National Reform Programme

Austria

Vienna, 2019
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1 Introduction

In April last year, Austria submitted its National Reform Programme and Stability Programme to the European Commission, which in turn subjected the two documents to an in-depth review. Based on that analysis, the European Commission presented Austria with a total of two country-specific recommendations, which were endorsed by the European Council on 28/29 June 2018 after extensive discussion in the committees and specialised Councils of Ministers and finally formally adopted by the Council on 13 July 2018.

On 27 February 2019, the European Commission presented extensive country reports on all EU Member States, which provide an assessment of economic and social challenges as well as of implementation progress in each country, along with an interim overview of attainment of national Europe 2020 targets. In its analysis, the Commission comes to the conclusion that Austria has made some progress overall in addressing the country-specific recommendations from the year 2018. With regard to financial sustainability, the European Commission concludes that limited progress was made on the pension system, on long-term care and towards reforming fiscal relations between the various levels of government. The European Commission found that some progress has been made on healthcare, however. The same applies to Austria’s efforts to reduce the tax burden, especially for families and low-income earners. Improvements were recorded in labour market outcomes for women, but the report explicitly states that the rate of women in part-time employment remains very high and that the Barcelona target for the provision of formal childcare for children under 3 has still not been reached. Some progress was also made on the digitalisation of businesses, while the Commission sees only limited progress in improving educational achievements of disadvantaged young people and lowering regulatory barriers in the services sector.

The European Commission’s summary in respect of Austria’s Europe 2020 targets highlights that Austria has already attained the two targets set in education and is on track to meeting the targets for the employment rate and for renewable energies. Additional efforts will be required to reach the ambitious R&D target. The same holds for cutting greenhouse gas emissions, improving energy efficiency, and combating poverty.

The present National Reform Programme is based on the guidelines of October 2018 and already incorporates the analysis and main findings of the country report. The National

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Reform Programme has two annexes, which provide an overview of the reform measures taken at federal and provincial government level as well as by the social partners.
2 Overall economic environment

The boom which was pivotal in driving strong growth in the past few years is expected to be followed by a slowdown in the coming months, with Austria’s economy set for robust growth. While growth in 2018 was at 2.7%, current EC forecasts for 2019 and 2020 see this rate drop to 1.6%.

In addition to exports, the key growth drivers were domestic demand and investment in capital goods. Austrian exports performed well in 2018 in the wake of the boom experienced in 2017. Exports of goods to CESEE countries showed above-average growth dynamics. Domestic demand, which had also seen a strong increase over the past few years, has become a key pillar of economic activity. Investments have played a major role in this development, with a significant rise having been recorded since 2015 especially in investments in capital goods, a trend which continued also in 2018. Investment in residential housing construction also expanded in 2018, registering a 3.0% rise as the year progressed.

Private consumption, too, provided a strong impetus for Austria’s economy, with higher wage increases in collective bargaining agreements than in 2017 and strong job growth contributing to this trend. The Family Bonus Plus scheme, which entered into force on 1 January 2019, has a positive impact on disposable household incomes. Private consumption is forecast to continue supporting economic activity in this year and the next.

Strong industrial performance has led to marked job growth, with unemployment dropping to 7.7% in 2018. At the same time, the Austrian labour market is characterised by a continued strong increase in labour supply, which is due, inter alia, to rising numbers of older workers remaining in employment.

Due to higher commodity prices, inflation recorded a slight rise and is expected to amount to 2.1% for the year 2018 overall.

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2 National definition (% of persons in payroll employment); according to the Eurostat definition, the unemployment rate for 2018 is 4.9%
3 Country-specific recommendations - structural reforms

The reforms carried out in the past 12 months were aimed at increasing potential growth. Consistently reducing debt levels creates room to absorb external and internal shocks in the future. The government’s fiscal policy, which is aimed at achieving consolidation while still providing a growth-friendly climate, inspires trust and confidence and offers ample opportunity for targeted investment in the future. The quality of public expenditure is improving continuously, not least due to growing private investment. Having a sustainable investment policy in place lays the ground for jobs, future growth, prosperity and stability, therefore the federal government attaches great importance to providing a favourable framework for private investment and targeted public investment. Accordingly, the National Financial Framework for 2018-2021 and 2019-2022 includes an investment focus on science, R&D, innovation and digitalisation.

3.1 Country-specific recommendation no. 1

The Council recommends that Austria take action in 2018 and 2019 to achieve the medium-term budgetary objective in 2019, taking into account the allowance linked to unusual events for which a temporary deviation is granted. Ensure the sustainability of the health and long-term care and the pension systems, including by increasing the statutory retirement age and by restricting early retirement. Make public services more efficient, including through aligning financing and spending responsibilities.

3.1.1 Fiscal policy
(see Austrian Stability Programme 2018 to 2023)

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3.1.2 Sustainability of the healthcare and long-term care systems

As a general rule, long-term fiscal sustainability is coming under more and more pressure as populations age. For this reason, the European Commission as well as the OECD and the IMF regularly monitor the development of age-related expenditure over a long-term horizon and make adequate recommendations to the Member States. According to the most recent Ageing Report⁴ and the Fiscal Sustainability Report⁵, age-related expenditure, specifically for healthcare and long-term care, is growing, which points to a medium risk for fiscal sustainability in Austria in the long term. The European Commission’s projections see healthcare expenditure rise by 0.7 percentage points from 7% of GDP in 2016 to 7.7% over the medium term (until 2040). Expenditure is expected to rise by 1.3% percentage points to 8.3% of GDP by 2070. Developments in long-term care are considered just as challenging. Here, the European Commission expects expenditure to increase from 1.9% of GDP (2016) to 2.6% in 2040 and 3.8% in 2070.⁶

On a forward-looking trajectory, reforms in the healthcare sector aim to curb increases in expenditure, leverage efficiency potentials in the system and maintain broad-based access to high-quality healthcare. The key fiscal policy instrument here is the Target Control Agreement 2017-2021⁷, which provides for progressively curbing expenditure growth, from 3.6% in 2017 to 3.2% p.a. in 2021. Accordingly, healthcare expenditure in 2017 was not allowed to grow by more than 3.6% year-on-year in nominal terms, with maximum nominal growth for 2018 fixed at 3.5% year-on-year, and at 3.4% for 2019.

According to the latest monitoring report⁸, public healthcare expenditure amounted to EUR 24.6 billion in 2016 under the System of Health Accounts (SHA), which is some EUR 949 million or 3.71% below the expenditure ceiling agreed upon for that period. For 2017, a flash estimate by Statistics Austria indicated that the expenditure ceiling was undershot by some EUR 1,022 million or 3.86%.⁹

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⁹ cf. Bobek, Julia, Rainer, Lukas, Bachner, Florian (2018), Monitoring der Finanzzielsteuerung. Kurzbericht, pp. 2
Overall, the continued expansion of primary care centres shows dedication to strengthening the proving of basic outpatient healthcare close to home. Primary care units, whether in the form of centres or networks, are characterised by structured multi-professional and interdisciplinary collaboration within teams. Potential benefits include shifting services away from the costly hospital sector, strengthening the role of GPs and ensuring easy access to basic healthcare on as equitable a basis as possible. What is more, the team-based approach meets the wish for more collaboration expressed by many healthcare professionals. At the same time, the amendment of the Medical Practitioners Act\textsuperscript{10}, which was adopted by the Austrian parliament in December, sets out a straightforward legal framework for more flexibility in hiring and employing medical doctors to work in doctor’s surgeries or group practices.

The social insurance organisation reform\textsuperscript{11} has marked a pivotal step towards improving system efficiency. The pertinent acts of law that entered into force on 1 January 2019 provide for cutting the number of social security institutions from currently 21 down to 5. The


merging process is set to start in spring 2019 and is expected to be completed by year-end. One aspect of the reform is reducing the size of administrative bodies in the remaining institutions and the newly established umbrella association. Setting up an innovation and target control fund within the National Health Insurance Scheme (Österreichische Gesundheitskasse, ÖGK) – the organisation into which the regional institutions will be merged – ensures that regional needs with respect to e-health, healthcare reforms at regional level, rural doctors’ practices and other innovative approaches to providing healthcare services will be taken into account. EUR 1 billion in savings to be achieved by 2023 will be made available to those insured in the form of improved services. Hospital associations will see a streamlining of public procurement in a bid to achieve economies of scale and to optimise resource use. Completion of the nationwide roll-out of the Electronic Health Record (ELGA) is expected to entail not only cost-cutting effects (to the tune of EUR 129 million in the first year of full operation), but above all improvements in efficiency and effectiveness from which patients stand to benefit. The rollout of e-medications as an ELGA-application among office-based doctors and in pharmacies according to the legal requirements will be completed as scheduled in September 2019. Evidence obtained so far confirm a continuous increase in the use of ELGA, particularly with regard to e-medications. Driven especially by the further extension of the technical infrastructure the basis for other currently planned projects, such as e-health applications is created. This will not only result in further modernisation of the health care system but will also lead to an economic added value to investments already carried out. As a new application the electronic vaccination certificate is to be piloted in some Länder in the coming year: This should not only help to overcome the shortcomings of the paper vaccination certificate, but also provide the public health system with the basis to determine the vaccination status of the population more accurately. Second and above all in the event of the disease outbreaks

strengthening health promotion and prevention activities is designed to leverage further savings potentials. Specific steps12 in this respect include promoting health literacy, expanding occupational health promotion schemes or updating the mother-and-child medical report card system.

