

The background features a decorative graphic consisting of three blue circles of varying sizes and two thin blue lines. One large circle is at the top center, a smaller one is below it to the right, and a very large circle is at the bottom right. Two thin lines cross the page diagonally, one from the top left to the middle right, and another from the top right to the bottom left.

# National Reform Programme

Austria  
Federal Chancellery

**2018**

# Contents

- 1. **Introduction**..... 2
- 2. **Overall economic environment** ..... 3
- 3. Country-specific recommendations..... 4
  - 3.1 Country-specific recommendation no. 1 ..... 4
  - 3.2 Country-specific recommendation no. 2 ..... 7
- 4. Europe 2020 targets: Progress and measures taken ..... 16
  - 4.1 Labour market and employment ..... 16
  - 4.2 Research and development (R&D) ..... 18
  - 4.3 Energy and climate change** ..... 21
  - 4.4 Education ..... 24
  - 4.5 Poverty and social exclusion ..... 29
- 5. ESI Funds: Coherence between funding priorities for 2014 to 2020 and national-level Europe 2020 targets and country-specific recommendations ..... 32
- 6. Institutional aspects..... 32

## Annex 1

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

## Annex 2

- Table 1 Implementation of the country-specific recommendations at the provincial government level Description of measures taken and information on their qualitative effects
- Table 2 Measures to attain the national Europe 2020 targets at provincial and local government level
- Table 3 Measures to attain the national Europe 2020 targets at the social partners level

## 1. Introduction

In April 2017, 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 22/23 June 2017 after extensive discussion in the committees and specialised Councils of Ministers and finally formally adopted by the Council on 11 July 2017.

On 7 March 2018, the European Commission presented extensive country reports<sup>1</sup> on all EU Member States with the exception of Greece.<sup>2</sup> The reports 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 overall conclusion that Austria has made some progress in addressing the country-specific recommendations from the year 2017. With respect to fiscal sustainability, the European Commission states that while some progress has been made in the healthcare sector, no progress has been recorded in the pension system.<sup>3</sup> In regard of streamlining competencies across the various layers of government, limited progress has been achieved. In relation to improving labour market outcomes for women, some progress has been noted, but it is pointed out specifically that Austria has still not reached the Barcelona target for children aged below 3 attending formal childcare. As to improving the educational achievements of disadvantaged young people, limited progress<sup>4</sup> has been recorded. Some progress has also been achieved in reducing administrative and regulatory barriers to investment in the services sectors.

The European Commission's summary in respect of Austria's Europe 2020 targets highlights that Austria has already reached its targets in the field of education. Developments observed on the labour market and in the renewable energy sector also met with a positive response. Despite Austria's progress in ramping up research expenditure and in combating poverty and social exclusion, the Commission notes that more efforts will be necessary to attain the corresponding targets. The same holds for cutting greenhouse gas emissions and improving energy efficiency.

Austria's National Reform Programme follows the structure defined in the guidelines issued in October 2017 and addresses the core messages contained in the European Commission's country report of 7 March 2018. The National Reform Programme has two annexes providing tabular overviews of the reform measures taken in response to the country-specific recommendations and of the attainment of Austria's national Europe 2020 targets at federal, provincial and local government as well as social partner level.

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<sup>1</sup> cf. European Commission, Country Report Austria 2018. Commission Staff Working Document, Brussels, SWD(2018) 218 final <https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-austria-en.pdf>

<sup>2</sup> Greece is undergoing a support programme under the European Stability Mechanism. Compliance with economic and fiscal targets is monitored within the scope of the economic adjustment programme.

<sup>3</sup> In its Multilateral Implementation Reviews, the Social Protection Committee takes a somewhat more differentiated stance, stating that **some progress** has been made with respect to pensions (cf. The Social Protection Committee, Multilateral Implementation Reviews of the CSRs; Draft Conclusions, p.16)

<sup>4</sup> In view of the assessment criteria defined by the European Commission, Austria does not share this assessment. The Educational Reform Act (*Bildungsreformgesetz*, Federal Law Gazette I No. 138/2017) enacted in 2017 was one of the most extensive legislative reform programmes in years. The effects on school quality and the overall impact of these sweeping reforms will, however, take a few years to become noticeable.

## 2. Overall economic environment

Austria is currently experiencing a phase of extraordinarily strong growth. In 2017, the economy grew almost twice as fast as in the year before, accelerating to 2.9% as compared to 1.5% in 2016. According to the most recent forecasts published by the Austrian Institute of Economic Research (WIFO),<sup>5</sup> GDP growth in Austria is expected to increase to 3.2% in 2018. Austria has benefited to a large extent from global economic growth as well as increased demand from neighbouring countries. On the back of this trend, Austria's goods exports saw a marked boost throughout 2017. Real exports of goods and services grew by 5.7% in 2017.

Domestic demand likewise recorded a strong upswing, acting as a key growth engine. Investment, especially investment in machinery and equipment, played a major role in this context. Private consumption, too, provided a strong impetus for Austria's economy. In 2017, private household demand rose 1.4% in real terms, in spite of weaker increases in real wages due to inflation. Some of the dynamics in private consumption can still be attributed to the effects of the 2016 tax reform. Further factors supporting growth are high employment and faster wage growth.

Booming industrial production has created new jobs. The number of FTEs and hours worked has soared as well. Unemployment dropped to 8.5% in 2017.<sup>6</sup> Nevertheless, the Austrian labour market is characterised by a continued strong increase in labour supply, which is due to immigration and rising numbers of older workers continuing employment.

Housing construction experienced a boom in the first half of 2017, only to lose momentum during the remainder of the year. Overall, investment in housing construction in real terms rose by 2.8% as the year progressed.

HICP inflation came to 2.1% for 2017 as a whole. The year-on-year rise in inflation is due above all to energy price trends as well as to rising prices for manufactured goods, overnight stays, flight tickets, and rent.

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<sup>5</sup> cf. WIFO 2018, Economic Outlook, 16 March 2018, Main results  
([http://www.wifo.ac.at/jart/prj3/wifo/resources/person\\_dokument/person\\_dokument.jart?publikationsid=61010&mime\\_type=application/pdf](http://www.wifo.ac.at/jart/prj3/wifo/resources/person_dokument/person_dokument.jart?publikationsid=61010&mime_type=application/pdf))

<sup>6</sup> National definition (% of persons in payroll employment); according to the Eurostat definition (% of persons gainfully employed), the unemployment rate for 2017 is 5.5%

### 3. Country-specific recommendations

Under the European Semester framework, the European Commission conducted an extensive analysis of the economic and fiscal policies of Member States and, based on such analyses, presented specific recommendations to each Member State, with the exception of Greece.<sup>7</sup> These recommendations are to be taken into account in national policy-making over the next 12 to 18 months. The European Council endorsed these recommendations at its meeting on 22/23 June 2017 and called upon the Member States to implement them accordingly. In 2017, Austria received two country-specific recommendations.<sup>8</sup>

#### 3.1 Country-specific recommendation no. 1

***“(The Council) HEREBY RECOMMENDS that Austria take action in 2017 and 2018 to: Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails achieving its medium-term budgetary objective in 2018, taking into account the allowance linked to unusual events. Ensure the sustainability of the healthcare system and of the pension system. Rationalise and streamline competencies across the various layers of government and align their financing and spending responsibilities.”***

##### 3.1.1 Fiscal policy

(see Austrian Stability Programme 2017 to 2022)<sup>9</sup>

##### 3.1.2 Sustainability of the healthcare system

Given Austria’s ageing population, the European Commission considers sustainability of the healthcare sector to be one of the top reform priorities. According to the 2018 Ageing Report,<sup>10</sup> the anticipated increases in expenditure for the health and care sector will constitute a challenge for fiscal sustainability.

Apart from rising life expectancy, the projected increase in costs is caused mainly by parameters not related to demography (i.e. technology, institutional factors, organisation of the healthcare sector). Over the past few years, Austria has initiated reforms aimed at improving the governance and coordination of the healthcare system as well as expanding primary outpatient care. Expenditure ceilings, the principles of which had been agreed upon already in the course of the 2013 Austrian healthcare reform,<sup>11</sup> were extended as a result of the 2016 negotiations on fiscal equalisation, which regulates the financial agreements between the different layers of government. Accordingly, healthcare expenditure in 2017

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<sup>7</sup> Greece is subject to a separate procedure as it is currently undergoing a stability support programme.

<sup>8</sup> cf. Official Journal of the European Union, 2017/C261/19, 9 August 2017 (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C:2017:261:FULL&from=EN>)

<sup>9</sup> cf. Federal Ministry of Finance 2018, Austrian Stability Programme. Update for the period 2017 to 2022 and Austrian Draft Budgetary Plan 2018 (Update), [https://english.bmf.gv.at/budget-economic-policy/EN\\_StaPro\\_final.pdf?6dscve](https://english.bmf.gv.at/budget-economic-policy/EN_StaPro_final.pdf?6dscve)

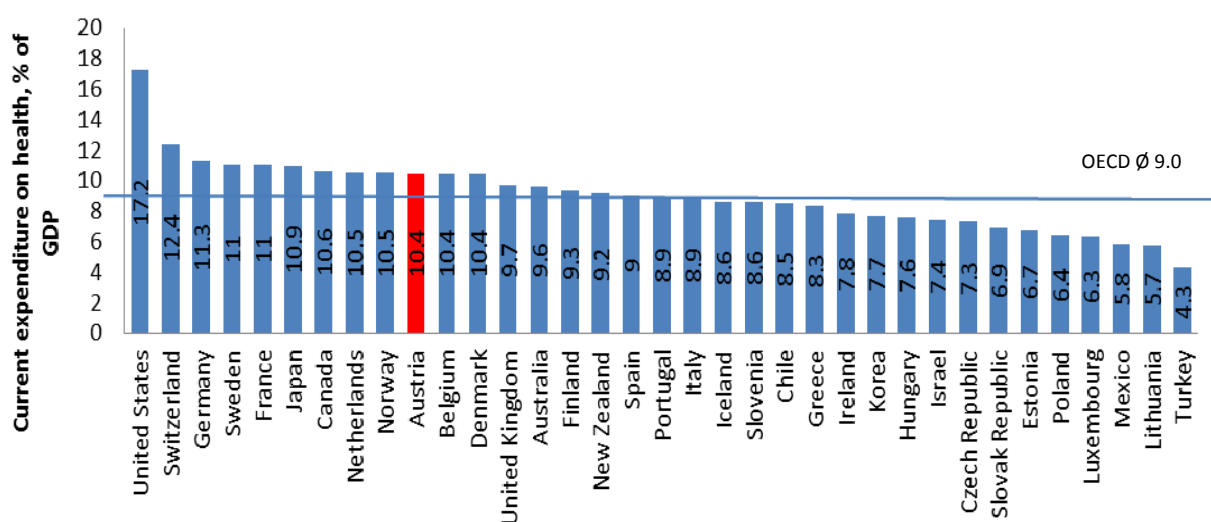
<sup>10</sup> cf. 2018 Ageing Report (to be published in May 2018)

<sup>11</sup> cf. 2017 National Reform Programme, p. 6;

should not grow by more than 3.6% in nominal terms as compared to the previous year.<sup>12</sup> In the following years, this ceiling is going to be gradually lowered until it reaches 3.2% p.a. in 2021.

In 2016, current healthcare expenditure was up by nearly 3.5% from 2015. Overall, (public and private) healthcare expenditure amounted to EUR 36,876 million or 10.4% of GDP in 2016.<sup>13</sup> Nonetheless, it is noteworthy that, in relative terms, the increase in current healthcare expenditure since 2004 (at current prices) has been slower in Austria than in many other EU Member States.<sup>14</sup>

Chart 1: Current healthcare expenditure in % of GDP in 2016 (OECD member countries)



Source: Statistics Austria, OECD Health Statistics 2017

The goal of expanding primary care capacity is to shift services away from the costly hospital sector and to increase the efficiency of the Austrian healthcare system. 75 multi-professional and/or interdisciplinary primary care units are to be established by 2021. At the same time also the outpatient sector, i.e. the traditional system of general practitioners and medical specialists, is to be strengthened as provided for in the Government Programme 2017-2022. The legal framework for this goal was laid down in the 2017 Healthcare Reform Implementation Act<sup>15</sup> adopted by the Austrian National Council in June 2017. By 2018, the Main Association of Austrian Social Security Institutions and the Austrian Medical Chamber are to complete negotiations on general contractual arrangements for primary care units, setting out, among other things, what public services such units have to provide and how services are to be remunerated. Primary care units already successfully established (e.g. in Vienna, Enns, and Mariazell) have already provided first feedback.

