incomes from employment and gaps in social insurance histories, mainly due to child-rearing and/or care for relatives, also manifest themselves in lower pensions and a higher risk of poverty in old age. Persons who spend all (or a substantial amount) of their work time providing care for a close relative can obtain individual pension insurance or extended pension insurance in order to acquire pension insurance periods without paying contributions, which are covered by the federal government. At 18%, the risk of poverty among female pensioners who live alone is substantially higher than among their male counterparts (14%).<sup>74</sup> This is another reason why the minimum monthly pension was raised to EUR 1,000 in cases where a pensioner has paid contributions for at least 30 years (see Section 3.1.). This measure will largely benefit women whose employment histories include long periods of part-time work and child-rearing. Single parents are at particularly high risk of poverty: Single-parent households – in most cases women – exhibit a 31% risk of poverty, the highest rate among all types of households. In order to counter this gender-specific risk of poverty and exclusion, Austria is increasing its investments in high-quality, affordable care for children and for adults in need of care. The risk of poverty is also reduced by the payment of benefits based on the number of children in a family. In this context, it is necessary to point out that within the framework of the increased family allowance for the 2014-2018 period, approximately EUR 50 million will be paid out for siblings in addition to the general increase in the family allowance.

The agreement on the sharing of revenues/expenses between the federal, provincial and local governments for the 2017-2021 period<sup>75</sup> concluded in November 2016 creates additional incentives, as a task-based distribution of funds to provincial and local governments in the field of pre-school education will be introduced from January 2018 onward. In this context, part of the local governments' revenue shares will be allocated on the basis of certain quantitative and qualitative parameters, such as the number of child care groups, the care facilities' hours of operation, and the provision of care for children under 3 years of age. One year later, in January 2019, this task-based system of funding will also be applied to the field of compulsory schooling. These measures are specifically intended to improve the labour market participation rate among women as well as early education and

---

<sup>74</sup> cf. Statistics Austria, Risk of poverty or exclusion (as of 16 March 2017), [https://www.statistik.at/web\\_de/statistiken/menschen\\_und\\_gesellschaft/soziales/gender-statistik/armutsgefaehrdung/index.html](https://www.statistik.at/web_de/statistiken/menschen_und_gesellschaft/soziales/gender-statistik/armutsgefaehrdung/index.html)

<sup>75</sup> With the involvement of the provincial governments and the Austrian Association of Cities and Towns, the first pilot project on the task-based sharing of revenues/expenses between various levels of government will be carried out in the first half of 2017; cf. Fiscal Equalisation Act (*Finanzausgleichsgesetz*) 2017, Federal Law Gazette I No. 116/2016.

development opportunities for children – and thus also to combat the risk of poverty at later stages in life. The planned introduction of a statutory minimum wage<sup>76</sup> will also be deployed as a key strategy in the more general fight against poverty in addition to combating poverty among women.

## 5. ESI Funds: Coherence between funding priorities for 2014 to 2020 and national-level Europe 2020 targets and country-specific recommendations

The content of Austria's ESI Funds programmes is geared toward the objectives of EU cohesion policy (economic, social and territorial cohesion), the Common Agricultural Policy and the targets of the EU 2020 strategy in the context of intelligent, sustainable and inclusive growth. The Austrian programmes for the EFRE (including the programmes in the European Territorial Cooperation funding pool), the ESF and ELER make a contribution to all national EU 2020 targets. For example, the key priorities of Austria's nationwide **EFRE Regional Programme 2014-2020** are to strengthen research, technological development and innovation (which also includes enhancing the competitiveness of SMEs), and to increase energy efficiency and the use of renewable energy sources in business enterprises. For its part, the **ESF Programme 2014-2020** focuses on promoting sustainable and high-quality employment, investing in education, skills and lifelong learning, and promoting social integration and poverty reduction. In this context, the deployment of ESF funds is designed to promote equal opportunities-based labour participation and career development for women, the formal advancement of qualifications among persons with low-level qualifications and persons subject to disadvantages in education, and the reduction of the number of early school leavers (especially among disadvantaged young people; see also Country-Specific Recommendation No. 2). The Austrian **ELER Programme 2014-2020** is designed to make contributions to achieving the emissions reduction target, increasing the share of renewable energy sources, and securing employment in rural areas. For the first time, the programme has also been able to fund social service facilities in rural areas, including care for children and adults. In addition, ELER funds are being used to support the subsidised expansion of broadband services in regions with a particularly high need for subsidies.

## 6. Institutional aspects

The Austrian National Reform Programme 2016 was adopted by the Austrian Council of Ministers on 26 April 2016 and submitted to the Austrian Parliament on 2 May 2016 for deliberation in accordance with the rules of procedure. The Budget Committee deliberated on the National Reform Programme in a public session and acknowledged the Programme with a majority of votes. On 6 July 2016, the National Reform Programme was debated in a plenary session of the Austrian National Council.

---

<sup>76</sup> cf. Für Österreich. Arbeitsprogramm der Bundesregierung 2017/2018. Vienna, January 2017, p. 20 (<http://archiv.bundeskanzleramt.at/DocView.axd?CobId=65201>), p. 10

Within their respective areas of responsibility, the provincial and local governments contribute to reaching the national Europe 2020 targets and to the implementation of country-specific recommendations. Within the framework of the agreement on the sharing of revenues/expenses among the various levels of government for the 2017-2021 period, efforts are also being made to transition to a more task-based system. The pilot projects in the field of pre-school education and compulsory schooling represent the start of a transition from the previous "flat-rate" distribution of tax revenues to municipalities to a more task-oriented distribution. In the field of health care, cooperation between local authorities has been reorganised by means of two "Article 15a agreements" (referring to Art. 15a of the Austrian Federal Constitutional Act), and the organisational and control mechanisms at the federal and provincial level will be developed further on the basis of effectiveness (see also Section 3).

The specific measures taken by the provincial governments to implement the country-specific recommendations and to attain Austria's national Europe 2020 targets are summarised in Annex 2, Table 1, and Annex 2, Table 2. This documentation cannot be considered comprehensive, but it does provide insight into the corresponding political strategies and measures at the provincial level, especially in the areas of employment, energy and climate protection, R&D and combating poverty.

The Austrian federal government is making every effort to implement the Europe 2020 strategy with the close involvement of the provincial governments, regions and local governments as well as the social partners and all relevant interest groups. The joint contribution of the social partners to the National Reform Programme can be found in Annex 2, Table 3.

The involvement of civil society in the Europe 2020 process falls within the competences of the various ministries in Austria. In accordance with Austria's standards for public involvement, efforts are being made to launch participation processes at an early juncture in order to make appropriate use of the existing room for manoeuvre. With regard to measures taken to combat poverty in connection with the Europe 2020 target, reference is made to *the Austrian platform for the implementation of the national Europe 2020 target regarding poverty reduction and social inclusion*. This platform involves all major actors and meets at least twice per year, thus ensuring a sustained dialogue between the parties involved.