The 2017-2022 Government Programme provides for sweeping reforms of long-time care insurance with a view to ensuring high-quality care.13 Here, the federal government addresses a key topic that calls for prompt and sustainable solutions in the face of demographic change and the growing trend for individualisation within society. Last December, the Austrian

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Council of Ministers started work on a comprehensive master plan for long-time care, which is scheduled to be completed by year-end 2019. Apart from ensuring medium- and long-term financing, issues covered include quality of care, quality assurance, as well as better ways to balance care, family and work. Being in need of care should not entail financial risks for those affected and their families. A coordinated, flexible and regionally differentiated coverage planning is to develop which should ideally be mapped out as an overall strategy with all available options (24-hour-care, mobile and inpatient care).

The principle inherent in the Austrian care insurance system that mobile care at home is to be given preference over inpatient care will be upheld, as a matter of strategic policy. Taking account of the results of a study published in summer 2018 on care-giving relatives in Austria, it is a major concern to improve conditions for care-giving relatives, to enhance quality of service and strengthen their position for the long haul.

The abolishment, as per 1 January 2018, of the requirement to use personal assets to cover long-term inpatient care (Pflegeregress) has reduced financial burdens faced by many families. The drain on provincial government budgets caused by this measure will be offset from federal funds, capped at EUR 340 million for 2018, as set out in the Special Subsidies Act. From 2019, the actual cost determined for 2018 (loss in income and increase in expenditure) will be used as a benchmark for subsequent funding.

3.1.3 Sustainability of the pension system
In the past few years, Austria has implemented several fundamental reforms in its pension system, all aimed at raising the actual retirement age. With direct pensions (based on own contributions), the actual retirement age was 60.4 years in 2018 (61.5 for men and 59.4 for women), which translates into a year-on-year rise of 0.3 years (0.4 years for men and 0.2 years for women). According to European Commission projections, public pension expenditure will rise from 13.8% of GDP (2016) to 14.3% of GDP in 2070. Given that the baby-boomer generation is bound to retire over the next two decades, an increase by 0.5

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percentage points until 2070 is quite moderate. Especially with a view to the projected rise in pension expenditure, the federal government continues to rely on measures already adopted to keep workers longer in gainful employment.\textsuperscript{18} The gradual increase of the statutory retirement age for women from currently 60 to 65 years will start on 1 January 2024, with 6-month increments every year until 2033. Thus, from 2033, women born on or after 2 June 1968 will not be entitled to old-age pension payments before they have reached the age of 65.

The challenge in the years to come will be to preserve Austria’s workforce on a macro-economic level. Consequently, one of the priority goals set out in the Government Programme is to raise the employment rate of older workers in line with the overall development of the economy and the labour market.\textsuperscript{19} Specific measures in this context include early intervention, with targeted case management being applied already for shorter sick leaves, taking due account of work-related stressors, in a bid to preserve the individual worker’s health and ability to work, or to stabilise or restore it by means of medical rehabilitation schemes geared specifically to work-related challenges (work-related medical rehabilitation) A reform of the part-time retirement rules has likewise been adopted: In a bid to keep workers in gainful employment longer, the age restriction for part-time retirement will, from 1 January 2019, be raised in two steps, from 58 to 59 in 2019 and 59 to 60 in 2020 for men, and from 53 to 54 in 2019 and 54 to 55 in 2020 for women.

Linking the retirement age to life expectancy, or raising the statutory retirement age, as suggested by the European Commission in the country report and in the country-specific recommendations, are steps the federal government is not contemplating. The main goal remains to further improve the economic and social situation of Austrians overall. It is especially important to guarantee social security in old age for women, who, due to gaps in employment and/or due to part-time employment, are at a higher risk of poverty in old age. The Government Programme therefore stipulates compulsory information campaigns to be launched by the pension insurance institution and the Federal Ministry of Labour, Social Affairs, Health and Consumer Protection. These campaigns are to focus in particular on the existing rules on pension splitting for couples, under which up to 50% of pension contributions can be allocated to the partner to whom time credits, but no monetary credits accrue for child rearing times.\textsuperscript{20} With a view to achieving equality for unpaid family work and

\begin{footnotesize}
\begin{itemize}
\item[\textsuperscript{18}] cf. Federal Chancellery, National Reform Programmes 2015, 2016, 2017 and 2018; e.g. fit2work, new disability pension, part-time-work to reintegrate employees after long-term sick leave, reform of part-time retirement rules
\end{itemize}
\end{footnotesize}
paid employment and closing the pension gap, it is also planned to make automatic pension splitting a topic of general debate.

3.1.4 Funding and spending competences at various levels of government
The streamlining of competences across the different levels of government provided for in the Government Programme is being consistently implemented. In October, the Council of Ministers approved a first package of measures in this context (*Kompetenzbereinigungspaket*), which was adopted by the Austrian National Council in December.\(^{21}\) This reform also reduced the scope of rights of consent the federal and provincial government levels have vis-à-vis one another, providing clear rules on who is responsible for what and speeding up decision-making processes as a result. The federal and regional levels of government have reached an understanding to agree on further measures in this context.

3.2 Country-specific recommendation no. 2

*The Council recommends that Austria take action in 2018 and 2019 to reduce the tax wedge, especially for low-income earners, by shifting the tax burden to sources of revenue less detrimental to growth. Improve labour market outcomes of women. Improve basic skills for disadvantaged young people and people with a migrant background. Support productivity growth by stimulating digitalisation of businesses and company growth and by reducing regulatory barriers in the service sector.*

3.2.1 Tax burden
The federal government aims to lower the tax-to-GDP ratio towards the 40% mark. First actions have already been taken with this in mind, such as introducing the Family Bonus Plus scheme (as of 1 January 2019), cutting unemployment insurance contributions for low-income earners (in effect since 1 July 2018) and reducing VAT in the tourism industry from 13% to 10% (as of 1 November 2018). Reducing unemployment insurance contributions is particularly beneficial for low-income earners. Workers earning in the year 2018 EUR 1,648 or less (previously EUR 1,381) per month are fully exempt from paying unemployment insurance contributions. Persons earning more than EUR 1,648, but less than EUR 1,798 per month, will have to pay a share of 1% of their income. For monthly incomes between EUR 1,798 and EUR 1,948, the rate is 2%, while the standard rate of 3% applies for those earning gross monthly

wages of EUR 1,948 or more. The Family Bonus Plus scheme, which reduces the tax burden on families, has been in effect since 1 January 2019. It takes the form of an allowance that reduces the payroll and income tax burden by up to EUR 1,500 per child and year. Eligibility for the bonus ends when the child in question turns 18 and is contingent on the child being entitled to family allowance and living in Austria. The tax credit for children over 18 for whom parents still claim family allowance amounts to EUR 500 per year. In addition, low-income single parents and single earners can apply for a child supplement (Kindermehrbetrag) of EUR 250 per child and year, which takes the form of a tax refund (negative tax).

The Austrian Institute of Economic Research (WIFO) studied how the Family Bonus Plus scheme and the child supplement impact household incomes. Equivalised disposable household income of affected households was found to rise by EUR 635 or 2.7% on average. Non-equivalised average tax savings in such households amount to EUR 1,416 per year. Relative income increase rises from 3.2% in the first decile to 4.0% in the fourth decile, while falling to 1% in the tenth decile in line with rising incomes.

Further steps for reducing taxpayer burdens are anticipated to be implemented as from 2020. The cornerstones of the tax relief package have already been set. The first of these steps will be, inter alia, a reduction of the tax burden for low-income earners, pensioners, economic operators in agriculture and forestry, as well as the self-employed.

A digital tax package will come to implement a digital tax of 5% on large digital corporations in Austria, putting in place effective regulations for the sharing economy as well as for third-country online trading.

What is also on the agenda are steps for greening the tax system. The Austrian Climate and Energy Strategy #mission2030 – Austrian Climate and Energy Strategy forms the basis for drawing up specific plans for mobility (for instance, tax benefits for low-emission vehicles), photovoltaics, biogas and hydrogen. A reduction of payroll and income tax will be the centrepiece of the second stage in 2021/22, with major relief to be expected above all for lower income tax brackets. Another focus is on measures to make Austria more attractive as

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a business location, aimed primarily at reducing the burden on small and medium-sized enterprises and thus helping to safeguard and create jobs. Also in the pipeline are plans to simplify tax law. The details are currently being discussed.

3.2.2 Labour market outcomes for women
By European standards, labour market participation of women is rather high in Austria. When it comes to the employment rate for women aged 20 to 64, Austria ranks in 10th place, at 71.4% (2017) clearly outperforming the EU-28 average of 66.5%. The employment rate for women aged 20 to 64 has seen a continuous rise over the past ten years, from 66.2% in 2007 to 71.4% in 2017. Over the same period, the employment rate for men has remained relatively stable, although at a markedly higher level (2007: 79.5%; 2017: 79.4%).

A look at the change in employment rates by age groups reveals a noticeable increase in all age groups over a ten-year period. In 2007, only 40.6% of women aged 55 to 59 were gainfully employed. In 2017, the employment rate was 64.1%, thus only slightly below the EU average of 64.5%. In the 25-34 age group, the employment rate of women rose from 73.8% (2007) to 79.8% (2017), in the 35-44 age group from 80.2% (2007) to 81.2% (2017), and in the 45-54 age group from 75.3% (2007) to 81.9% (2017).

However, growing labour market participation of women goes hand in hand with a rise in the share of part-time employment. From 2007 to 2017, the share of women working part-time rose from 41.8% in 2007 to 47.9% in 2017, the second highest rate after the Netherlands among the EU-28. Even though a strong increase in part-time employment of men can be observed as well over the same period, from 6.0% in 2007 to 10.5% in 2017, this is of relatively minor importance.

While care responsibilities for children or adults unfit for work account for 38.2% of women working part-time, the same applies to only 5.7% of men. In the 25-49 age group, it was even 54.5% of women who claimed care responsibilities as their main reason for working part-time.