<sup>12</sup> cf. BMF 2016, Paktum über den neuen Finanzausgleich ([https://www.bmf.gv.at/budget/finanzbeziehungen-zu-laendern-und-gemeinden/Paktum\\_FAG\\_2017.pdf?67ruo0](https://www.bmf.gv.at/budget/finanzbeziehungen-zu-laendern-und-gemeinden/Paktum_FAG_2017.pdf?67ruo0))

<sup>13</sup> cf. Statistics Austria, Health Expenditure in Austria (date: 12/02/2018)

([http://www.statistik.at/web\\_en/statistics/PeopleSociety/health/health\\_expenditure/027971.html](http://www.statistik.at/web_en/statistics/PeopleSociety/health/health_expenditure/027971.html))

<sup>14</sup> cf. OECD/European Observatory on Health Systems and Policies, 2017, Austria: Country Health Profile 2017, State of Health in the EU, p. 6 ([https://ec.europa.eu/health/sites/health/files/state/docs/chp\\_at\\_english.pdf](https://ec.europa.eu/health/sites/health/files/state/docs/chp_at_english.pdf))

<sup>15</sup> cf. 2017 Healthcare Reform Implementation Act (*Gesundheitsreformumsetzungsgesetz, GRUG*), Federal Law Gazette I No. 131/2017 dated 2 August 2017

A reform of healthcare insurance is in the pipeline as well.<sup>16</sup> The 18 health insurance funds currently existing in Austria are to be reduced to no more than 5. As well as reducing administrative overhead, the reform also aims at harmonising the services being provided.

### 3.1.3 Sustainability of the pension system

The effective retirement age in Austria has gone up in recent years. In 2017, the average retirement age was 60.1 years (61.1 years for men and 59.2 years for women). This proves that the reforms introduced in previous years have had the desired effect. In absolute terms, federal funds allocated for statutory pension insurance have seen a decline year-on-year between 2015 and 2017. The federal government continues to pursue its goal of harmonising the effective and statutory retirement age. The gradual increase of the retirement age for women will start, as planned, on 1 January 2024, with 6-month increments every year until a uniform retirement age of 65 has been reached in 2033. The Government Programme sets out four goals with respect to the sustainability of the Austrian pension system:<sup>17</sup> (i) further improving the living conditions of the older generation, (ii) ensuring working conditions attuned to an ageing workforce, (iii) social security and (iv) sustainable funding for the pension system. The measures intended to achieve the first of the above goals include i.a. promoting increased reliance on occupational pension schemes. Occupational protection, i.e. the option to decline job offers outside one's occupational category, used to play an important role in early retirement being granted. It will be replaced by an entitlement to part-time retirement, in combination with income protection for those forced to change their job due to health reasons. In order to provide the best possible support for working conditions attuned to an ageing workforce and to prevent early exit from the labour market for health reasons, *Early Intervention* measures are to be applied already after shorter sick leaves. Individual case management is to help preserve older workers' health and fitness to work. In a bid to combat old-age poverty, persons who paid contributions for more than 30 years will be able to claim a special allowance in addition to the means-tested equalisation supplement (*Ausgleichszulage*) to make up the difference between their income and the indicative rate of EUR 1,022 (2018) instead of claiming the supplement under the current indicative rate of EUR 1,000. For persons who paid contributions for more than 40 years, a new indicative rate of EUR 1,200 will be introduced. For married couples, a new indicative rate of EUR 1,500 will apply if at least one partner paid contributions for at least 40 years. The measures already adopted<sup>18</sup> to harmonise the effective and statutory retirement age will continue to be applied with a view to ensuring the sustainability of the pension system. A reform of part-time retirement rules has already been adopted. In a bid to keep people in gainful employment for longer, age restrictions for accessing part-time retirement will be raised by two years, from 58 to 60 years for men and from 53 to 55 years for women. Promoting working conditions attuned to an ageing workforce supports the goal of raising the employment rate of older workers. Participation in the 2016-2017 Healthy Workplaces Campaign raised awareness at all levels. Rehabilitation

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<sup>16</sup> cf. Regierungsprogramm 2017-2022, Zusammen. Für unser Österreich, p. 114f. ([https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm\\_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6](https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6))

<sup>17</sup> cf. Regierungsprogramm 2017-2022, Zusammen. Für unser Österreich, p. 108ff. ([https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm\\_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6](https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6))

<sup>18</sup> cf. Federal Chancellery, National Reform Programmes 2015, 2016 and 2017, e.g. fit2work, new disability pension, part-time-work to reintegrate employees after long-term sick leave

instead of early retirement remains a key principle when it comes to keeping workers longer in gainful employment. Incentives such as exemptions from contribution payments into the pension system should make it more attractive for people to continue working beyond the statutory retirement age. Plans are also under way to reform occupational disability pensions, with a special emphasis on increased accuracy in approving claims for occupational disability pensions (also based on mental health issues) and on readjusting rehabilitation allowances. What is more, all existing special rights are to be harmonised in conformity with constitutional law.<sup>19</sup>

#### 3.1.4 Funding and spending competencies at various layers of government

Along with the amendment of the fiscal equalisation scheme,<sup>20</sup> which was agreed in November 2016 for the years 2017 to 2021, minor adjustments were made in the financial architecture at federal as well as provincial and local government level, and first structural changes were initiated. The newly introduced focus on task-orientation will be continued and extended to as many areas as possible. Based on experiences to be gained from two pilot projects in preschool and compulsory education (starting 2018/2019), the government strives to consistently combine subject-matter with financial competencies.<sup>21</sup>

## 3.2 Country-specific recommendation no. 2

***“(The Council) HEREBY RECOMMENDS that Austria take action in 2017 and 2018 to: Improve labour market outcomes for women through, inter alia, the provision of full-time care services. Improve the educational achievements of disadvantaged young people, in particular those from a migrant background. Foster investment in the services sector by reducing administrative and regulatory barriers, easing market entry and facilitating company growth.”***

#### 3.2.1 Labour market outcomes for women

Austrian labour market statistics show a growing participation rate among women. Over the past ten years, the employment rate of women aged 20-64 rose from 65.2% in 2006 to 70.9% in 2016. In the same period, male employment remained relatively stable, though at a much higher level (78.1% in 2006; 78.7% in 2016).<sup>22</sup> Part-time employment saw an increase over the same period. Over the past ten years, the share of women working part-time rose

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<sup>19</sup> cf. Regierungsprogramm 2017-2022, Zusammen. Für unser Österreich, p. 110f.

([https://www.bundeskanzleramt.gv.at/documents/131008/569203/Regierungsprogramm\\_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6](https://www.bundeskanzleramt.gv.at/documents/131008/569203/Regierungsprogramm_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6))

<sup>20</sup> cf. BMF 2016, Paktum über den neuen Finanzausgleich ([https://www.bmf.gv.at/budget/finanzbeziehungen-zu-laendern-und-gemeinden/Paktum\\_FAG\\_2017.pdf?67ruo0](https://www.bmf.gv.at/budget/finanzbeziehungen-zu-laendern-und-gemeinden/Paktum_FAG_2017.pdf?67ruo0))

<sup>21</sup> cf. Regierungsprogramm 2017-2022, Zusammen. Für unser Österreich, p. 13f.

([https://www.bundeskanzleramt.gv.at/documents/131008/569203/Regierungsprogramm\\_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6](https://www.bundeskanzleramt.gv.at/documents/131008/569203/Regierungsprogramm_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6))

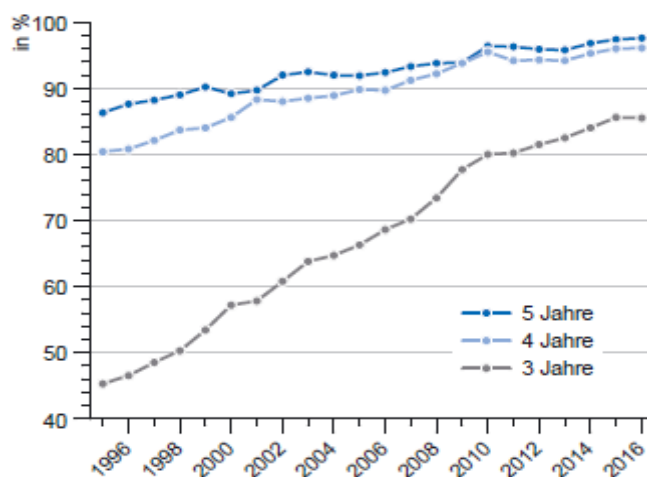
<sup>22</sup> cf. EUROSTAT, Employment rate by sex, age group 20-64, [http://ec.europa.eu/eurostat/tgm/refreshTableAction.do;jsessionid=OOdTLMVJNQUwoK25J7B1\\_DyDO6a3G6JWyWeoVCvownE1JV8I5W4n!-1102445943?tab=table&plugin=1&pcode=t2020\\_10&language=en](http://ec.europa.eu/eurostat/tgm/refreshTableAction.do;jsessionid=OOdTLMVJNQUwoK25J7B1_DyDO6a3G6JWyWeoVCvownE1JV8I5W4n!-1102445943?tab=table&plugin=1&pcode=t2020_10&language=en) (date: 21/02/2018)



from 41.7% in 2007 to 48.3% in 2017.<sup>23</sup> Even though part-time employment among men increased as well (2007: 5.9%; 2017: 11.0%),<sup>24</sup> the reasons for this are different. In 2016, 37.5% of women in part-time employment stated that they could not work full-time because they had to care for children and adults in need of care. The same is only true for 4.2% of men, however.<sup>25</sup> For this reason, offering affordable good-quality formal childcare all over Austria is pivotal in enabling women to re-enter the labour market.

Formal childcare opportunities from birth to preschool age have been significantly expanded in the past few years. In 2006, 25,718 children under the age of 3 attended a nursery school or day nursery, whereas ten years later, in 2016, this number had risen to 65,057. The childcare coverage rate thus increased from 10.8% to 25.4% (excluding childminders). Among 3-year-olds, the childcare coverage rate rose from 68.6% in 2006 to 85.5% in 2016. With respect to 4-year-olds, the past ten years saw an increase from 89.7% to 96.1%, and from 92.4% to 98.5% for 5-year-olds<sup>26</sup> (including children starting school early; see Chart 2).

Chart 2: Childcare coverage rates for 3-, 4- and 5-year-olds



Source: STATISTICS AUSTRIA, Day-care facilities statistics 2016/17

The employment rate of mothers has also been showing an upward trend over the past few years. In 2016, 72.7% of children with working mothers attended day nurseries and day-care facilities for young children (2006: 70.7%), 76.5% attended after-school centres (2006: 78.7%) and 63.4% attended nursery schools (including mixed-age childcare facilities) (2006: 57.8%)<sup>27</sup> (see Chart 3). The Government Programme provides for a further increase in good-

<sup>23</sup> cf. Statistics Austria, Working time since 2005  
[http://www.statistik.at/web\\_en/statistics/PeopleSociety/labour\\_market/working\\_time/063366.html](http://www.statistik.at/web_en/statistics/PeopleSociety/labour_market/working_time/063366.html), date: 23/03/2018

<sup>24</sup> cf. Statistics Austria, Working time since 2005  
[http://www.statistik.at/web\\_en/statistics/PeopleSociety/labour\\_market/working\\_time/063366.html](http://www.statistik.at/web_en/statistics/PeopleSociety/labour_market/working_time/063366.html), date: 23/03/2018

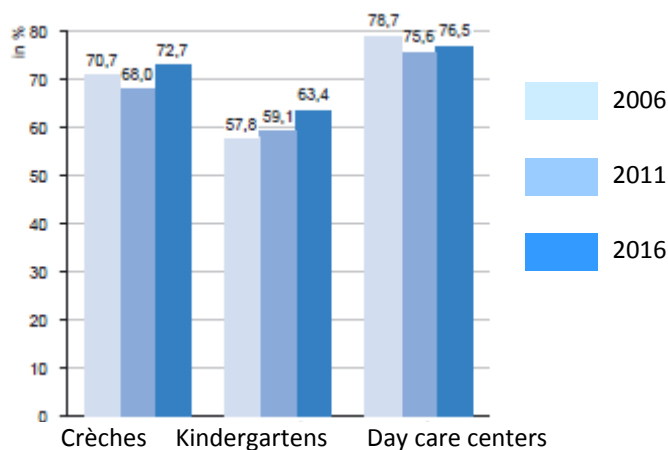
<sup>25</sup> cf. Statistics Austria, Erwerbstätigkeit,  
[http://www.statistik.at/web\\_de/statistiken/menschen\\_und\\_gesellschaft/soziales/gender-statistik/erwerbstaetigkeit/index.html](http://www.statistik.at/web_de/statistiken/menschen_und_gesellschaft/soziales/gender-statistik/erwerbstaetigkeit/index.html), date: 16/03/2018 (date: 22/02/2018)

<sup>26</sup> cf. STATISTICS AUSTRIA, Kindertagesheimstatistik 2016/2017, p. 14  
[http://www.statistik.at/web\\_de/services/publikationen/5/index.html?includePage=detailedView&sectionName=Bildung%2C+Kultur&pubId=746](http://www.statistik.at/web_de/services/publikationen/5/index.html?includePage=detailedView&sectionName=Bildung%2C+Kultur&pubId=746) (date: 23/02/2018)

<sup>27</sup> cf. STATISTICS AUSTRIA, Kindertagesheimstatistik 2016/2017, p. 13  
[http://www.statistik.at/web\\_de/services/publikationen/5/index.html?includePage=detailedView&sectionName=Bildung%2C+Kultur&pubId=746](http://www.statistik.at/web_de/services/publikationen/5/index.html?includePage=detailedView&sectionName=Bildung%2C+Kultur&pubId=746) (date: 23/02/2018)

quality formal childcare all over Austria, flexible opening hours, professional childcare offers during holiday periods, combined with a reform of official school holidays<sup>28</sup> as further milestones towards improving ways to balance work and family commitments. As well as stepped-up formal childcare capacities, the recent reforms of the childcare allowance scheme have contributed to more and more women deciding to return to work again earlier. Already prior to the most recent reform (applicable to births from 1 March 2017 onwards), the past seven years since the introduction of the income-related childcare allowance scheme in 2010 saw more and more women/parents opt for the shorter model, as the longer variants had become less attractive, in particular to high-income earners.<sup>29</sup> What is more, they are incompatible with the legal entitlement to a two-year parental leave and with the right, subject to a time limit, to return to one's old job.

Chart 3: Proportion of children with a working mother in day-care facilities (comparison of the years 2006, 2011 and 2016)



Quelle: STATISTIK AUSTRIA, Kindertagesheimstatistik 2016/17

Source: STATISTICS AUSTRIA, Day-care facilities statistics 2016/2017

The Government Programme<sup>30</sup> provides for the childcare allowance account scheme to be evaluated and adapted with a view to giving parents more choice and holds out the prospect of dismissal protection regulations under labour law as well as insurance protection being aligned with the longest possible duration of childcare allowance being claimed. The abolishment, effective from 1 January 2018, of the provisions for personal and family contributions to long-term care from an individual's wealth (*Pflegeregress*)<sup>31</sup> reduces the burden on men and women with respect to family care and may have a positive impact on

<sup>28</sup> cf. Regierungsprogramm 2017-2022, Zusammen. Für unser Österreich, p. 103 ([https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm\\_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6](https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6))

<sup>29</sup> cf. Riesenfelder, Andreas, Danzer, Lisa, 2017, Wiedereinstiegsmonitoring. Ein Überblick über die Ergebnisse der dritten Fassung des Wiedereinstiegsmonitorings der Kohorten 2006-2014 in Österreich und in den Bundesländer, Wien L&R Sozialforschung/AK, p. 24f. [https://media.arbeiterkammer.at/wien/PDF/studien/Wiedereinstiegsmonitoring\\_Oesterreich\\_2017.pdf](https://media.arbeiterkammer.at/wien/PDF/studien/Wiedereinstiegsmonitoring_Oesterreich_2017.pdf)

<sup>30</sup> cf. Regierungsprogramm 2017-2022, Zusammen. Für unser Österreich, p. 103 ([https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm\\_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6](https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6))

<sup>31</sup> cf. Social Security Assignment Act (*Sozialversicherungs-Zuordnungsgesetz*), Federal Law Gazette I No. 125/2017

female employment. The income tax reform announced in the Government Programme<sup>32</sup> is likewise expected to have a positive effect on women's labour market participation. Reducing the tax burden of low and middle income earners should, in particular, make employment more attractive to women. Implementing the Family Bonus Plus<sup>33</sup> scheme will create additional employment incentives. Family Bonus Plus is a tax credit that reduces the annual tax burden of taxable parents by up to EUR 1,500 per child under the age of 18. As the bonus can be split between both parents, it is possible to specifically reduce the tax burden of working mothers or to exempt their income from taxation altogether. Parents can claim the tax credit until their child's 18th birthday, but only for as long as they are entitled to family allowance and only if the child lives in Austria. The tax credit for children over 18 for whom parents still claim family allowance amounts to up to EUR 500. As far as the child is residing in the EU/EWR or Switzerland and provided there is entitlement, the Family Bonus Plus will, in conformity with the Austrian constitution and Union law, be subject to indexation, i.e. aligned to the respective price level of the country of residence. There will be no payment for children living in third countries. The draft bill also provides for a tax refund (*Kindermehrbetrag*) for low-income single parents and single earners in an amount of EUR 250 per child. These measures are scheduled to enter into force on 1 January 2019. Lower income among women is strongly related to the high rate of part-time employment, as well as, in particular, to the fact that more women work in low-paid jobs. This is why the federal government<sup>34</sup> continues to focus on information and continued professional development opportunities at work. The goal is to create transparency of income. In a collaborative effort with the social partners, all collective bargaining agreements are to be checked for, and cleared of, any discriminatory provisions. Overall, the federal government intends to increase women's participation in the labour market, including those with a migrant background. Key instruments mentioned in the Government Programme<sup>35</sup> in this context include turning the Austrian Integration Fund into the central hub for integration measures and focusing labour market and social policies more strongly on the principle of commensurability of contributions and benefits.

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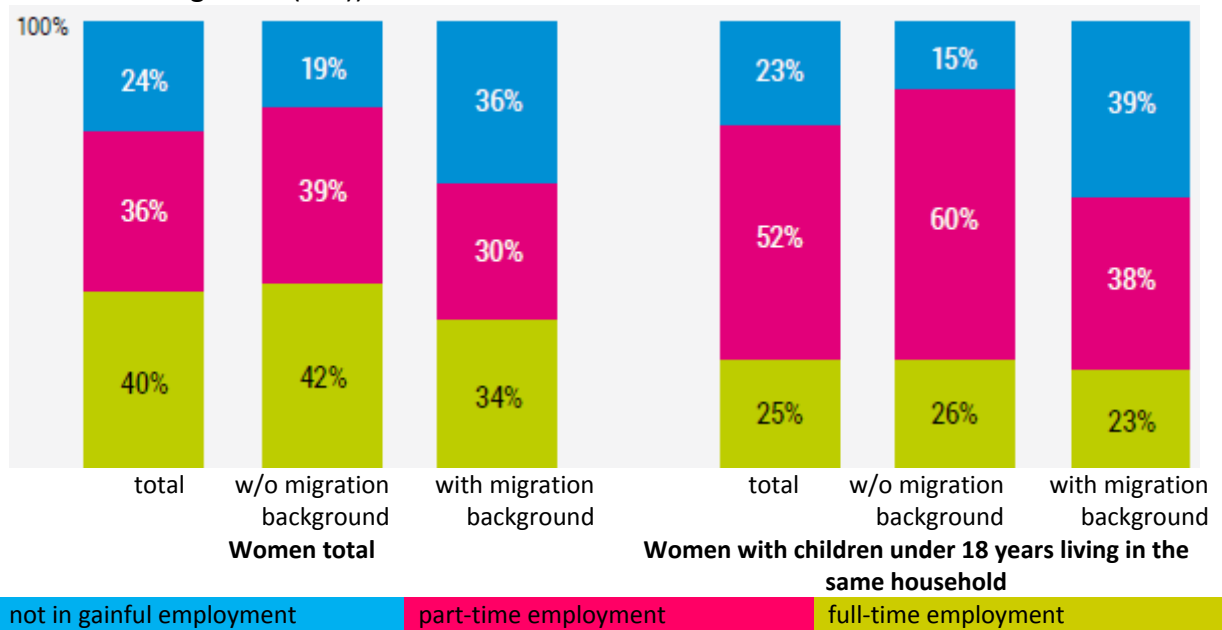
<sup>32</sup> cf. Regierungsprogramm 2017-2022, Zusammen. Für unser Österreich, p. 127  
([https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm\\_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6](https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6))

<sup>33</sup> cf. Ministerratsbeschluss vom 10. Jänner 2018  
[https://www.bundestkanzleramt.gv.at/documents/131008/606361/3\\_20\\_mrv.pdf/b35f3000-a65d-44c6-a7ac-8d06bdd1296b](https://www.bundestkanzleramt.gv.at/documents/131008/606361/3_20_mrv.pdf/b35f3000-a65d-44c6-a7ac-8d06bdd1296b)

<sup>34</sup> cf. Regierungsprogramm 2017-2022, Zusammen. Für unser Österreich, p. 106  
([https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm\\_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6](https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6))

<sup>35</sup> cf. Regierungsprogramm 2017-2022, Zusammen. Für unser Österreich, p. 38f.  
([https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm\\_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6](https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6))

Chart 4: Employment rate of 20-59-year-old women in 2016 (by life situation and migrant background (MB))



Source: Statistics Austria, Austrian micro census - Labour Force Survey Yearly Data (population in private households)

In an effort to improve women’s employment perspectives, Austrian labour market policy aims at abolishing gender-based segregation, promoting upskilling, and providing the best possible support for women returning to the labour market. Within the framework of the Re-Entry Support (*Wiedereinstieg unterstützen*) programme, women are provided with information and tailored advice for planning their re-entry into the workforce. In 2017, more than 6,000 women participated in this programme. Women can also obtain relevant information and personal advice at special Women's Career Centres (*Frauenberufszentren*). Other tried-and-tested labour market instruments include programmes for women in trades and technical jobs (*Frauen in Handwerk und Technik*) and for the systematic acquisition of skills (*Kompetenz mit System*). Both these programmes aim at improving women’s income and employment situation on a sustainable basis, by promoting formal education, also for careers not typically chosen by women.

### 3.2.2 Educational achievements of disadvantaged young people

In Austria, the educational attainment and socio-economic background of parents have a comparatively stronger influence on educational achievements than in other EU countries. The Educational Reform Act,<sup>36</sup> which is now entering into force on a step-by-step basis, paid tribute to this fact. The Act provides for taking the socio-economic background, the specific coaching needs of the students as well as the language spoken by the students on a daily basis into account when allocating resources, thus targeting support to those schools which need it most given the challenges they face. School autonomy is likewise being strengthened through this approach. Individual schools are granted more leeway in terms of teaching, organisation and human resources, which makes it possible to take into account the different requirements and needs of individual schools and to better allocate existing

<sup>36</sup> cf. Educational Reform Act (*Bildungsreformgesetz*), Federal Law Gazette I No. 138/2017 [https://www.ris.bka.gv.at/Dokumente/BgblAuth/BGBLA\\_2017\\_I\\_138/BGBLA\\_2017\\_I\\_138.pdf](https://www.ris.bka.gv.at/Dokumente/BgblAuth/BGBLA_2017_I_138/BGBLA_2017_I_138.pdf)

resources. Going forward, schools will be able to align what and how they teach more closely to the individual needs of students.

The 2017/2018 school year saw the launch of the School 4.0 — Let's get digital (*Schule 4.0 – Jetzt wird's digital*) education strategy. The School 4.0 strategy covers the entire duration of a student's school career, with a focus on conveying digital skills, which have meanwhile become a sine qua non for succeeding in the labour market. Starting in 2018/2019, Basic Digital Education (*Digitale Grundbildung*) will be added to the curricula of lower-level secondary schools as a compulsory subject. This new subject covers basic programming (coding) skills, standard applications, as well as a critical and reflected approach to dealing with information and data on the internet.

Early childhood education and care (ECEC) facilities are to be given a boost in status as educational facilities. The starting point for high-quality childcare facilities was the introduction of a compulsory (free-of-charge) year of pre-school education for all 5-year-olds. 2010/2011, the year in which compulsory pre-school attendance was introduced throughout Austria, saw the most significant rise in 5-year-olds being cared for in pre-school facilities. Since then, the rate of 5-year-olds in ECEC has risen by 2.2 percentage points, reaching 98.5%<sup>37</sup> if 5-year-olds who started school early are included in the count. With a view to successful integration and better social participation of children lacking sufficient German language skills, the federal government<sup>38</sup> plans to further expand early childhood language support. The introduction of a second compulsory year of pre-school education for children with no or only limited German language skills (after language proficiency assessment) is also in the pipeline. In a bid to optimise educational achievements in early education, the Government Programme provides for a new and binding master plan for education<sup>39</sup>, which defines core targets in terms of language and social skills, but also with respect to children-carer-ratio and educational specialists.

A special focus will be placed on providing language support to children unable to follow mainstream classroom teaching due to a lack of German language skills. As from 2018/2019, German language support courses and classes will be set up for students outside mainstream classroom teaching in a bid to better target language support and to ensure that children will be able to attend mainstream classrooms as quickly as possible.<sup>40</sup> The curricula for the new German language support classes are to be designed for one-semester terms, being based on the standard applicable curriculum, in terms of both subjects taught and classroom hours. Regular monitoring and assessment of language skills and progress based on standardised testing and the option to transfer to mainstream classes every semester is to ensure that support measures will be as targeted and individualised as possible.