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28 cf. Eurostat, Part-time employment as a percentage of the total employment, by sex and age (%), (http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do), date: 12/02/2019
29 cf. Eurostat, Part-time employment as a percentage of the total employment, by sex and age (%), (http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do), date: 12/02/2019
The primary reason (at 24.2%) why men work part-time is continued professional development (women: 5.6%). The statistics clearly indicate that offering affordable good-quality formal childcare all over Austria is pivotal in enabling women to re-enter the labour market and also take up full-time employment.

This is why expanding the range of child care facilities being offered takes top priority on the political agenda. Formal child care opportunities from birth to preschool age have been significantly expanded in the past few years. Among 3-year olds, the child care coverage rate rose from 70.2% in 2007 to 86.3% in 2017. With respect to 4-year olds, the past ten years saw an increase from 91.2% to 96.1%, and from 93.3% to 97.9% for 5-year-olds.31

Chart 2: Child care coverage rates for 3-, 4- and 5-year olds (time series 1995 to 2017)

Chart 3: Child care coverage rates 2015, EU-28

Source: Federal Chancellery/Statistics Austria, Day-care facilities statistics 2017/2018

The child care coverage rate for under 3-year-olds is 26.1% (2017), which means it has more than doubled over the ten-year observation period (2007: 11.8%). However, it still remains noticeably below the agreed Barcelona target of 33%.32 In a move to further improve the work-family balance, the focus will be on further expanding the range of child care facilities

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30 cf. Eurostat, Main reason for part-time employment – Distributions by sex and age (%), (http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do), date: 12/02/2019
offered for under-3-year-olds as well as on longer opening hours at nursery schools.\textsuperscript{33} Under the Article 15a agreement between the federal and regional levels of government, the federal government will make EUR 142.5 million available annually in the nursery school years 2018/19 to 2021/22. The provincial governments will provide additional co-funding equivalent to 52.2\% of the special subsidy they receive (some EUR 38 million) to expand elementary education offerings, including early language learning support. Where children aged 6 or over are concerned, additional all-day school capacities will make life significantly easier and provide better conditions for working mothers (see also 3.2.3). The same holds for the introduction of uniform school holidays throughout Austria for the winter term of the school year.\textsuperscript{34} As this step calls for the abolishment of discretionary days off school that used to be set by each individual school, families with more than one child attending different schools will be faced with less of a challenge to arrange for affordable child care.

Tried and tested labour market instruments are used to improve women’s employment and labour market perspectives, including programmes for getting women into tech (\textit{Frauen in die Technik}), for systematic upskilling (\textit{Kompetenz mit System}), for returning to the labour market (\textit{Wiedereinstieg mit Zukunft}), or advisory services for businesses (\textit{Impulsberatung}) or Women's Career Centres (\textit{Frauenberufszentren}). In addition, wage subsidies and grant programmes for companies hiring returners are meant to assist returners and women over 45 as well as single mothers in returning to the labour market.

A look at the structure of salaried employment shows that the labour market is clearly segregated along gender lines. Women can be found primarily in the services sectors, with retail (2017: 17.6\%) and healthcare and social services (2017: 17.8\%) topping the list.\textsuperscript{35} As the gender pay gap is, to a significant extent, also attributable to the fact that women work in low-income sectors, specifically targeted advice and upskilling measures are used to raise interest among women for learning a trade or working in a tech job in a bid to counterbalance inequalities on the labour market. The FiT programme (\textit{Frauen in Handwerk und Technik}) encourages women to opt for non-traditional vocational training. In 2017, more than 7,000 women took part in the FiT programme, with 1,233 of them starting non-traditional


\textsuperscript{34} cf. Ministerratsbeschluss vom 20. Februar 2019 (\url{https://www.bundeskanzleramt.gv.at/documents/131008/1216440/46_13_mrv.pdf/11be0cd3-0744-49de-a2fd-815e7f18ab4})

\textsuperscript{35} cf. Statistics Austria, Erwerbstätigkeit, \url{https://www.statistik.at/web_de/statistiken/menschen_und_geraellschaft/soziales/genderstatistik/erwerbstaetigkeit/index.html}, date: 13/02/2019
vocational training with an apprenticeship certificate as the minimum final qualification. As care responsibilities often make it difficult for women to obtain a vocational qualification ‘in one go’ at a later stage in life, they need flexible approaches to qualification. The KmS (Kompetenz mit System) upskilling programme features a modular structure to accommodate the special challenges women face. In 2017, more than 700 women started training with a view to improving their skills and qualifications. Overall, 469 persons, among them 266 women, attended the final module which entitles them to sit a non-regular apprenticeship exam. In 2017, 92.1% of candidates successfully passed the exam. Women's Career Centres, which can be found all over Austria, offer top-notch career advice and skill assessments, while also drawing attention to the negative impacts part-time work has on income-based benefits, such as pensions.

In the summer, the federal government set up a task force comprising representatives of the social partners as well as experts in science and statistics to address the closing of the gender pay gap.

![Chart 4: Gender pay gap (unadjusted)](image)

This group of experts has been tasked with proposing specific measures to close the pay gap between men and women. Even if the gender pay gap in Austria has been on a continuous downward trajectory since 2007, it still remains one of the highest among the EU-28 at 19.9%

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(2017).\textsuperscript{39} It is only in Estonia, the Czech Republic, Germany and the United Kingdom that women earn even lower hourly wages compared to men. Against this backdrop, it is important to take further steps to improve transparency of incomes, including by standardising income reporting. In the course of last year’s negotiations on collective bargaining agreements, the social partners succeeded – for certain sectors such as retail (which feature a high share of women workers) – in getting 24 months of parental leave credited towards the calculation of entitlements that depend on length of service, such as automatic pay rises, annual leave entitlement, notice periods, or continued sick pay. As it is most often women who have gaps in their employment history because of care responsibilities, this has been a major step towards closing the gender pay gap.

3.2.3 Improving basic skills of disadvantaged young people

To ensure that all children and young people will have the best possible educational and career opportunities, the federal government has decided to specifically encourage basic skill development, with a special focus on acquiring German language skills. Austrian educational standards testing in schools as well as international comparative studies show that students with a migrant background or a first language other than German perform less well than their German-speaking peers. To make access to education easier for these children and young people and provide them with adequate language skills to follow classroom instruction and help them successfully complete educational programmes, the federal government decided to reform German-language support for this target group, implementing the changes by way of amendments to the School Organisation Act.\textsuperscript{40} Furthermore, a sufficient command of German has been added to the social, emotional, cognitive and linguistic abilities children must have to be considered ready to attend school. In practice, this means that it is now possible to fail children in school readiness assessments if their command of German is insufficient or poor. In such an event, the child will be conferred the status of a non-regular pupil/student and be assigned to a special German-learning class (insufficient language skills) or to a mainstream class with a German-learning support programme (poor language skills).

The Education Laws Bundle\textsuperscript{41}, the basic outlines of which were adopted by the federal government in May 2018, defines the scope for further optimisation and sustainable

\textsuperscript{39} cf. Eurostat, Gender pay gap in unadjusted form, (https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=sdg_05_20&plugin=1), date: 13/02/2019


\textsuperscript{41} cf. Ministerratsbeschluss vom 2. Mai 2018, (https://www.bundeskanzleramt.gv.at/documents/133008/797634/16_18_mrv.pdf/d6e9e6cf6-fd49-4a86-8ec8-fa80fe435b52), date: 18/02/2019
improvement. The relevant measures are being implemented on a step-by-step basis. Two of a total of five projects were adopted by parliament in December 2018.\textsuperscript{42} From the school year 2019/20, the existing system of performance appraisal will be expanded. At primary schools, the numerical grade scale will be reintroduced in a new form, with performance being assessed by numerical grades, while progress in learning and development will be assessed in a holistic manner by way of mandatory\textsuperscript{43} written comments. Building on the progress achieved and positive insights gained in the course of the introduction of the new secondary school (\textit{Neue Mittelschule}), the second reform project already adopted is geared towards performance-based differentiation, as from the school year 2020/21. Starting in the sixth grade, the compulsory subjects German, math and first foreign language will see the introduction of two different streams (standard and standard plus). Each school will decide for itself whether to organise classroom instruction in these compulsory subjects in heterogeneous settings or in permanently separated groups reflecting the two streams. The possibility to transfer between the two streams at any time, also during the course of the school year, will provide motivation for students to achieve higher performance levels. The reform aims to improve classroom teaching and to provide help and assistance to children and young people in finding the best way to continue their school careers in line with their individual skills and abilities. Another new approach is that students who failed to successfully complete the ninth grade at an academic or vocational secondary school can now do a voluntary tenth year at a pre-vocational school in order to get well-balanced vocational orientation and basic vocational education and/or to specifically prepare for a dual training/education (apprenticeship) career.

Alongside the introduction of sufficient German language skills as an additional criterion in school readiness assessment, all other criteria for school readiness will be compiled in a list binding for schools all over Austria in a bid to ensure a smoother transition from nursery school to primary school. A diagnostic assessment system is currently being developed and tested at 100 schools for school enrolment in 2019/20. The focus is on the combination of social, physical and mental readiness. Children who need a little more time will be enrolled at the pre-school level. Nationwide roll-out is scheduled for school enrolment 2020/21.

Another factor in achieving a sustainable improvement in basic skills among disadvantaged children and young people is to further expand all-day school capacities. In the school year 2018/19, the ratio throughout Austria is around 26\% (non-vocational schools until end of compulsory schooling age plus academic secondary schools, first to ninth grades). Overall,


\textsuperscript{43} At secondary level I of special-needs education and secondary school, adding verbal comments to the numerical grades will remain optional.
2,386 schools offer all-day schooling in the current school year, which corresponds to roughly 49% of school sites.

EUR 654 million have already been invested since the school year 2011/12 in expanding all-day school forms under the relevant Article 15a agreement. Plans for further capacity increases provide for investments in a total amount of EUR 750 million for the period until 2032/33 and an increase in the ratio to 40%.

In general, all reform projects undertaken by the federal government pay special attention to achieving improvements in quality. The Article 15a agreement between the federal government and the provincial governments on early childhood education for the years 2018/19 until 2021/22 therefore provides for a compulsory quality framework to strengthen early childhood education with a view to providing the best possible developmental support to all children.

3.2.4 Growth in productivity, digital transformation, deregulation

In a bid to prepare the country for the challenges of the future, the European Commission recommends, in its country report, to make productivity-boosting investments and to eliminate restrictive regulations, in particular in the services sector. Technological progress is a key driver of growth. For this reason, the federal government accords top priority to investing in safeguarding and strengthening Austria’s capacity for innovation. Multiple levers are applied to improve conditions for stepping up productivity and growth. The federal government has decided to place a special focus on digitalisation in 2019. This move is designed to help shape and provide forward-looking support for digitalisation, ensuring that opportunities are seized and challenges are met, for the benefit of both the economy and society.

Digital Austria is the brand under which a broad-based process was launched early in 2019 that takes a three-pronged approach, targeting the economy, society, and public

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44 cf. BMBWF, Ganztägige Schulformen, (https://bildung.bmbwf.gv.at/schulen/gts/index.html), date: 18/02/2019
administration. Digital solutions and applications will be implemented in each of these three fields for the benefit of Austria’s citizens.

Technical progress and ongoing digitalisation also imply in-depth change processes throughout the education system. The master plan for digitalisation in education provides for measures to systematically embed digital education in schools and make the conveying of digital skills compulsory.49

The Digital Economy and Society Index (DESI)50 ranks Austria in 11th place, stating the country needs to catch up in integration of digital technology among SMEs (for instance with respect to the use of cloud services), but also use of internet services by the population at large.

Chart 5: Ranking according to the Digital Economy and Society Index (DESI) 2018

Under the special focus on digitalisation, a strategic action plan for digitalisation will be drawn up by year-end 2019. A dedicated Digitalisation Agency (DIA) was set up in summer 2018 to effectively bring together all the various efforts undertaken in this field. It connects the various stakeholders, acts as an interface between business, society and public administration, and will develop concrete measures together with the stakeholders. Digital transformation

processes in the public administration system will be coordinated and optimised in close collaboration with the Chief Digital Officers (CDOs) in the various federal ministries. A special mission of the DIA is to provide competent expert advice to SMEs, helping them to recognise the relevance of digitalisation and the opportunities it holds for their own business and to develop adequate approaches for adjustment processes. Promising instruments in this context include national Digital Innovation Hubs\(^{55}\) or the special KMU.Digital support programme.\(^{59}\) A flagship project in the public sector is the Digital Public Administration (Digitales Amt), the purpose of which is, in a first step, to lay the basis for cross-entity electronic administrative processes.\(^{53}\)

In its Government Programme\(^{54}\), the federal government underlines its intention to progress from the group of strong innovators to the group of innovation leaders. Currently, Austria holds the 10th rank\(^{55}\) among the EU-28, forming the group of strong innovators together with Germany, Belgium, Ireland, France, and Slovenia. To be able to hold its own in this group, Austria plans to optimise the prevailing framework conditions. A new research and innovation strategy is currently being developed to set out the key parameters for research, technology and innovation policy for the coming decade. The new RTI Strategy 2030 will take account of the findings and recommendations of the OECD report\(^{56}\) on Austria’s innovation policy, which was compiled at the federal government’s request and was completed and published last December. Overall, the report confirms that Austria’s RTI system has made significant progress in the past few years, triggering a number of strategic initiatives. This is what new measures will now be based on, with a stronger focus on the effects of research policy measures and investments. With this in mind, the new performance-based funding agreements with the universities for the period 2019-2021\(^{57}\) will put a spotlight on knowledge and technology transfer as well as on innovation output. Measures to strengthen and

\(^{51}\) cf. FFG 2018, Digital Innovation Hubs, (https://www.ffg.at/dih), date: 20/02/2019


encourage application-oriented (basic) research should likewise contribute to eliminating existing weaknesses in knowledge transfer on a sustainable basis. The budget for 2018 and 2019 therefore included additional funds for establishing innovative high-growth companies (seed financing) and start-up fellowships (academic spin-offs).\textsuperscript{58} The Austrian National Foundation for Research, Technology and Development, which provides support for interdisciplinary research projects with long-term prospects, has put aside an additional EUR 100 million for this purpose.\textsuperscript{59} Funding is to be provided for the strategic development of a knowledge transfer system (e.g., translational research centres, networking between business, science and society) as well as for the marketing and exploitation of research results, with a special focus on existing strengths and promising initiatives, for instance in biotechnology.\textsuperscript{60}

To step up private-sector participation in research and development, above all by SMEs, such direct research funding has been supplemented by tax credits for corporate R&D. The research tax premium was introduced in 2002, amounting to 3% at the time, and was subsequently increased several times. Since January 1\textsuperscript{st}, 2018, a research tax premium of 14% of research expenditure can be requested. Evaluation\textsuperscript{61} shows that the research tax premium has beneficial macroeconomic effects. In addition to increasing research activities at companies already active in R&D, a rise in willingness to assume higher technological risk was observed as well. Investment in R&D infrastructure is on the rise, and research projects get implemented faster. Add to this the positive effects in terms of business location, for instance R&D activities and R&D responsibility being relocated to Austria. The premium has thus turned out to be an efficient instrument. The corresponding loss in taxes rose from EUR 327 million in 2010 to some EUR 586 million in 2017.\textsuperscript{62} From the federal government's point of view, it is not only necessary to have concrete investments, but also to boost efficiency in the RTI system. (See also 4.2).

The federal government pursues a policy of deregulation and consolidation of laws.\textsuperscript{63} A gold-plating project was initiated in January 2018 in a bid to eliminate the exceeding of requirements in implementing EU legislation in national law and to reduce unnecessary


\textsuperscript{60} cf. Regierungsprogramm 2017-2022. Zusammen. Für unser Österreich, pp. 77f


\textsuperscript{63} cf. Regierungsprogramm 2017-2022. Zusammen. Für unser Österreich, p. 21
In a first step, excessive regulation was amended in certain areas of law, such as company law, financial markets law, professional codes for tax advisers and public accountants, or waste management law. The Anti-Gold-Plating Act 2019 is currently being discussed by parliament. Since autumn 2018, further legislative measures are being worked on in this context by special-purpose working groups. Furthermore, a strategy for better regulation is currently being developed. This strategy will contain measures to avoid systemically future Gold Plating as well as excessive costs of red tape. By this, a transparent, effective law-making process and impact assessment process is be ensured.

The Location Development Act, which entered into force on 1 January 2019, provides for further targeted measures for deregulation, cutting back red tape and speeding up proceedings. Large-scale projects with particular locational relevance are to benefit from a reduction in the duration of proceedings, in a bid to provide as much planning and legal certainty as possible for investors so they can be assured that projects will be viable without lowering the high environment protection standards.

Problems in obtaining funding are major impediments to growth and innovation for companies. Austria Wirtschaftsservice GmbH (aws), a government-owned funding agency, makes it easier for companies in Austria to obtain funding by providing guarantees, low-interest loans and equity, so growth projects can be implemented faster and with a larger scope. The economic policy objectives defined in the Government Programme 2017 to 2022 call for a move away from direct grants towards an increased use of guarantee instruments. The aim is to avoid bottlenecks in corporate financing due to a lack of collateral. Plans for 2019 include higher risk tolerance by aws in granting guarantees within the scope of the aws guarantees under the SME Funding Act scheme. A pilot project scheduled to run until the end of 2019 will make it possible to issue promissory notes for guarantees under the Act.

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64 cf. Ministerratsbeschluss vom 5. Jänner 2018, (https://www.bundeskanzleramt.gv.at/documents/131008/602547/2_9_mrv.pdf/9bfdb2f3-05fd-48a7-89c7-8e1eb34a8f0e)
4 Europe 2020 targets: Progress and measures taken

In June 2010\(^6\), the European heads of state and government adopted a new Growth Agenda. Based on a Communication from the Commission\(^7\), the focus of the Europe 2020 strategy is smart, sustainable and inclusive growth to overcome structural weaknesses of the economy. The objective is to improve competitiveness and productivity and to reduce poverty. To implement the strategy, the EU defined five headline targets to be achieved at EU level; at the same time, the 28 Member States each set country-specific targets. The national Europe 2020 targets have since become key benchmarks for policymaking.

Table 1: Overview of the Europe 2020 targets:

<table>
<thead>
<tr>
<th>National target</th>
<th>EU headline target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td>Employment rate in % (20-64 age group)</td>
<td>77/78</td>
</tr>
<tr>
<td>R&amp;D investments in % of GDP</td>
<td>3.76</td>
</tr>
<tr>
<td>Emission target reduction in non-ETS sectors (from 2005 levels)</td>
<td>-16%</td>
</tr>
<tr>
<td>Share of renewable energy in gross final energy consumption</td>
<td>34%</td>
</tr>
<tr>
<td>Energy efficiency / stabilisation of gross final energy consumption (in Mtoe)</td>
<td>25.1</td>
</tr>
<tr>
<td>Early leavers from education and training (18-24 year-olds)</td>
<td>9.5%</td>
</tr>
<tr>
<td>Tertiary educational attainment</td>
<td>38%</td>
</tr>
<tr>
<td>Reduction of share of population affected by poverty / social exclusion (from 2008 levels)</td>
<td>-235,000</td>
</tr>
</tbody>
</table>

Source: Eurostat (1) 2016 (2) preliminary value 2018

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4.1 Labour market and employment

The current economic upswing, which started in 2015/16, marked a trend reversal also on the Austrian labour market. Employment growth peaked in 2018. The Public Employment Service (AMS) saw an increase in the number of persons in payroll employment of +2.4% (about 86,000 persons) and, compared to 2017 levels, the strongest relative decrease in persons registered as job seekers or in training (-7.6%, or -31,228 persons). In 2018, the unemployment rate dropped to 7.7% (national definition) or 4.9% (according to Eurostat). 2018 saw a particularly strong decline in the number of unemployed persons below the age of 25 over the course of the year (-14.1%). The unemployment rate among older workers (50+) also declined by 4,616 persons (-4.5%). This positive trend on the labour market is also mirrored by a 13.5% drop in the rate of the long-term unemployed.