The purpose of the Strengthening Basic Skills (*Grundwissen und -kompetenzen absichern*) project is to rapidly achieve a sustainable reduction in the number of those students who fail to show sufficient basic skills after completion of primary level education or after the end of

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<sup>37</sup> cf. BMFJ, 2017, Entwicklung des Kindertagesheimbesuchs 5-jähriger Kinder 2008-2016, Wien  
<https://www.bmfj.gv.at/familie/kinderbetreuung/entwicklung-kindertagesheimbesuch.html>

<sup>38</sup> cf. Regierungsprogramm 2017-2022, Zusammen. Für unser Österreich, p. 39  
([https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm\\_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6](https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6))

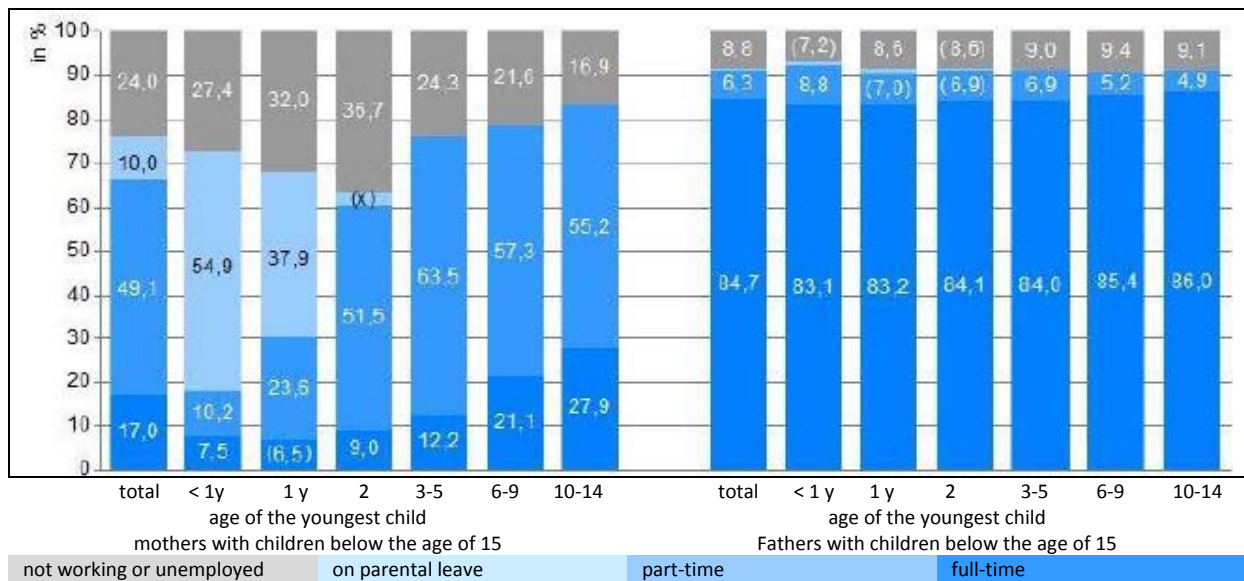
<sup>39</sup> cf. Regierungsprogramm 2017-2022, Zusammen. Für unser Österreich, p. 60  
([https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm\\_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6](https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6))

<sup>40</sup> cf. Ministerratsvortrag vom 24. Jänner 2018,  
[https://www.bundestkanzleramt.gv.at/documents/131008/624839/5\\_29\\_mrv.pdf/61e7188b-fdee-4ffb-afc1-b4e445a0a8dc](https://www.bundestkanzleramt.gv.at/documents/131008/624839/5_29_mrv.pdf/61e7188b-fdee-4ffb-afc1-b4e445a0a8dc)

compulsory schooling. The aim is to assist numerous schools in identifying the strengths and weaknesses of children as early as possible.

Another key element is the increase in full-day school forms. The Education Investment Act,<sup>41</sup> which entered into force in September 2017, provides for investments in an aggregate amount of EUR 750 million until 2032 for increasing the number of full-day school forms in Austria, in move to raise the percentage of children in full-day school forms from currently 23% to 40% based on actual requirements. Providing full-day school forms will also contribute to improving ways to balance work and family commitments, with a special positive effect on labour market participation of women as a likely result.

Chart 5: Labour market participation among men and women with children



Source: Statistics Austria, 2016 micro census Labour Force Survey. – According to the ILO Concept; excl. conscripts on compulsory military or community services ( ) Flagged values for population groups with an estimated size of less than 6,000 persons. – (x) Suppressed values for population groups with an estimated size of less than 3,000. Compiled on 6 October 2017.

The planned introduction, and enshrining in law, of an obligation to meet defined educational standards (*Bildungspflicht*) is to ensure that every child has mastered certain basic skills and basic knowledge (reading, writing, arithmetic, social and creative skills) by the end of their school career. With a view to enhancing controlled interfacing between school types, it is planned to introduce standardised talent checks for pupils at the end of year three in primary school. Eighth-year students stand to benefit from improved career guidance offers. A so-called opportunities pass<sup>42</sup> issued already at the start of year seven is intended to serve as an aid for deciding which further education options to pursue. Based on standardised testing of skills taught at school this measure is also intended to help in making choices when transferring to different school types.

With a view to improving the educational achievements of low-skilled young people, compulsory schooling or training until the age of 18, which entered into force in summer 2017,<sup>43</sup> is particularly important and therefore also relevant for implementing the above-mentioned obligation to meet defined educational standards. Compulsory schooling or

<sup>41</sup> cf. 2017 Education Investment Act (*Bildungsinvestitionsgesetz*), Federal Law Gazette I No. 8/2017

<sup>42</sup> cf. Regierungsprogramm 2017-2022, Zusammen. Für unser Österreich, p. 64

([https://www.bundeskanzleramt.gv.at/documents/131008/569203/Regierungsprogramm\\_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6](https://www.bundeskanzleramt.gv.at/documents/131008/569203/Regierungsprogramm_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6))

<sup>43</sup> cf. 2017 National Reform Programme, p. 13

training for young people under the age of 18 is aimed at reducing youth unemployment and/or the number of young low-skilled workers, while also contributing to the national Europe 2020 target of preventing early leaving of school education. Young people between the ages of 18 and 25 who have completed only compulsory schooling will receive offers for further qualification and financial support for education and training under the Education and Training Guarantee until the Age of 25 (*Ausbildungsgarantie bis 25*) programme. Major efforts are being undertaken to adequately deal with the many challenges in the wake of the 2015 migrant influx and to integrate the target group of subsidiary protected persons into the education system as best possible. Apart from extra resources for language support, mobile intercultural teams have been set up to help school teachers on site with integrating non-German-speaking children as fast possible. Initial and continuing vocational training has a special role to play when it comes to integrating recognised refugees in society.

### 3.2.3 Investment in the services sector

The strong growth currently being witnessed in Austria is due to a large part to sustained strong investment. Investment in machinery and equipment and in the construction of commercial premises has seen a marked boost. However, the European Commission thinks that investment by small and medium-sized enterprises and in the services sector could profit from an upwards potential if existing hurdles were removed. The reform of the Austrian Business Licence Act (*Gewerbeordnung*)<sup>44</sup> as adopted last summer is a move towards eliminating unnecessary barriers. As well as reclassifying 19 trades as free trades with no access requirements and extending the scope of side activities that can be performed under a given licence, it also simplified the procedure for obtaining the necessary approvals for operating facilities. What is more, all applications for business licences are now exempt from federal administrative charges, and the introduction of a digital business licence has helped cut back on red tape. Holders of a new uniform business license, the so-called single licence, can exercise any of the approximately 440 free trades in Austria. Where additional activities carried out under another free trade exceed 30 percent of annual revenue, businesses must notify this to the Business Licence Information System (GISA) and pay the respective Economic Chamber fee. In the case of regulated trades, businesses may earn up to 15 per cent of any given contract volume under a business licence for another regulated trade without having to apply for an additional licence. The new principle introduced with the amendment to the Business Licence Act is 'Advise rather than fine'. Where a business fails to notify an additional free trade, the first step will be for the authority to advise on the need for such notification. Administrative fines will be imposed only if the business in question fails to comply. The federal government plans to fully revise the Business Licence Act by 2020 (splitting it into an act dealing with business qualifications, and uniform legal provisions on operating facilities).<sup>45</sup> Moreover, the Government Programme<sup>46</sup> provides for a long-term business development strategy with clearly defined principles. Measures planned include a one-stop-shop for business support and funding, as

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<sup>44</sup> cf. Federal Law Gazette I No. 94/2017, No. 95/2017 and No. 96/2017 as well as the 2017 National Reform Programme, p. 14f.

<sup>45</sup> cf. Regierungsprogramm 2017-2022, Zusammen. Für unser Österreich, p. 136 ([https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm\\_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6](https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6))

<sup>46</sup> cf. Regierungsprogramm 2017-2022, Zusammen. Für unser Österreich, p. 136 ([https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm\\_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6](https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6))

well as full digitalisation of all related processes. Enshrining a broad-based concept of innovation in funding guidelines and criteria is to make it easier for SMEs to get access to support and funding. Likewise, the general trend is away from direct grants towards liability and guarantees being taken on by the government. SMEs also stand to benefit from less stringent legal requirements for prospectuses, which are to be enacted in the course of a reform of capital market law. The overall goal is to optimise funding terms and conditions for SMEs. A comprehensive risk capital strategy<sup>47</sup> will play a major role in this context, with easier access to venture capital financing in future.

The SME Financing Companies Act (*MiFiGG 2017*)<sup>48</sup> was adopted in 2017 in a bid to promote and facilitate equity financing. The goal is to make it easier for SMEs to get access to equity, during inception as well as during early stages in their lifecycle and in growth phases. The MIFIG regime provides for tax incentives aimed at both private investors and financial intermediaries that make equity available to, or invest specifically in, such companies. Entry into force of MIFIG 2017 is contingent on authorisation by the EU Commission under the notified state aid procedure, which is still pending.

The action plan for promoting Austria as a business location,<sup>49</sup> which was approved by the Council of Ministers on 7 March, lays down further fundamental position points. A bill of law on location development aiming at improving conditions for investors is to be ready by mid-2018. The set of measures planned also includes cutting down on red tape, such as, for example, expanding the scope of exemptions from mandatory licencing for operating facilities. Waiving the need for obtaining licences for operating facilities which are part of an already approved overall facility (such as a train station, airport, hospital) is set to reduce the number of application procedures by 1,000 a year.

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<sup>47</sup> cf. Regierungsprogramm 2017-2022, Zusammen. Für unser Österreich, p. 140 ([https://www.bundeskanzleramt.gv.at/documents/131008/569203/Regierungsprogramm\\_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6](https://www.bundeskanzleramt.gv.at/documents/131008/569203/Regierungsprogramm_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6))

<sup>48</sup> cf. Federal Law Gazette I No. 106/2017

<sup>49</sup> cf. Ministerratsvortrag vom 7. März 2018 ([https://www.bundeskanzleramt.gv.at/documents/131008/688849/10\\_12\\_mrv.pdf/2213979e-b482-403f-8c7c-81bb1bc2a6f6](https://www.bundeskanzleramt.gv.at/documents/131008/688849/10_12_mrv.pdf/2213979e-b482-403f-8c7c-81bb1bc2a6f6))



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

In 2010, the European heads of state and government agreed upon a new strategy focusing on smart, sustainable and inclusive growth by 2020. The Europe 2020 strategy aims at improving employment, education, research, climate change and participation in society. The EU formulated specific targets for these five core areas. EU Member States in turn were called upon to set targets at the national level in a bid to help attain the Europe 2020 targets. The national Europe 2020 targets have since become key benchmarks for policymaking. In its country report,<sup>50</sup> the European Commission confirms that Austria made some progress in implementing the 2017 country specific recommendations (CSRs) and in attaining Austria's national Europe 2020 targets.

Table 1: Overview of the Europe 2020 targets:

	National target		EU headline target	
	2020	2016	2020	2016
<b>Employment rate in % (20-64 age group)</b>	77/78	74.8	75	71.1
<b>R&amp;D investments in % of GDP<sup>(1)</sup></b>	3.76	3.09	3	2.03
<b>Emission target reduction in sectors not included in emissions trading (compared to 2005)</b>	-16%	-14%	-10%	...
<b>Share of renewable energy in gross final energy consumption</b>	34%	33.5%	20%	17.0%
<b>Energy efficiency / stabilisation of gross final energy consumption (in Mtoe)</b>	25.1	28.13 <sup>(4)</sup>	1,086	1,107.7
<b>Early leavers from education and training (18-24 year-olds)<sup>(2)</sup></b>	9.5%	6.9%	10%	10.7%
<b>Tertiary educational attainment<sup>(2)</sup></b>	38%	40.1%	40%	39.7%
<b>Reduction of share of population affected by poverty / social exclusion (compared to 2008)<sup>(3)</sup></b>	-235,000	-156,000	-20,000,000	968,000

Source: Eurostat <sup>(1)</sup> Preliminary value for AT 2017<sup>(2)</sup>: 3.14%; <sup>(2)</sup> Preliminary value for AT 2017: 7.3%; preliminary value for AT 2017: 40.5% <sup>(3)</sup> EU27 <sup>(4)</sup> Differences between Eurostat and national data are mainly due to energy source use in iron and steel production being classified differently as non-fuel consumption.

### 4.1 Labour market and employment

The current cyclical upswing which started in 2015 induced a trend reversal on the Austrian labour market. In 2017, the unemployment rate dropped from 9.1% to 8.5% (national definition). 2017 saw a particularly strong decline in the number of unemployed youths below the age of 25 over the course of the year (-14.5%).<sup>51</sup> While the number of the long-

<sup>50</sup> cf. European Commission, Country Report Austria 2018. Commission Staff Working Document, Brussels, SWD(2018) 218 final, p. 1f

<https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-austria-en.pdf>

<sup>51</sup> cf. AMS, Arbeitsmarktdaten 2017 – Gesamtübersicht, date: 05/03/2018 <http://iambweb.ams.or.at/ambweb/>

term unemployed dropped by 2% as compared to the previous year, the number of older unemployed persons (50 or older) increased by 2.7%.<sup>52</sup>

In 2017, the number of persons in payroll employment grew by 1.9% as compared to the previous year. Employment growth between 2012 and 2015 had still been mainly due to an increase in part-time jobs. Since 2016, however, the number of full-time jobs created has equalled that of part-time jobs. Moreover, the number of hours worked is growing more strongly overall than the number of jobs.<sup>53</sup> Austria's Central Bank (OeNB) thinks this trend will continue in 2018.

Table 2: Labour market trend in Austria

	2016	2017	2018	2019	2020
<b>Total employment (heads)</b>	+1.2	+1.7	+1.7	+1.3	+1.0
Payroll employment	+1.4	+1.8	+1.9	+1.3	+1.1
Of which: public service employment	+0.9	+0.6	+2.4	-0.5	-1.2
Self-employment	-0.2	+0.9	+0.7	+0.7	+0.6
<b>Total hours worked</b>	+1.9	+1.8	+1.6	+1.1	+0.8
Payroll employment	+2.1	+2.0	+1.8	+1.2	+0.9
Self-employment	+0.8	+0.6	+0.7	+0.5	+0.4
<b>Labour supply</b>	+1.5	+1.2	+1.3	+1.2	+1.0

Source: OeNB Forecast of December 2017

Labour potential increased by 1.3% in 2017 as compared to the previous year and will continue to rise in the years to come, but when the baby-boomer generation reaches retirement age, it is expected to fall below the current level.<sup>54</sup>

The present growth in labour supply is driven by three factors: increasing labour market participation of older workers, of women and of immigrants. Due to reforms adopted in the past to incrementally raise the retirement age, annual labour supply will continue to expand by approximately 15,000 additional older workers also over the next few years.<sup>55</sup> Against this backdrop, Austria's labour market policy remains challenging. Under the national employment target, specific programmes and measures are therefore being offered to raise labour market participation among women and older workers.

The fit2work programme offers individual counselling and support by case managers in a bid to keep older persons in gainful employment longer. The aim is to develop solutions tailored to each individual case, together with clients (employee and employer). The programme helps businesses preserve their employees' fitness to work, where necessary also assisting with setting up internal structures allowing them to retain persons with health problems or reintegrate them after long sick leaves. A free-of-charge advisory service for businesses offered by the Public Employment Service (*Impulsberatung für Betriebe*) and a demographic advisory service for businesses and employees (*Demografieberatung für Betriebe und Beschäftigte*) launched by the Federal Ministry of Labour, Social Affairs, Health and Consumer Protection and co-financed by the ESF advises and assists businesses and workers

<sup>52</sup> cf. AMS, Gesamtübersicht über die Arbeitslosigkeit 2017, date: 05/03/2018  
<http://iambweb.ams.or.at/ambweb/>

<sup>53</sup> cf. OeNB, Economic outlook for Austria from 2017 to 2020 (December 2017), p. 14f.  
<https://www.oenb.at/en/Monetary-Policy/Economic-Outlook-for-Austria.html>

<sup>54</sup> cf. OeNB, Economic outlook for Austria from 2017 to 2020 (December 2017), p. 16  
<https://www.oenb.at/en/Monetary-Policy/Economic-Outlook-for-Austria.html>

<sup>55</sup> cf. OeNB, Economic outlook for Austria from 2017 to 2020 (December 2017), p. 16  
<https://www.oenb.at/en/Monetary-Policy/Economic-Outlook-for-Austria.html>

with regard to working conditions attuned to an ageing workforce. Moreover, the Act on Part-Time-Work to Reintegrate Employees after Long-Term Sick Leave<sup>56</sup> established a model under social security law that permits people suffering from physical or mental illness to return to work on a step-by-step basis. The 50+ Employment Scheme (*Beschäftigungsinitiative 50+*) launched in 2014 will be continued. This programme provides companies with incentives to recruit older workers and promotes subsidised wages for older unemployed persons. Since the programme was launched, funding for more than 66,000 jobs for the 50+ age group has been provided. In the past year alone, some 29,000 people benefited from funding in the amount of approx. EUR 160 million. A similar funding volume is planned for 2018. Since summer 2017, less strict dismissal protection regulations apply to persons over the age of 50.<sup>57</sup> The amendment of the Labour Relations Act (*ArbVG*) provides that the general dismissal protection regulations applying to younger workers will apply also to workers who are 50 or older at the time they are hired. The Government Programme envisages the development of an overall policy for qualified migration. This includes making a clear distinction between different forms of immigration such as, for instance, qualified labour migration, EU mobility and asylum. The following measures will help orientate legal migration increasingly towards the needs of Austria:

- reorientation of the Red-White-Red-Card taking into account the needs of the Austrian economy
- regional revision of the list of skilled workers in shortage (*Mangelberufsliste*)
- setting up of an establishment permit for the purpose of vocational training
- recasting and further development of the existing law on Employment of Foreign Nationals (*Ausländerbeschäftigungsgesetz*)
- restrictions for third country nationals in the case of increased unemployment, and
- taking more account of German skills and cultural knowledge.

The campaign for promoting Austria as a business location,<sup>58</sup> which was approved by the Austrian Council of Ministers on 7 March 2018, provides for a comprehensive strategy to counter the shortage of skilled labour. Cornerstones of this scheme include the further development of apprenticeship models either including, or following after, the secondary school leaving exam (*Matura*), enhanced career guidance and coaching for apprentices, and a Digitalisation apprenticeship package comprising 13 new job profiles. Training programmes for skilled workers in e-commerce and glass engineering are scheduled to start already in autumn 2018. Moreover, starting in 2018/2019, Basic Digital Education will be added to the curricula of lower-level secondary schools as a compulsory subject.

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<sup>56</sup> cf. Act on Part-Time-Work to Reintegrate Employees after Long-Term Sickness Leave (*Wiedereingliederungsteilzeitgesetz, WIETZ*), Federal Law Gazette I No. 30/2017; in force since 1 July 2017

<sup>57</sup> cf. Amendment of the Labour Relations Act (*Arbeitsverfassungsgesetz, ArbVG*), Federal Law Gazette I No. 37/2017, in force since 1 July 2017

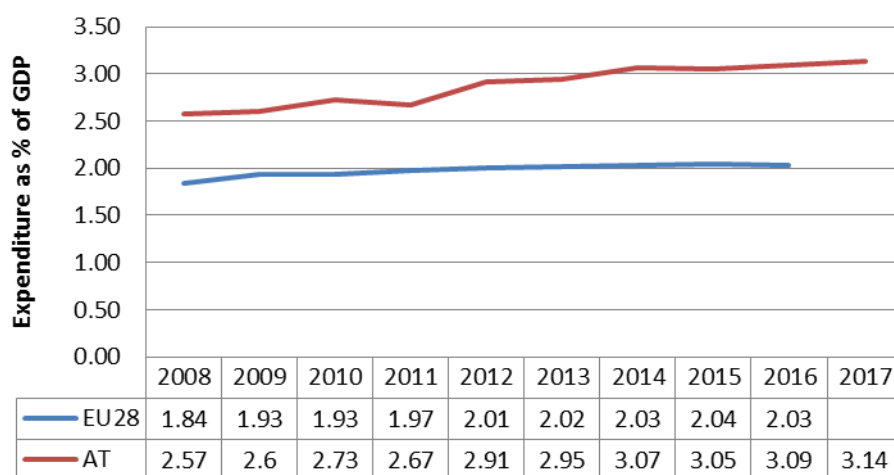
<sup>58</sup> cf. Ministerratsvortrag vom 7. März 2018

[https://www.bundestkanzleramt.gv.at/documents/131008/688849/10\\_12\\_mrv.pdf/2213979e-b482-403f-8c7c-81bb1bc2a6f6](https://www.bundestkanzleramt.gv.at/documents/131008/688849/10_12_mrv.pdf/2213979e-b482-403f-8c7c-81bb1bc2a6f6)

## 4.2 Research and development (R&D)

According to Statistics Austria's global estimate,<sup>59</sup> a total of EUR 11.3 billion was spent on research and development (R&D) in 2017. The total sum of Austrian R&D spending will be up 3.8% from 2016, reaching 3.14% of GDP. This puts Austria among those countries of the EU28 with the highest rise in R&D intensity since 2008, a development that is due to the steady increase in both private and public sector expenditure.

Chart 6: Research and development



Source: Eurostat, Statistics Austria

With 48.2% (approx. EUR 5.46 billion), the private sector is the most important funding provider. Adding foreign funding, which accounts for EUR 1.74 billion and stems mainly from multinationals whose subsidiaries engage in research in Austria, the private sector comes to roughly 64%. About 36% of total R&D expenditure (EUR 4.08 billion) are attributable to the public sector. The significant rise in public funding, from 2.2% in 2016 to an estimated 5.2% in 2017, is attributable to the research tax premium<sup>60</sup> having been raised from 10% to 12%. Another hike, up to 14%, on 1 January 2018 followed in a bid to promote application-oriented research by SMEs and large-scale companies and improve the eco-system for innovation. The Government Programme provides for a new research, technology and innovation strategy<sup>61</sup>. Furthermore, a Research Funding Act (*Forschungsfinanzierungsgesetz*) is to provide multi-year budget and planning security for research expenditure, is a pivotal element. A clear separation of tasks between the ministries (strategic responsibility) and the funding agencies (operational responsibility) is to ensure optimal governance structures and maximum efficiency. As for concrete projects, the Digital Roadmap contemplates digital change support to SMEs (*KMU-digital*), a goal which is to be pursued over the next few months. Likewise addressed to SMEs, but also to start-ups, the Impact Innovation programme is about promoting innovation in services, products or processes. The purpose

<sup>59</sup> cf. Statistics Austria, Global estimate 2017, [http://www.statistik.at/web\\_en/statistics/EnergyEnvironmentInnovationMobility/research\\_and\\_development\\_r\\_d\\_innovation/global\\_estimate\\_r\\_d\\_intensity\\_annual/index.html](http://www.statistik.at/web_en/statistics/EnergyEnvironmentInnovationMobility/research_and_development_r_d_innovation/global_estimate_r_d_intensity_annual/index.html), date: 07/03/2018

<sup>60</sup> cf. 2017 National Reform Programme, p. 21;

<sup>61</sup> cf. Regierungsprogramm 2017-2022, Zusammen. Für unser Österreich, p.76ff. ([https://www.bundeskanzleramt.gv.at/documents/131008/569203/Regierungsprogramm\\_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6](https://www.bundeskanzleramt.gv.at/documents/131008/569203/Regierungsprogramm_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6))

of the Spin-off Fellowship programme is to support academic spin-offs coming out of universities and research institutions. Research focus areas over the next 12 to 24 months include quantum research and quantum technology, as well as development of an Austrian quantum computer. Overall, the Austrian National Foundation for Research, Technology and Development will disburse EUR 107 million to Austrian research institutions this year. As 2016 had seen a mere EUR 18 million come from this source, the National Foundation Act<sup>62</sup> was reformed in the summer of 2017, allowing for funding to be stepped up considerably. The foundation is meant to finance, in particular, new formats for research and innovation funding. A total of up to EUR 420 million is in the pipeline until 2020, including the resources of the Austria Fund (*Österreich-Fonds*).