However, as the cyclical peak was passed at the end of 2017, a slowdown in labour market dynamics is highly likely. Economic research institutes expect the increase in the number of persons in payroll employment to lose momentum. As a consequence, the forecasts predict lower job growth and a more moderate decline in unemployment until 2021. The number of persons in payroll employment will increase by 1.4% in 2019, by 1.1% in 2020, and by 1.0% in 2021; the number of hours worked will decrease by 0.1% respectively.

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Table 2: Labour market trend in Austria

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual change in %</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total employment (heads)</td>
<td>+1.7</td>
<td>+1.6</td>
<td>+1.1</td>
<td>+1.0</td>
<td>+0.9</td>
</tr>
<tr>
<td>Payroll employment</td>
<td>+1.9</td>
<td>+2.2</td>
<td>+1.4</td>
<td>+1.1</td>
<td>+1.0</td>
</tr>
<tr>
<td>Of which: public service</td>
<td>+1.2</td>
<td>+0.7</td>
<td>+0.3</td>
<td>-0.1</td>
<td>+0.0</td>
</tr>
<tr>
<td>employment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self-employment</td>
<td>+0.3</td>
<td>-1.9</td>
<td>-0.8</td>
<td>+0.0</td>
<td>+0.2</td>
</tr>
<tr>
<td>Total hours worked</td>
<td>+2.0</td>
<td>+1.7</td>
<td>+1.0</td>
<td>+0.8</td>
<td>+0.8</td>
</tr>
<tr>
<td>Payroll employment</td>
<td>+2.3</td>
<td>+2.2</td>
<td>+1.3</td>
<td>+1.0</td>
<td>+0.9</td>
</tr>
<tr>
<td>Self-employment</td>
<td>+0.4</td>
<td>-0.7</td>
<td>-0.2</td>
<td>+0.0</td>
<td>+0.2</td>
</tr>
<tr>
<td>Labour supply</td>
<td>+1.2</td>
<td>+1.1</td>
<td>+0.9</td>
<td>+0.9</td>
<td>+0.7</td>
</tr>
</tbody>
</table>

in % of labour supply

Unemployment rate acc. to Eurostat

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5.5</td>
<td>4.9</td>
<td>4.7</td>
<td>4.7</td>
<td>4.5</td>
</tr>
</tbody>
</table>

Source: OeNB Forecast of December 2018

Apart from the economic slowdown, the continued strong growth in labour supply also poses a challenge for the Austrian labour market. Austria’s Central Bank estimates that, on average, roughly 45,000 additional persons will enter the labour market from 2018 to 2021. The rise in labour supply is, inter alia, due to the increasing labour force participation of older workers, and additional supply from the pool of those currently not in employment, but wishing to participate in the labour market.  

Austria’s labour market policy goals include lowering the unemployment rate, combating long-term unemployment, keeping older workers in employment longer, ensuring labour-market integration of young workers, and taking pro-active measures for gender equality. The AMS has been granted funds in a total of EUR 1.25 billion for the year 2019 to carry out active labour-market policy measures.

To achieve the objective of keeping older workers in employment longer, it resorts to tried and tested instruments such as ‘fit2work’, the 50+ Employment Scheme (Beschäftigungsinitiative 50+) and part-time work to reintegrate employees after long-term sick leave. A new approach is personalised labour market assistance, which will be implemented all over Austria as of 2020. Statistical profiling is also recommended by the OECD and is already being applied in Australia, Denmark, the Netherlands, Sweden and the

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75 cf. Federal Chancellery, 2018, National Reform Programme 2018 and Annex 1, table 2
USA, among others. Commissioned by the AMS, the Synthesis social research institute has developed a model for assessing jobseekers’ chances on the labour market based on administrative data. Personal parameters include, for example, gender, age, nationality, education/training, care responsibilities and health restrictions. Jobs held so far (e.g. current occupation), number of hours worked, frequency and duration of unemployment as well as AMS training courses attended are also taken into account. The algorithm, which is currently being trialled, helps AMS advisors to evaluate their clients’ needs in a more objective manner. First feedback shows that, at 85%, the algorithm’s success rate in calculating the real-life labour market chances of men and women is surprisingly high. What is more, the PES proceeds on the assumption that women in particular will profit from this new instrument, as they are disproportionately often ranked as requiring increased attention from the PES. Older workers stand to benefit as well, in the form of more intensive and personalised assistance. Personalised labour market assistance comes with a range of additional health offers and upskilling measures that meet labour market policy demands. While statistical profiling is meant to provide support to advisors, they will of course have the last say on what measures will ultimately be taken in each case.

As well trained, highly skilled workers are essential for Austria as a business location, the federal government launched an action plan already in spring 2018. Key elements have already been implemented, for instance the apprenticeship package, which comprises six new job profiles on a trial basis: construction project assistance, chemical process engineering, e-commerce, glass engineering, make-up artist, and media expert. The training regulations for these apprenticeships already reflect the new qualification requirements in terms of digitalisation. Seven other ‘dual’ education and training programmes were also adapted to these qualification requirements. To enhance employability of people who have been granted asylum and to integrate them in the labour market, apprenticeships have been promoted intensively for this group since 2018. Service centres for the recognition of qualifications acquired abroad support and advise recognised refugees with respect to the recognition and validation of foreign education programmes and degrees.

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78 Cf. BMDW, 2018, Lehrberufe in Österreich, (https://www.bmdw.gv.at/Nationale%20Marktstrategien/LehrberufeInOesterreich/Seiten/Lehrberufspaket-2018.aspx), date: 25/02/2019
Immigration of skilled workers promotes international competitiveness. The aim of reforming the red-white-red card is to simplify procedures in line with what the economy needs. Efforts have been made to implement less stringent requirements for skilled workers under labour and residence law.\textsuperscript{80} Furthermore, the list of occupational shortages was extended to better meet demand.\textsuperscript{81} As the demand for skilled workers differs from region to region, the existing list has not only been extended, but additional regional lists of occupational shortages have been drawn up as well.

To ensure faster integration into the mainstream labour market, the federal government plans a reform of unemployment benefits and the development of new criteria for the minimum means-tested income in 2019.

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

According to Statistics Austria’s\textsuperscript{82} global estimate, a total of EUR 12.3 billion was spent on research and development (R&D) in 2018, which signifies a rise in total Austrian R&D spending of 5.6% up from 2017, reaching 3.19% of GDP. At EUR 6.11 billion (49.5%), Austrian companies account for the largest part of total research expenditure. Foreign companies and subsidiaries of foreign companies conducting research in Austria are the third most important source of funding, with about EUR 1.95 billion (15.8%). The corporate sector (including foreign subsidiaries in Austria) accounts for about two thirds of research expenditure, while public sector spending comes to about EUR 4.2 billion (34.1%).

Austria has nearly doubled its research expenditure since 2007, and R&D intensity has increased from 2.42% to 3.16% (2017), making it one of the countries with the highest R&D intensity among the EU-28. According to Eurostat, Austria ranks second after Sweden (3.4%)

\textsuperscript{80} cf. Ministerratsbeschluss vom 27. Februar 2019 (https://www.bundeskanzleramt.gv.at/documents/131008/1220839/47_13_mrv.pdf/7d614432-3700-462b-99a3-a48b8f4766b6)


and thus ahead of Denmark (3.05%), Germany (3.02%) and Finland (2.76%). Average R&D intensity among the EU-28 is 2.07% of GDP.\textsuperscript{83}

Despite such positive dynamics in R&D intensity, further efforts will have to be made to ensure that the high investment input is better reflected in the innovation process at macroeconomic level.\textsuperscript{84} The federal government thus aims to remove efficiency barriers and optimise the use of funding. In summer of 2018, the government launched a Forward-Looking Campaign for Research, Technology and Innovation (Zukunftsoffensive für Forschung, Technologie und Innovation)\textsuperscript{85}, a comprehensive process which includes, among other things, the development of a new research strategy. Structural streamlining of public grants and a realignment of governance structures are key elements in this regard. The establishment of a publicly accessible Austrian-wide research funding database which documents all R&D funding at the federal and regional levels of government is essential in raising transparency. In a bid to step up the efficiency of the Austrian RTI system, the federal government decided to merge the Austrian Council for Research and Technology Development (RFTE), the Science Council (ÖWR) and the ERA Council Forum Austria. The aim is to pool the expertise of these institutions in a single advisory body for the federal government as of 2020. Apart from such structural adjustments, the quality of research is another focus of government endeavours.

To further improve the quality of research and the overall effectiveness of the research and innovation system as recommended in the OECD Innovation Report\textsuperscript{86}, a research excellence initiative is being developed to strengthen competitive top-level research, which will be part of the new Austrian RTI Strategy 2030. The research excellence initiative supports the development of a competitive research culture which promotes top-level research in line with international best practice while at the same time providing leeway for new ideas and innovations. The main objectives of the initiative are to consistently raise the professional profile of Austrian basic research institutions and to step up cooperation between research disciplines and institutions. Against the backdrop of a scientific sector drawing on strong basic funding, competitive funding is proven to enhance scientific quality in research,  


\textsuperscript{*} cf. European Commission, 2019, Country Report Austria, p. 4 and 39


encourage cooperation and ensure international success to boost. The aim is to leverage innovation potential for venturing into new areas of research as well as to pool existing strengths and ensure their sustainability. The research excellence initiative is intended to promote a culture of competition, while at the same time demanding, and encouraging, cooperation between research institutions. It creates a dynamic environment for all disciplines, including artistic and artistic-scientific research, encouraging excellent researchers and providing young talents in Austria with a wide and predictable range of career perspectives. The research excellence initiative promotes basic research that shows great potential, social relevance and value-adding effects well beyond the respective research disciplines.

A further milestone when it comes to targeted and efficient innovation funding and implementing mid- and long-term research strategies is the Research Funding Act (Forschungsfinanzierungsgesetz), which provides budgeting covering several years and thus planning security. The bill of law will be presented on 7 May 2019, in the context of the research summit. The act is then scheduled to enter into force in January 2020.

The aim of research and innovation is to improve competitiveness and strengthen Austria’s position as a business location, while also helping to achieve social and economic policy targets, for example the ones defined in the #mission 2030 - Austrian Energy and Climate Strategy. It is against this backdrop that Austria joined the international initiative Mission Innovation, a global research alliance whose objective is to combat climate change. Austria endeavours to use this opportunity to pioneer the further development of key technologies, such as smart grids. Another important area in research and innovation is what is referred to as bioeconomy. In an interdisciplinary process which focuses in particular on the collaboration between science and economy, the government has formulated a national bioeconomy strategy. The objectives and targets defined in the bioeconomy strategy focus on reducing the dependency on non-renewable resources by means of increasing the share of renewable resources of the total raw material input, by promoting innovation, economic development, protection and creation of jobs as well as by promoting a sustainable social transformation. The bioeconomy strategy proposes areas of activities that push the sustainable use of raw materials from agriculture, forestry, water and waste management.

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4.3 Energy and climate change

It is the federal government’s declared goal to place a strong focus on climate protection, economic sustainability and competitiveness to ensure that, by 2050, a modern, resource-efficient and decarbonised energy system will have become reality. Based on the #mission2030 - Austrian Climate and Energy Strategy, which was adopted by the Council of Ministers in late May 2018, ambitious measures are set for an energy turnaround in Austria that will help us achieve our international, European and national climate and energy targets until 2030. This strategy forms the basis for the national climate and energy plans as set out in the EU Regulation on the Governance of the Energy Union, which is transmitted to the European Commission by the end of 2019.

Within the scope of the Europe 2020 strategy, the Member States undertook to attain the following three headline targets: By 2020, greenhouse gas emissions are to be 20% lower than the 1990 levels, the share of renewables in final energy consumption is to rise by 20%, and energy efficiency is to be increased by 20%.

On the basis of the relevant EU legislation, the following 2020 targets were agreed for Austria:

- 16% reduction of greenhouse gas emissions (from 2005 levels) in sectors not participating in EU emissions trading (effort sharing)
- 34% share of renewables in gross final energy consumption
- A maximum of 25.1 million tons of oil equivalent in final energy consumption by 2020 (indicative value)

4.3.1 Cut in greenhouse gas emissions

According to the recent 2017 Greenhouse Gas Inventory, greenhouse gas (GHG) currently amount to 82.3 million tons. It is the non-ETS sectors that are crucial for achieving the national carbon reduction goal, as the EU Effort Sharing Decision defines caps for climate-damaging emissions for them. The targets set out in the Effort Sharing Decision have been

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enshrined in the Austrian Climate Change Act93 for the period between 2013 and 2020. According to the latest data for 2017, emissions in this sector amount to 51.7 million tons of carbon equivalent.

Chart 6: Greenhouse gas emissions 1990-2017, total and pursuant to the Climate Change Act (KSG)

GHG emissions 2005-2017 and target path

In the period 2013-2016, Austria’s emissions consistently remained below the national target, giving rise to credits of 8.4 million tons still being available to Austria.

The federal government is determined to counteract the rising emissions trend. With a view to budgetary sustainability, it is important to create an intelligent mix of regulatory, tax and budget policy measures. Through targeted actions, like consciousness-raising and incentive measures the individual participation and acceptance of climate protection measures is encouraged.

Table 3: Greenhouse gas emissions in Austria 2005-2017

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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy &amp; industry including ETS</td>
<td>42.1</td>
<td>39.3</td>
<td>39.1</td>
<td>36.9</td>
<td>36.4</td>
<td>34.2</td>
<td>35.5</td>
<td>35.0</td>
<td>37.0</td>
<td>+5.7</td>
</tr>
<tr>
<td>Energy &amp; industry excluding ETS*</td>
<td>6.3</td>
<td>6.6</td>
<td>6.5</td>
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<td>6.5</td>
<td>6.1</td>
<td>6.0</td>
<td>6.0</td>
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<td>+7.4</td>
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</tbody>
</table>

According to the annual statement of emissions, it is the transport sector that has seen the strongest increase since 1990 (+71.8%). In order to attain the Europe 2020 target and the ambitious targets set out in #mission2030 – Austrian Climate and Energy Strategy, the goal is to reduce emission levels of 22.9 million tons of carbon equivalent (2016) to 15.7 million tons of carbon equivalent by 2030. The means to achieve this goal include, inter alia, expansion of public transport, clean mobility like e-mobility, and alternative drive systems. National-level environmental subsidies specifically geared towards climate protection already provide a strong impetus for the thermal improvement of existing buildings (get away from oil-bonus pushes the switch to renewable energy for heating) and for resource and energy efficiency measures, and will remain in effect also in the years to come. Under the tax relief scheme, measures for greening the tax system are being developed which will become effective from 2020. The goal in this context is to create eco-friendly incentives, for instance, in the mobility sector (for instance by offering tax benefits for low-emission vehicles). Tax adjustments are also being discussed with respect to photovoltaics, biogas and hydrogen.

The reduction of CO₂ emissions in the transport sector is a particular challenge that requires the close cooperation among all stakeholders like federal government, state governments and local communities. In 2018, a process called mobility turn (Mobilitätswende) was initiated by the Federal Ministry of Transport, Innovation and Technology where future conferences as

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well as expert workshops were set up in all nine federal provinces in preparing the joint elaboration of the national energy and climate plan.\(^\text{95}\)

### 4.3.2 Renewable energy sources

The 2020 climate & energy package sets binding targets for renewable energy sources applicable to be attained throughout the EU by 2020: 20% of final energy consumption from renewable energy sources, and a minimum of 10% from renewables in the transport sector.\(^\text{96}\)

For Austria, implementing the Renewable Energy Directive (2009/28/EC)\(^\text{97}\) means that it has to increase the share of renewables in gross final energy consumption to 34% by 2020. This will require a bundle of measures at the federal and regional levels of government, affecting, for instance, the Green Electricity Act (Ökostromgesetz), the amendment of the Fuel Ordinance (Kraftstoffverordnung), environmental subsidies in Austria and technical regulations in regional building codes.

According to an evaluation provided by Statistics Austria, the share of renewables in final energy consumption has increased gradually, from 23.7% in 2005 to 32.6% in 2017. Attaining the national Europe 2020 target remains realistic, despite the slight decline registered year-on-year from 2016 to 2017. This was attributable to a substantial increase in gross final energy consumption (+2.1%), while eligible renewables grew by merely 0.6%.\(^\text{98}\)

The goal of the federal government is to raise the share of renewables (nationwide, in energy balance terms) in total national energy consumption to 100% by 2030.\(^\text{99}\) As for electricity, the share coming from renewable sources is already at about 73%. The 2020 Renewables Expansion Act (Erneuerbaren Ausbau Gesetz 2020)\(^\text{100}\) provides a new framework for stepping up the pace of production capacity expansion. Important goals in this respect are, among


other things, creating legal certainty for investors and providing tax relief. Furthermore, steps have been taken to develop an Austrian hydrogen strategy. Hydrogen as a long-term storage facility can make a significant contribution to target achievement by the integration of electricity and heat, in industry and transport sector. Austria intends to lead internationally in the use of hydrogen technology. The goal of the federal government is also to raise the share of renewables in gross final energy consumption to 45% - 50% until 2030. For that, the focus over the next few years will be on expanding capacities in all renewable energy sources and ramping up both infrastructure and storage systems, alongside stronger investment in energy efficiency.

Government entities at all levels play a major role when it comes to climate protection and to transforming the energy system. As regards climate protection, the cooperation among local communities is financed by means of special support programmes within the Climate and Energy Fund. With a view to Austria's being still largely dependent on fossil fuel imports, a National Heat Strategy is currently being developed in cooperation with the provincial governments. In Austria, the early and complete exit from CO₂-intensive energy generation from coal is already under preparation. Thus, Austria will completely do without energy based on coal or nuclear power.

For Austria, nuclear power represents neither a sustainable form of energy supply nor a viable option to fight against climate change. The federal government therefore consequently continues to follow an anti-nuclear policy. This means that we oppose the new construction and expansion of existing nuclear power plants in Europe, in particular the neighbouring countries. Thus, the Austrian concerns with regard to the commissioning of units 3 und 4 of Mochovce Nuclear Power Plant were confirmed in a ministerial council decision of March 13.

Chart 7: Share of energy from renewable sources in energy consumption 2016, in %

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4.3.3 Improvement in energy efficiency

Improving energy efficiency is a key goal of Austria’s energy and climate policy, as laid down in #mission2030 – Austrian Climate and Energy Strategy. The Austrian Federal Energy Efficiency Act (EEffG) complies with the requirements set out under EU law to boost energy efficiency until 2020.

Austria has committed itself vis-a-vis the European Commission to a final energy consumption target of no more than 1,050 PJ by 2020.