### 4.3 Energy and climate change

The European Union's climate change and energy policy pursues several objectives: It aims to reduce greenhouse gas emissions, to ensure a reliable supply of energy at affordable prices, and to contribute to growth, employment and competitiveness. In the long term, the EU aims to make the transition to a low-carbon economy (decarbonisation). In order to reach this goal, three key targets are to be achieved by 2020: Greenhouse gas emissions are to be cut by 20% from their 1990 levels, the share of renewables in final energy consumption is to be increased to 20%, and energy efficiency is to be improved by 20% in order to keep energy consumption at a constant level. With the adoption of the EU's climate and energy package, the 20% targets for greenhouse gas emissions, renewables and improvement in energy efficiency became binding legislation. These are also the headline targets of the Europe 2020 strategy. On the basis of the relevant EU legislation, the following 2020 targets were defined for Austria:

- i. 16% reduction of greenhouse gas emissions (from 2005) in sectors not included in EU emissions trading (effort sharing)
- ii. 34% share of renewables in gross final energy consumption
- iii. A maximum of 25.1 Mtoe in final energy consumption by 2020 (indicative value)

#### Cut in greenhouse gas emissions

According to the most recent annual statement of emissions,<sup>63</sup> Austria's greenhouse gas emissions increased by about 1% between 2015 and 2016, amounting to 79.7 million tonnes of carbon equivalent. As compared to 2015, greenhouse gas emissions included in the emissions trading system (ETS) decreased by 0.5 million tonnes, while emissions from sectors not included in the emissions trading system increased by 1.3 million tonnes. In spite of this rise, Austria's emissions did not exceed the limit of 51 million tonnes of carbon equivalent set out in the Climate Change Act.<sup>64</sup> At 0.4 million tonnes, Austria managed to remain below the admissible limit for the fourth year in a row.

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<sup>62</sup> cf. Amendment to the National Foundation Act (*Nationalstiftungsgesetz*), Federal Law Gazette I No. 81/2017

<sup>63</sup> cf. Umweltbundesamt, 2018, Treibhausgas-Bilanz 2016. Daten, Trends & Ausblick  
[http://www.umweltbundesamt.at/fileadmin/site/presse/news\\_2018/Treibhausgas-Bilanz2016\\_Praesentation.pdf](http://www.umweltbundesamt.at/fileadmin/site/presse/news_2018/Treibhausgas-Bilanz2016_Praesentation.pdf)

<sup>64</sup> cf. Climate Change Act (*Klimaschutzgesetz, KSG*), Federal Law Gazette I No. 58/2017; the act defines quantitative targets at national only for emissions not included in the emissions trading system.  
<https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=20007500&FassungVom=2017-04-25> (available in German only)

Table 3: Greenhouse gas emissions in Austria from 2005 to 2016

Million tonnes of carbon equivalent	2005	2010	2011	2012	2013	2014	2015	2016	2015/16
Energy and industry sector in the ETS	42.1	39.2	39.1	37.0	36.3	34.0	35.8	35.2	-1.6
Energy and industry sector not in the ETS*	6.3	6.6	6.5	6.7	6.5	5.9	6.3	6.2	-1.5
Emissions trading volume in energy and industry sector**	35.8	32.7	32.6	30.3	29.9	28.1	29.5	29.0	-1.7
Transport (including national aviation)	24.6	22.1	21.4	21.3	22.3	21.7	22.1	23.0	+4.2
Transport (excluding national aviation)	24.6	22.1	21.3	21.2	22.2	21.7	22.0	22.9	+4.2
Housing*	12.5	10.4	8.8	8.5	8.6	7.6	7.9	8.1	+2.7
Agriculture*	8.2	8.0	8.1	8.0	8.0	8.1	8.1	8.2	+1.5
Waste management*	3.4	3.3	3.3	3.3	3.1	3.1	3.0	3.1	+1.8
F-gases (including NF <sub>3</sub> )	1.8	1.9	1.8	1.9	1.9	2.0	2.0	2.1	+5.0
F-gases (excluding NF <sub>3</sub> )	1.8	1.9	1.8	1.8	1.9	1.9	2.0	2.1	+5.4
Greenhouse gases pursuant to KSG	56.8	52.2	49.8	49.6	50.3	48.3	49.3	50.6	+2.7
Total greenhouse gas emissions	92.7	84.9	82.5	79.9	80.2	76.5	78.9	79.7	+1.0
*Sector classification pursuant to Climate Change Act (KSG)									
**Data for the period between 2005 and 2012 adjusted for the differentiation in emissions trading applicable since 2013									

Source: Environment Agency Austria, Annual Statement of Emissions for 2016

The table shows that transport and housing are the main drivers of rising emissions. It is evident that economic growth strongly contributes to this rise. Therefore, structural measures in mobility and housing are to be taken to prevent Austria from failing to achieve its national Europe 2020 target. Actions envisaged include measures in housing, promoting an increase in photovoltaic capacity with storage facilities, as well as stepping up e-mobility.<sup>65</sup> What is more, the Austrian energy and climate strategy (*mission2030*) is scheduled to be completed by summer 2018.

#### Increasing the share of renewables

The 2020 climate and energy package provided for an EU-wide increase of the share of renewables in gross final energy consumption to 20%. By way of comparison, in 2005 this amount was at 8.5%. In order to achieve this goal, binding national targets were agreed for each of the Member States, reflecting countries' different starting points for renewables production and existing possibilities. These targets vary between 10% and 49%. For Austria, the EU Renewable Energy Directive<sup>66</sup> defines as target to raise the value up to 34% by 2020. A constant rise of the share of renewables in final energy consumption can be observed, from 27.8% in 2008 to currently 33.5%. It is realistic that the national Europe 2020 target will be achieved. The highest share of renewables was recorded in renewables-based electricity generation (hydropower, wind, sun, geothermal heat, biomass), at 71.7% of final electricity

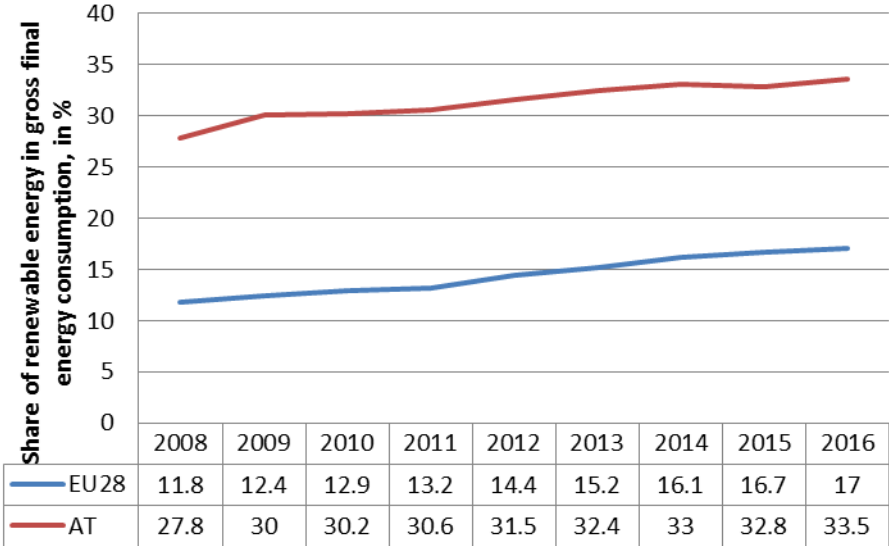
<sup>65</sup> cf. Regierungsprogramm 2017-2022, Zusammen. Für unser Österreich, p. 49, 154, 179

[https://www.bundesskanzleramt.gv.at/documents/131008/569203/Regierungsprogramm\\_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6](https://www.bundesskanzleramt.gv.at/documents/131008/569203/Regierungsprogramm_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6)

<sup>66</sup> cf. Directive 2009/28/EC of 23 April 2009 <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex:32009L0028>

consumption.<sup>67</sup> The Government Programme envisages the share of renewable electricity to reach 100% (nationwide, in energy balance terms) by 2030.<sup>68</sup>

Chart 7: Renewable energy 2008-2016



Source: Eurostat

It is currently being evaluated how more private sector investment can be leveraged for ramping up renewables capacities.

Improvement in energy efficiency

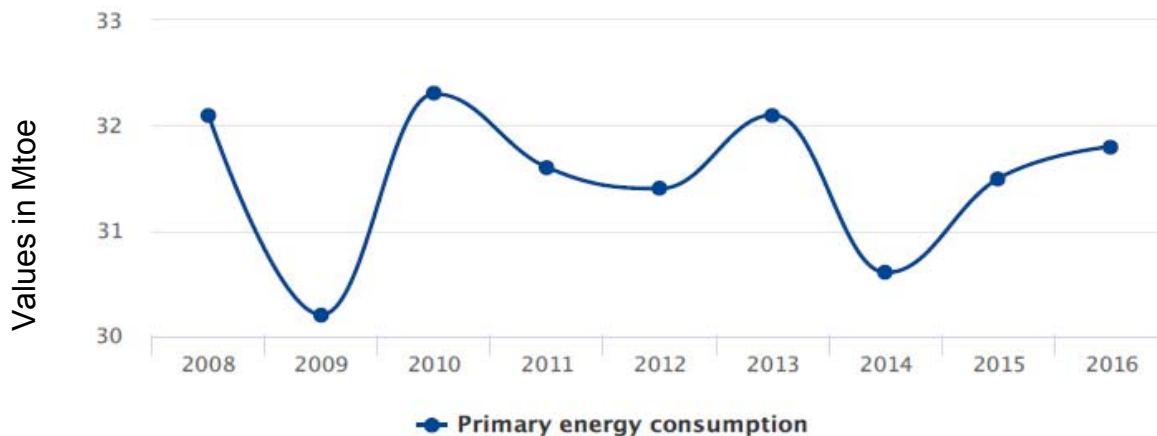
Improving energy efficiency constitutes a top priority in Austria’s energy policy. In the period between 2005 and 2016, energy intensity declined by an average of 1.3% per year. Austria’s target in this context is to step up energy efficiency to such an extent that, by 2020, final energy consumption during a standard year will not exceed 1,050 PJ. The Energy Efficiency Act<sup>69</sup> stipulates that, starting in 2014, final energy consumption is to be reduced by a cumulative total of 310 PJ by 2020. This target is to be met through a combination of strategic measures and a system of obligations for energy suppliers. The latter is intended to bring about a cumulative reduction of 159 PJ, while the strategic measures are meant to translate into a cumulative reduction of 151 PJ.

<sup>67</sup> cf. Statistics Austria, Energy balances, [https://www.statistik.at/web\\_en/statistics/EnergyEnvironmentInnovationMobility/energy\\_environment/energy/energy\\_balances/index.html](https://www.statistik.at/web_en/statistics/EnergyEnvironmentInnovationMobility/energy_environment/energy/energy_balances/index.html), date: 08/03/2018

<sup>68</sup> cf. Regierungsprogramm 2017-2022, Zusammen. Für unser Österreich, p. 170 [https://www.bundeskanzleramt.gv.at/documents/131008/569203/Regierungsprogramm\\_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6](https://www.bundeskanzleramt.gv.at/documents/131008/569203/Regierungsprogramm_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6)

<sup>69</sup> cf. Energy Efficiency Act (*Energieeffizienzgesetz, EEff-G*), Federal Law Gazette I No. 72/2014

Chart 8: Primary energy consumption 2008 to 2016



Source: Eurostat

Every supplier that sold at least 25 GWh to final energy consumers in the previous year is required to provide evidence of energy efficiency measures, implemented either in its own operations, with final customers or other final energy consumers, at a rate of 0.6% of the previous year's energy sales. The Energy Efficiency Act provides for strategic measures to be taken by the public sector (federal, provincial and local governments) to create a supportive framework and incentives for market participants to contribute to improving energy efficiency. Such measures include government funding programmes (e.g., environmental subsidies in Austria, housing construction subsidies, or the thermal rehabilitation programme). In order to keep up the trend towards a decoupling of economic growth and energy consumption, evaluation and further amendment of the Energy Efficiency Act<sup>70</sup> are being envisaged.

## 4.4 Education

The Europe 2020 strategy defines two targets for education: pushing the rate of early school leavers to below 10%, and raising the rate of 30-34 year-olds having completed tertiary education to at least 40%.

### Preventing early leaving from education and training

To enable young people to participate in society and in employment, they need to have adequate educational degrees and qualifications.