Chart 8: Final energy consumption in Austria 2005-2017 as compared to the target path for 2020

Source: Austrian Energy Agency; Data: Statistics Austria

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105 cf. Directive on energy end-use efficiency and energy services (Dir 2006/32/EC) and Energy Efficiency Directive (Dir 2012/27/EU)
In the past years, final energy consumption in Austria fluctuated between -4.1% (1,045 PJ in 2009) and +3.7% (1,130 PJ in 2017) compared to 2005 levels. In 2016, final energy consumption in Austria came to 1,110 PJ, exceeding the target value of 1,050 PJ agreed for 2020. In addition to population and economic growth, the key drivers of this development are increased traffic volumes and climate conditions. Thus, attaining a value of 1,050 PJ in 2020 appears rather unlikely.\(^\text{107}\)

In a bid to take on the challenges related to energy efficiency and chart the right course for the future, the federal government has, in its #mission2030 – Austrian Climate and Energy Strategy\(^\text{108}\), set the target to improve primary energy intensity by 25-30% from 2015 levels by 2030. Consequently, an evaluation process involving all the relevant stakeholders was launched in autumn 2018 as a basis for further developing the Federal Energy Efficiency Act, the goal being to achieve the envisaged increase in energy efficiency in a more effective and less bureaucratic manner. Issues to address, for instance in the transport sector, include e-mobility and, quite in general, a boost to public transport. Buildings play a key role in achieving climate and energy policy targets, as 27% of final energy consumption is attributable to the supply of heating, hot water and cooling; consequently, thermal improvement and innovative construction methods will have a major role to play. Small and medium-sized enterprises are to receive support and assistance when it comes to implementing energy management systems.

### 4.4 Education

The Europe 2020 strategy defines two strategic targets for education to be reached by 2020: on the one hand, the rate of early school leavers is to be pushed to below 10%, and on the other hand, the rate of 30-34 year-olds having completed higher education or equivalent (according to ISCED 2011 level 5 and above) is to be raised to at least 40%. These targets serve as the common frame of reference at EU level. Corresponding national targets were set by the Member States in a bid to use education as leverage for growth, employment, democratic societies and equal opportunities.


### 4.4.1 Preventing early leaving from education and training

The national Europe 2020 target with respect to early school leaving stipulates that the rate of 18-24 year-olds not having completed upper secondary education and not undergoing any other training must not exceed 9.5%. Encouragingly, the rate of early leavers from education and training has been on a significant decline, both in Europe and in Austria.

**Chart 9: Early leavers from education and training 2008 to 2018**

![Chart showing early leavers from education and training 2008 to 2018](source: Eurostat)

Compared to their age cohort, the percentage of early leavers from education and training in Austria is significantly below the EU average. According to preliminary figures for 2018, the percentage amounts to 7.2% in Austria, and to 10.6% on EU average.\(^{109}\)

A key instrument in this respect is the National Strategy for Preventing Early Leaving from Education and Training (*Nationale Strategie zur Verhinderung von frühzeitigen (Aus-) Bildungsabbruch*), which was launched as early as 2012 and updated in 2016.\(^{110}\) The strategy

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\(^{110}\) cf. Bundesministerium für Bildung, 2016, Nationale Strategie zur Verhinderung frühzeitigen (Aus-) Bildungsabbruchs,
was based on work carried out by the OECD and on EU proposals. The three-pronged approach\textsuperscript{111} featuring prevention, intervention and compensation provided valuable input for reviewing the impact and effectiveness of the measures implemented so far. As the subsequent costs of early leaving from education and training are disproportionately high for society, it was an obvious choice to focus on prevention measures. Tried and tested instruments of prevention include stepping up language support (see also 3.2.3), comprehensive measures for educational and vocational guidance at schools (\textit{IBOBB} portal), and the use of better diagnostic tools. In future, a uniform toolkit for measuring individual skill levels and potential (iKPM) will be available for optimising education and career choices, as well as for ensuring the acquisition of basic skills. School-based social workers assist schools in addressing challenges such as absenteeism. The Government Programme also introduced a new and more easily feasible model for preventing violations of compulsory school attendance. Youth coaching (\textit{Jugendcoaching}) was developed as a measure to be applied directly where there is an imminent danger of early school leaving. Targeted case management is used to assist students who are at risk of becoming early leavers or who lack orientation as to their educational career in finding an educational path that is right for them and continuing their education and training. In addition, a closely-meshed set of support, education and training offers is provided under the compulsory schooling or training scheme for young people under the age of 18 (\textit{AusBildung bis 18})\textsuperscript{112}.

Under the heading of compensation, the Adult Education Initiative (\textit{Initiative Erwachsenenbildung}) was renewed last year for the period 2018-2021 by means of another Article 15a agreement. The purpose of this initiative is to support measures to encourage the completion of compulsory schooling at a later stage in life. The aim here is to open up routes towards further education to youths and adults lacking adequate qualifications.

Relying on funding from the European Social Fund (ESF), Austria has also implemented numerous successful projects for the prevention of early school leaving and/or for providing qualification measures. The \textit{resp@ct} project in Upper Austria is aimed at helping youths and young adults aged between 15 and 24 who are not in employment, education or training (NEETs) to explore their strengths as well as working opportunities, and placing them in schools, apprenticeships or jobs.

\textsuperscript{112}cf. Compulsory Education and Training Act (\textit{Ausbildungspflichtgesetz}), Federal Law Gazette I No. 62/2016,
4.4.2 Tertiary educational attainment

In the EU, the rate of 30-34 year-olds having completed tertiary education has seen a continuous rise over the past few years, from 31.2% in 2008 to 40.5% in 2018. Austria, too, managed to catch up to the EU-28 average in the past few years, outperforming the national EU 2020 target as early as in 2014. According to the preliminary data released by Eurostat for 2018, the tertiary educational attainment rate for the 30-34 age group is 40.7%,\(^{113}\) which means that Austria surpasses the EU average (2018: 40.5%) and has attained the education target already several years in a row. In the past few months, several structure-changing measures of systemic importance were adopted and implemented. The funding earmarked for universities has been ramped up. In total, some EUR 11 billion will be available for the performance agreement period from 2019 to 2021, which is tantamount to an increase of 13% as compared to the previous funding period (2016 to 2018). The New University Funding scheme (Universitätsfinanzierung NEU) puts the funding of universities on a new footing as from 2019, based on capacity and study programme parameters. The key element of the new scheme is the funding system based on three pillars. The first pillar comprises teaching, the second one research and the third one infrastructure. Thus the universities receive their funds out of the teaching pool largely by the number of a university’s active students. In the area of research, funding will be allocated according the staff numbers. The remainder of funds is for infrastructure and strategic development. So-called competitive indicators come to bear as well: raising of third-party funding, structured doctoral programmes, number of graduates, and especially active students. This reorientation of university funding makes the allocation of funds transparent and verifiable, while also channelling efforts into raising the number of scientific staff at universities. Clearly improved budgeting enables universities to invest strategically in special focus areas and fields of excellence, which helps raise university profiles internationally and makes universities more competitive.

Further extension of already existing access regimes in overcrowded study programmes starting in the 2019/20 winter semester, are to result in better teacher-student ratios and raise the likelihood of students successfully completing their study programmes. In order to improve accessibility and social mobility various measures were agreed with the Universities. The past few years already witnessed a number of initiatives aimed at making engineering programmes more attractive and more easily available. Information technology as a specialised field of study has seen 30 new professorships and 300 additional places for students being created for the period 2019-2021. 450 additional places for students were made available in the STEM subjects as from the winter semester 2018/2019. Calls for application for 80 additional professorships have been issued, with a stronger focus on

forward-looking areas such as data science, artificial intelligence, computational medicine, and innovation.

Chart 10: Tertiary educational attainment in % for the age group 30-34

Further capacity expansion in the universities of applied sciences segment will not only raise the number of places for students, but also enhance the portfolio of study programmes being offered in line with labour market demand. The current funding plan for universities of applied sciences provides more than 3,000 additional places for students in the year 2024/25. The increase in capacities goes hand in hand with the range of study courses on offer being both broadened and deepened. A fixed item on the agenda is an expansion of the STEM sector, with a special focus on innovative projects that address fields of technology like industry 4.0, information technology, digitization, automation, artificial intelligence, cyber security and e-government. In addition there will be emphasis on university studies parallel to employment, dual courses as well as the promotion of women’s study interests in STEM. In addition to the thematic focus and life sciences.

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4.5 Poverty and social exclusion

In 2017, some 1,563,000 persons were at risk of poverty or social exclusion in Austria. The Europe 2020 strategy provides for 20 million fewer people at risk of poverty/social exclusion across Europe (as compared to 2008). Austria’s national target is to reduce the number of people at risk of poverty and social exclusion by 235,000. A downward trajectory can be observed both at EU and national level. In Austria, the percentage of the total population at risk of poverty or social exclusion went down from 20.6% in 2008 to 18.1% in 2017. In absolute terms, this means that in 2017 some 136,000 fewer people were affected by poverty and social exclusion than in 2008, so 58% of the planned reduction have already been achieved\textsuperscript{115}.

Chart 11: Poverty and social exclusion 2008 to 2016

The indicator underlying the poverty target comprises three groups: (i) persons at risk of poverty, (ii) severely materially deprived persons and (iii) households with no or very low work intensity. In 2017, some 1,245,000 persons (14.4% of the total population) were at risk of poverty; i.e. the income available to a single-person household was EUR 1,238 per month (12 times a year). 323,000 persons (3.7% of the total population) were affected by severe material deprivation.

\textsuperscript{115} cf. Statistics Austria, Poverty and social inclusion, (https://www.statistik.at/web_en/statistics/PeopleSociety/social_statistics/poverty_and_social_inclusion/index.html), date: 05/03/2019
and 545,000 persons (8.3% of the total population) lived in households with no or very low work intensity.

Chart 12: Risk of poverty or social exclusion 2017

In 2017, a total of 434,000 persons or 5.0% of the total population were at risk of social exclusion based on multiple criteria. A separate look at each of these three indicators shows that the number of people affected by severe material deprivation has significantly decreased (2008: 5.9% and 2017: 3.7%). The number of persons at risk of poverty also dropped from 15.2% in 2008 to 14.4% in 2017. On the other hand, however, the number of persons living in

Severe material deprivation is deemed to exist if at least four out of the nine following characteristics apply to a household: (1) having arrears on mortgage or rent payments, utility bills, or loan payments; (2) not being able to face unexpected expenses; not being able to afford (3) one week’s annual holiday away from home, (4) heating to keep their home warm, (5) a meal including 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).

households with no or very low work intensity has risen (+70,000 persons as compared to 2008).\footnote{cf. Statistics Austria, Poverty and social inclusion, (https://www.statistik.at/web_en/statistics/PeopleSociety/social_statistics/poverty_and_social_inclusion/index.html), date: 05/03/2019}

Measures to combat poverty in Austria focus on multiple risk factors to account for the numerous interrelations between such factors. As women exhibit a particularly high risk of poverty, it is necessary to take targeted measures for this group. The relevant SILC data show that 22% of female pensioners living alone were at risk of poverty in 2017, while the rate was only 13% among male pensioners living alone.\footnote{cf. Statistics Austria, Poverty and social inclusion, (https://www.statistik.at/web_en/statistics/PeopleSociety/social_statistics/poverty_and_social_inclusion/index.html), date: 05/03/2019} The Pension Adequacy Report\footnote{cf. European Commission (2018), Pension Adequacy Report 2018. Current and Future Income Adequacy in Old Age in the EU, vol. I and vol. II, pp. 188 ff, https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8084&furtherPubs=yes and https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8085&furtherPubs=yes} confirms that women are at higher risk of poverty.

With a view to relieving the burden on recipients of small and medium pensions and strengthening purchasing power, the federal government resolved in October to raise small and medium pensions.\footnote{cf. Ministerratsbeschluss vom 10. Oktober 2018, (https://www.bundeskanzleramt.gv.at/documents/131008/1046393/30_14_mrv.pdf/b39694cc-5d17-4765-b0a8-b0b9e9fd098a)} The raise was implemented effective from 1 January 2019, with a graded scheme based on social policy considerations. Pensions of EUR 1,115 or lower were increased by 2.6%. The higher the amount of pension benefits received, the lower the adjustment; pensions in a bracket between EUR 1,115 (median pension under the general social insurance scheme) and EUR 1,500 were raised not by 2.6%, but by 2%, which covers inflation. 2% was also applied to pensions ranging from EUR 1,500 to EUR 3,402 (the maximum amount under the general social insurance scheme), and any pensions exceeding this upper limit will be topped up by a monthly fixed amount of EUR 68. The rates for the means-tested equalisation supplement (Ausgleichszulage) were likewise increased by 2.6%.

As of 1 January 2019, the federal government introduced the Family Bonus scheme in a bid to provide support to families.\footnote{cf. Annual Tax Act 2018 (Jahressteuergesetz 2018), Federal Law Gazette I No. 62/2018} This scheme provides for a tax credit capped at EUR 1,500 per year and child under the age of 18. A child supplement (Kindermehrbetrag) was introduced for low-income earners. Where payroll or income tax amounts to less than EUR 250 and the person in question is eligible for a single earner or single parent tax credit, a supplement of
EUR 250 will be disbursed for each child. In its country report on Austria\textsuperscript{123}, the European Commission confirmed the significant impact the Family Bonus has on the at-risk-of poverty rate, registering a decline from 13.1\% to 12.5\%. The effect makes itself felt the most in families comprising two adults and children. The federal government’s plans for tax reduction include reducing the tax burden of low-income earners, which is to take effect from 2020 by way of a reduction in health insurance contributions.\textsuperscript{124} The reduction of unemployment insurance contributions for low-income earners (see 3.2.1) has already been implemented, with effect from 1 July 2018. Self-employed workers who opt into unemployment insurance also benefit from the cut.

Special programmes targeted at improving employability are implemented for households with no or very low work intensity under the EFS programme’s active inclusion focus. In total, more than EUR 274 million will be invested in combating poverty in the funding period 2014-2020. The ESF programmes supplement active labour market policy actions taken at national level (see also 4.1).

The reform of the means-tested minimum income scheme\textsuperscript{125} places a strong focus on (re)integration into the labour market. The framework legislation which is to replace the Article 15a agreement that expired in 2016 is scheduled to be adopted by parliament in the coming months.

\begin{footnotesize}
\begin{enumerate}
\item \textsuperscript{123} cf. European Commission, 2019, Country Report Austria 2019, p. 24
\item \textsuperscript{124} cf. Ministerratsbeschluss vom 11. Jänner 2019,
(https://www.bundeskanzleramt.gv.at/documents/131008/1141801/61_13_mrv.pdf/8a910402-ccb0-f4c57-9303-ebb584b9eb58)
\item \textsuperscript{125} cf. Ministerratsbeschluss vom 28. November 2018,
(https://www.bundeskanzleramt.gv.at/documents/131008/1101773/37_32_mrv.pdf/e0c5cf0a-9fad-4d75-a0f1-384ae78feb98)
\end{enumerate}
\end{footnotesize}
5 ESI Funds: Coherence between funding priorities for 2014 to 2020 and national-level Europe 2020 targets and country-specific recommendations

In terms of content, Austria's ESI Funds programmes 2014-2020 are geared toward the objectives of EU cohesion policy (economic, social and territorial cohesion), the Common Agricultural Policy and the targets of the Europe 2020 strategy, that is smart, sustainable and inclusive growth. Given their budgets, ERDF and ESF interventions cover only very specific and small segments of EU topics; however, within the Austrian regional policy these funds are important funding instruments. The counterparts of these EU programmes are highly elaborate funding or aid systems at national level under the headings of labour market, employment, business, research and innovation funding. The EAFRD, on the other hand, is a key instrument in Austrian agricultural policy that provides essential stimulus boosting quality of life in rural areas by making them vigorous and energetic areas for economic and leisure activities. Apart from providing sustainable employment in agriculture and forestry and other economic sectors, key objectives of the Rural Development Programme are positive impact on environment and climate. A particular focus is on the production of high quality foodstuffs. Investment incentives are an important tool to strengthen farmers’ competitiveness, which has a positive effect on value added in upstream and downstream economic sectors. The EAFRD also supports infrastructure development in rural communities, like biothermal furnace, heath distribution networks, road construction and development of broadband infrastructure. The measures taken in the context of the ESI Funds can merely contribute to attaining the national headline targets and their indicators, in line with the basic orientation of each of these funds.

The key priorities of Austria's nationwide ERDF Regional Programme 2014-2020 are to strengthen research, technological development and innovation, to enhance the competitiveness of SMEs, and to increase energy efficiency and the use of renewable energy sources in business enterprises. In the programming period 2014-2020 Austria has about EUR 978.3 million, with funding from the ERDF (EUR 536.3 million) and ESF (EUR 442.1 million). Within the European Territorial Cooperation Programmes (ETC/Interreg) another EUR 260
million are available. Adding national co-financing, including the private sector, this makes a total investment of more than EUR 3 billion. 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 funding is designed to promote 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, such as students with a migrant background; see also Country-Specific Recommendation No. 2). The ESF also supports businesses with issues concerning work organisation and working conditions attuned to an ageing workforce. Besides focusing on environment protection and resource preservation and enhancing the competitiveness of agriculture and forestry, the Austrian EAFRD Programme 2014-2020 contributes to achieving the emissions reduction target, increasing the share of renewable energy sources, and securing employment in rural areas. The programme also funds social service and health care facilities in rural areas, including those providing care for children and adults as well as primary care.
6 Institutional aspects

The National Reform Programme 2018 was adopted by the Austrian Council of Ministers on 25 April 2018 and submitted to the Austrian Parliament on 27 April 2018 for deliberation in accordance with the rules of procedure. The Budget Committee deliberated on the National Reform Programme in a public session held on 26 June 2018 and acknowledged the Programme with a majority of the votes cast.

Within their respective areas of responsibility, the provincial and local governments contribute to reaching the national Europe 2020 targets and to implementing the country-specific recommendations. Collaboration between the various layers of government in early childhood education and the health sector is governed by so-called Article 15a agreements, which are used to regulate competences and responsibilities across the different levels of government. A key aspect of health-sector policy is to continue strengthening the sustainability of the healthcare system. By expanding the offer of high-quality formal child care, the provinces contribute to the aim of improving women's labour market participation and overcoming educational disadvantages. Research and development, innovation, digitalisation and boosting competitiveness count among the central topics addressed at the regional level. 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 Table 2. While not exhaustive, this documentation does provide insights into the political strategies and measures at provincial level, especially in the areas of employment, education and improvement of basic skills of disadvantaged young people, energy and climate protection, R&D, and combating poverty.

The Austrian federal government is making every effort to implement the Europe 2020 strategy in close collaboration with all levels of government as well as with the social partners and other relevant interest groups. The joint contribution of the social partners to the National Reform Programme can be found in Annex 2, Table 3. This list of selected projects provides insights into the many activities being carried out to address a variety of issues and offer bespoke solutions.

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 as early as possible 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 of combating poverty and social exclusion. This platform unites all major stakeholders and meets at least twice a year, thus ensuring a sustained dialogue between the parties involved. In the context of the Austrian Climate and Energy Strategy #mission2030, several further stakeholder processes have been launched already in a bid to develop concrete implementation strategies.
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