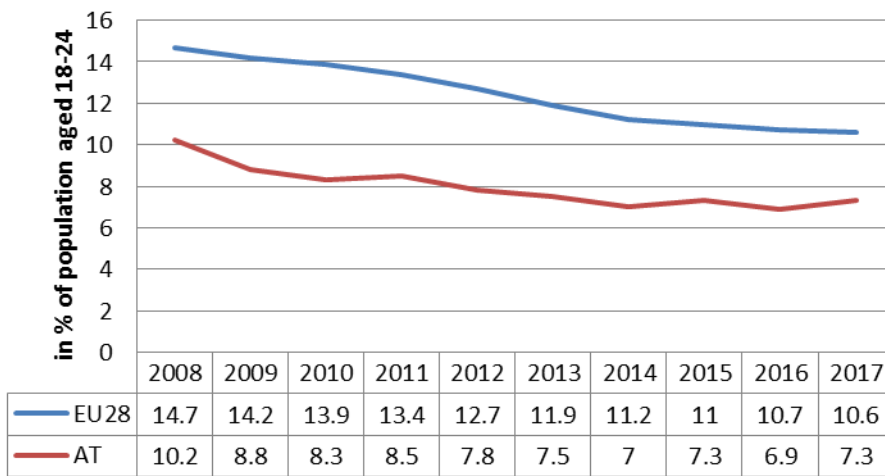
The national Europe 2020 target with respect to early leavers from education and training is for the rate of 18-24 year-olds not having completed upper secondary education and not currently undergoing training to not exceed 9.5%. Since the launch of the Europe 2020 strategy, the rate of early leavers from education and training has been on a noticeable decline, both in Europe and in Austria.

<sup>70</sup> cf. Regierungsprogramm 2017-2022, Zusammen. Für unser Österreich, p. 177

[https://www.bundeskanzleramt.gv.at/documents/131008/569203/Regierungsprogramm\\_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6](https://www.bundeskanzleramt.gv.at/documents/131008/569203/Regierungsprogramm_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6)



Chart 9: Early leavers from education and training 2008 to 2017



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 2017,<sup>71</sup> said percentage stands at 7.3%. This comparatively good result is attributable to increased attention having been paid to prevention in Austria in recent years. A key instrument in this area is the National Strategy for Preventing Early Leaving from Education and Training (*Nationale Strategie zur Verhinderung frühzeitigen (Aus-)Bildungsabbruchs*),<sup>72</sup> which was updated in 2016. The strategic framework proposed by the EU Commission, comprising the three pillars of prevention, intervention and compensation, provided valuable input for reviewing the effectiveness of measures taken so far. As the subsequent costs of early leaving from education and training are disproportionately high for society, investments in prevention have been stepped up.

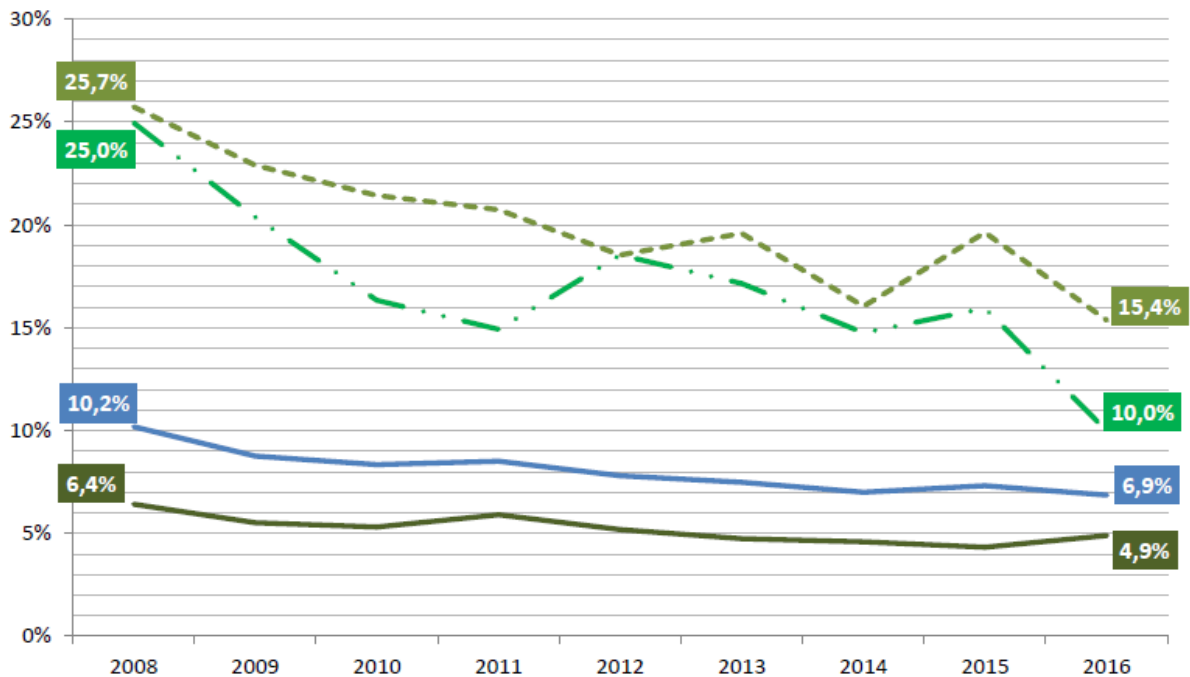
<sup>71</sup> cf. Eurostat Europe 2020

[http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=t2020\\_40&plugin=1](http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=t2020_40&plugin=1), date: 12/03/2018

<sup>72</sup> cf. Nationale Strategie zur Verhinderung frühzeitigen (Aus-)Bildungsabbruchs, Wien 2016

[https://bildung.bmbwf.gv.at/schulen/unterricht/ba/NationaleStrategieSchulabbruch2016\\_final\\_Webversion.pdf?61edvp](https://bildung.bmbwf.gv.at/schulen/unterricht/ba/NationaleStrategieSchulabbruch2016_final_Webversion.pdf?61edvp)

Chart 10: Early leavers from education and training 2008 to 2016 by migrant background



\*) break in series

— total  
 - - - 1st generation  
 . . . 2nd generation  
 — w/o migration background

Source: Federal Ministry of Education, Science and Research

Prevention measures include, among others, the Quality Initiatives in General Education (SQA school quality) and in Vocational Education and Training (QIBB) as well as comprehensive measures for educational and vocational guidance at schools. Other elements of the strategy include increased language support and the use of better diagnostic tools (informal skills-level measurement or *IKM*). Intervention includes psycho-social guidance being offered for specific learning, orientation and behavioural problems. Social workers assist schools in addressing challenges such as absenteeism. The Government Programme introduces a new and more easily feasible model for preventing violations of compulsory school attendance.

Youth coaching (*Jugendcoaching*), a measure applied directly where there is an imminent danger of early school leaving, has proven to be particularly effective. Targeted case management is used to motivate the student to continue education or training, offering him or her a closely-meshed set of support, education and training offers. Specific support structures for apprenticeship training and apprenticeship exams are in place as a way to supplement the drive for compulsory education and/or training for young people up to age 18. The aim is to keep in touch with and support both apprentices and apprenticeship providers throughout the training period and to bring down the number of early leavers (see also 3.2.2, p. 13).

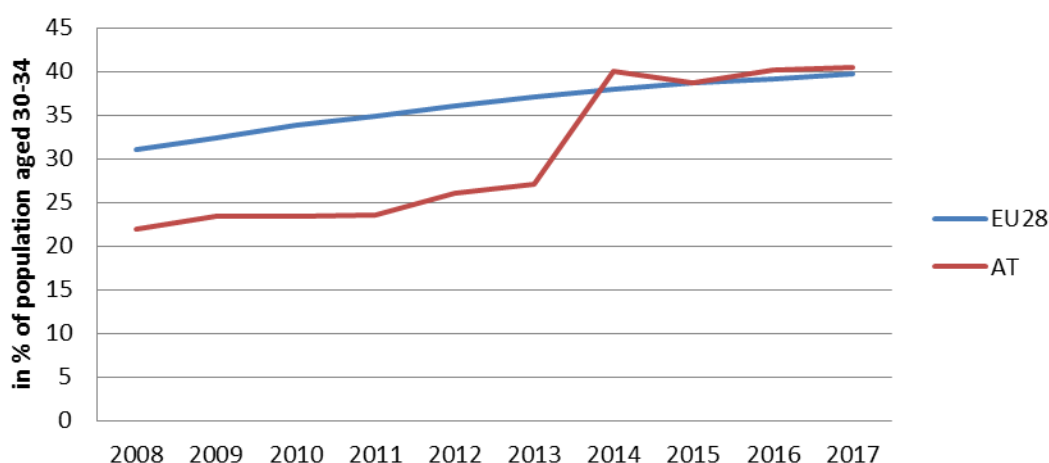
Under the heading of compensation, the Adult Education Initiative (*Initiative Erwachsenenbildung*) is already entering into its third programme period (2018-2021). The purpose of this Article 15a agreement (agreement regulating competencies between the different layers of government) is to support measures in basic education and measures to encourage the completion of compulsory schooling at a later stage. 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. Other examples include the BOK and BOKGastro production schools in Vienna where young people can acquire basic knowledge and skills for the vocational career they are planning to pursue. The Regional Youth Coaching project (*Jugendcoaching Industrieviertel*) in Lower Austria assists young people in making career choices. Carinthia set up a project (*Auf dem Weg...*) to specifically target young women between 18 and 25 who are at risk of social exclusion, offering them opportunities to acquire knowledge equivalent to compulsory schooling standards as well as key vocational qualifications.

### Tertiary educational attainment

In the past few years, Austria managed to catch up to the EU28 average, outperforming the national EU 2020 target as early as in 2014. According to the preliminary data released by Eurostat<sup>73</sup> for 2017, the tertiary educational attainment rate for the age group 30-34 is 40.5%, likewise above the EU28 average of 39.7%.

Chart 11: Tertiary educational attainment in % for the age group 30-34



Source: Eurostat

More than 34% of 25-64 year-olds having completed tertiary education hold a degree in the so-called STEM subjects,<sup>74</sup> which means Austria ranks among the top countries within the OECD. At 29%, Austria also reaches absolutely top OECD scores<sup>75</sup> where current STEM degrees are concerned.

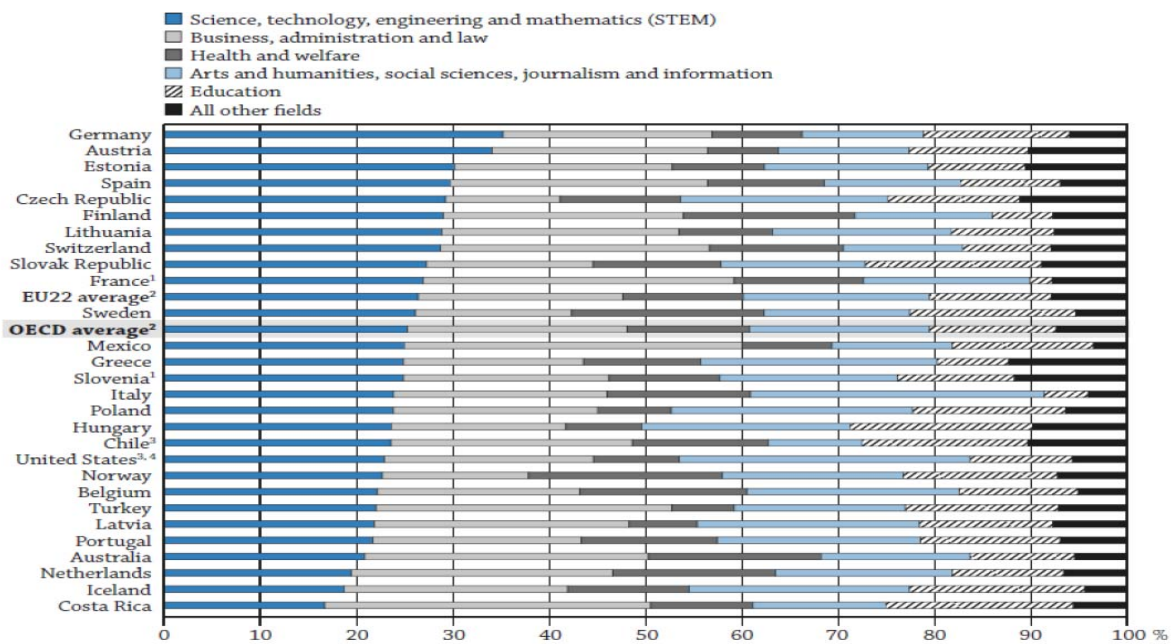
<sup>73</sup> cf. Eurostat

[http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=t2020\\_41&plugin=1](http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=t2020_41&plugin=1), date: 13/03/2018

<sup>74</sup> cf. OECD 2017, Education at a Glance, p. 42

<sup>75</sup> cf. OECD 2017, Education at a Glance, Country Note, p. 2

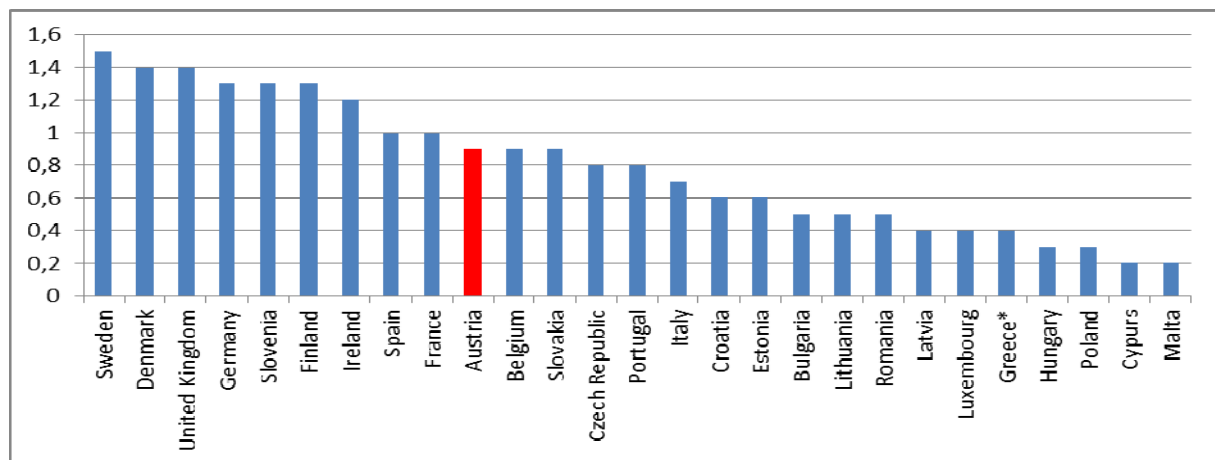
Chart 12: Fields of study among tertiary-educated 25-64 year-olds 2016



**Note:** Science, technology, engineering and mathematics (STEM) comprise the ISCED-F 2013 fields of natural sciences, mathematics and statistics, information and communication technologies, and engineering, manufacturing and construction.  
 1. The age group refers to 25-34 year-olds.  
 2. The OECD and EU22 averages exclude France and Slovenia.  
 3. Year of reference differs from 2016. Refer to the source table for more details.  
 4. Data refer to bachelor's degree fields, even for those with additional tertiary degrees.  
 Countries are ranked in descending order of the field of STEM.  
**Source:** OECD (2017), Table A1.3. See Source section for more information and Annex 3 for notes ([www.oecd.org/education/education-at-a-glance-19991487.htm](http://www.oecd.org/education/education-at-a-glance-19991487.htm)).

For the indicator Graduates at doctoral level, in STEM subjects per 1000 of population aged 25-34 (EU28 excluding the Netherlands), Chart 13 shows that, with 0.9 doctoral graduates per 1000 of population aged 25-34 in 2015, Austria was in the upper middle range of European Union countries, but still lagging behind innovation leaders like Sweden (1.5), Denmark (1.4) or the United Kingdom (1.4).

Chart 13: Graduates at doctoral level, in STEM subjects per 1000 of population aged 25-34 (EU28 excluding the Netherlands)



**Note:** \*Data from 2014. No data available for the Netherlands.  
**Source:** Eurostat database

The structural change currently taking place will make the labour market of the future even more strongly geared towards research, technology and innovation. This is why special importance is attached to expanding innovative digital skills and STEM study courses.<sup>76</sup> Going forward, all agreements entered into between the Federal Ministry for Education, Science and Research and Austrian universities will therefore place a particular focus on engineering and information technology education, including measures aimed at reducing drop-out rates and raising the number of those interested in tertiary education. Starting with the academic year 2018/2019, the universities of applied sciences will offer a total of 450 new places for students in mathematics, information technology, natural sciences and engineering, funded in part through the banking levy introduced in 2017. In January 2018, the Council of Ministers approved the new University Funding scheme,<sup>77</sup> which provides for three pillars on which the entire funding system will be based. Like before, the universities will be allocated a global budget, containing amounts from all three funding pillars. The first pillar comprises teaching, the second one research/advancement and appreciation of the arts, the third one infrastructure and strategic development. Two basic indicators<sup>78</sup> are used to calculate the budget to be allocated from the first two pillars, and another two competitive indicators for each pillar. The basic indicators in particular are key benchmarks for current teacher-student ratios and improvements to be achieved under the agreements. While the amounts budgeted based on the first two indicators are determined in advance, for the three-year term of any such agreement, the amounts allocated based on the competitive indicators are determined annually, with estimates being made in advance. Based on this model, capacity-based university funding is to be further developed across several three-year-terms, once the new cost and activity accounting system has become established.<sup>79</sup>

## 4.5 Poverty and social exclusion

In 2016, some 1,542,000 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. Austria's national target is to reduce the number of people at risk of poverty and social exclusion by 235,000.

Actually, a downward trend can be observed in Austria for the so-called poverty target. The percentage of total population at risk of poverty or social exclusion went down from 20.6% in 2008 to 18.0% in 2016. In absolute terms, this means that in 2016 some 157,000 fewer people were affected by poverty and social exclusion than in 2008, so 67% of the intended

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<sup>76</sup> cf. Regierungsprogramm 2017-2022, Zusammen. Für unser Österreich, p. 71f.

[https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm\\_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6](https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6)

<sup>77</sup> cf. Submission to the Austrian Council of Ministers, amendment of the Universities Act 2001 (*Universitätsgesetz*), NEW University Funding scheme (*Universitätsfinanzierung NEU*) (approved on 31 January 2018); [https://www.bundestkanzleramt.gv.at/documents/131008/642767/6\\_20\\_mrv.pdf/56e88942-0325-49dc-b518-27d8aa1c980f](https://www.bundestkanzleramt.gv.at/documents/131008/642767/6_20_mrv.pdf/56e88942-0325-49dc-b518-27d8aa1c980f)

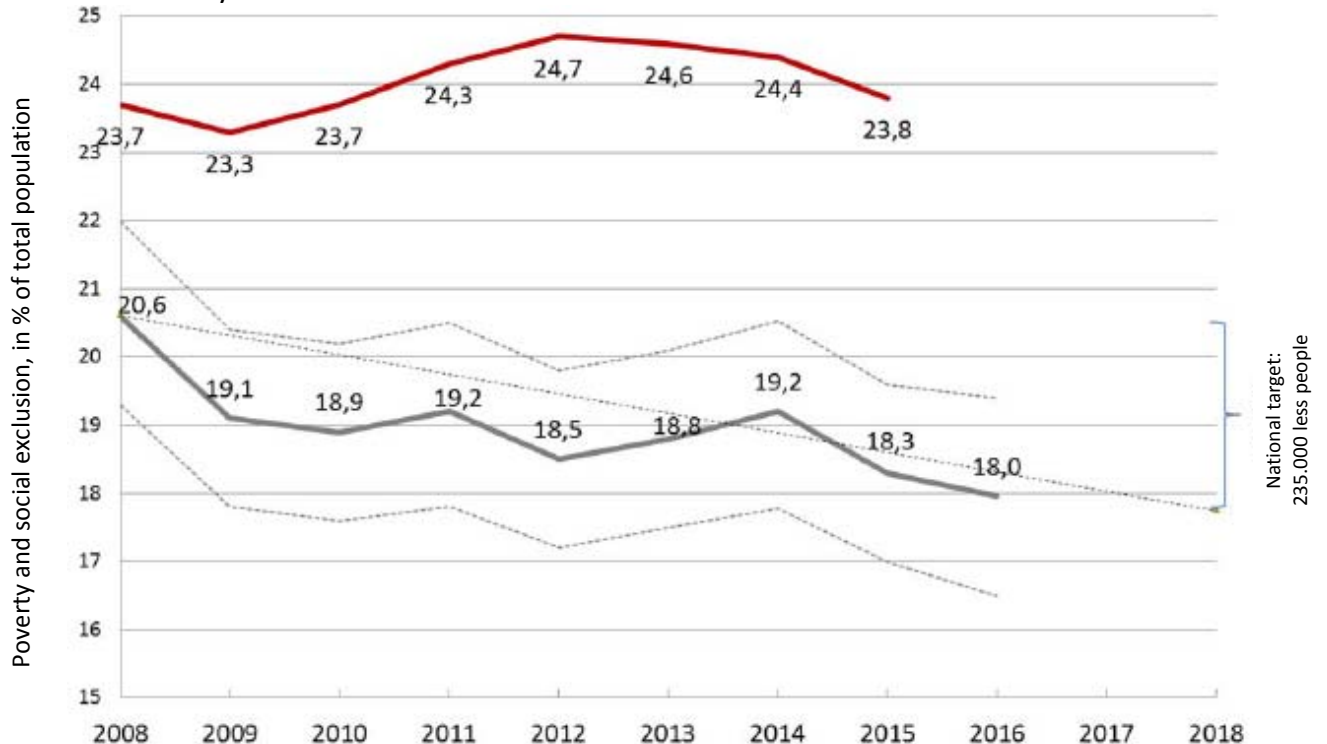
<sup>78</sup> The basic indicators are: number of regular bachelor, master and diploma programmes being actively pursued by students (attaining at least 16 ECTS credits or passing exams equivalent to 8 semester hours per academic year), and number of staff in selected positions, indicated in full-time equivalents per calendar year.

<sup>79</sup> cf. Regierungsprogramm 2017-2022, Zusammen. Für unser Österreich, p. 70

[https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm\\_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6](https://www.bundestkanzleramt.gv.at/documents/131008/569203/Regierungsprogramm_2017%e2%80%932022.pdf/b2fe3f65-5a04-47b6-913d-2fe512ff4ce6)

reduction have already been achieved.<sup>80</sup> To meet the national Europe 2020 target, it would be necessary to reduce the number of affected persons by a further 78,000 over the next two years.

Chart 14: Poverty and social exclusion 2008 to 2016



... lower limit (95% KI)	poverty and social exclusion in AT	... upper limit (95% KI)
... ▲ ... ▲ ... AT target	EU-average	

Source: Federal Ministry of Labour, Social Affairs, Health and Consumer Protection

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 2016, 14.1% of the population (1,208,000 persons) were at risk of poverty, i.e. the income available to a single-person household was EUR 1,185 per month (12 times a year). 3.0% of total population, or a total of 257,000 persons, were affected by severe material deprivation,<sup>81</sup> and 8.1% (528,000 persons) lived in households with no or very low work intensity. Two of the above-mentioned criteria apply to a total of 366,000 persons, or 4.3% of the population.<sup>82</sup>

<sup>80</sup> cf. Statistics Austria, Poverty and social inclusion, [https://www.statistik.at/web\\_en/statistics/PeopleSociety/social\\_statistics/poverty\\_and\\_social\\_inclusion/index.html](https://www.statistik.at/web_en/statistics/PeopleSociety/social_statistics/poverty_and_social_inclusion/index.html), date: 12/03/2018

<sup>81</sup> 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).

<sup>82</sup> cf. Sozialministerium 2017, Armut und soziale Ausgrenzung 2008-2016. Entwicklung von Indikatoren und aktuelle Ergebnisse zur Vererbung von Teilhabechancen in Österreich, p. 13 [https://www.sozialministerium.at/cms/site/attachments/0/6/6/CH3434/CMS1515498709051/armut\\_und\\_soziale\\_ausgrenzung\\_2008\\_bis\\_2016\\_entwicklung\\_von\\_indikatoren\\_u.pdf](https://www.sozialministerium.at/cms/site/attachments/0/6/6/CH3434/CMS1515498709051/armut_und_soziale_ausgrenzung_2008_bis_2016_entwicklung_von_indikatoren_u.pdf)

A separate look at each of these three indicators shows that the number of people affected by severe material deprivation has significantly decreased. On the other hand, however, the number of persons living in households with no or very low work intensity is rising slightly, up from 2008 by 53,000 persons in 2016.<sup>83</sup>

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. Lower income from employment and less continuity of employment also manifests itself in lower pensions, which is why the Public Employment Service (PES) has made equal opportunities for men and women in the labour market a target laid down in statute. To reach this goal, the PES has embraced gender budgeting in its active labour market policies and offers numerous measures aimed specifically at women (see also 3.2.1). Compulsory income reporting for businesses with 150 employees or more, as well as improved transparency of incomes, are further instruments aimed at reducing the gender pay gap. At 20.1% in 2016, it had recorded a decline as compared to the previous year, but still remained markedly above the EU average of 16.2%.<sup>84</sup> At 20%, the risk of poverty among female pensioners who live alone is substantially higher than among their male counterparts (11%). Part of the reason for this is the high percentage of women who have low pensions. The means-tested equalisation supplement helps safeguard a certain minimum amount of income to female pensioners. The indicative rate for single persons is set at EUR 909.42 for 2018. This increase over last year's value ensures that single female pensioners will be entitled to a monthly minimum pension of EUR 1,022 in 2018, provided they paid contributions for at least 30 years.<sup>85</sup> In order to counter this gender-specific risk of poverty and exclusion, Austria continues to invest in high-quality, affordable formal care for children and for adults in need of care. The 1.9% increase in family allowance as of 1 January 2018 will help improve incomes of single-parent households. The amendment of the Labour Market Policies Funding Act adopted by the Council of Ministers in February<sup>86</sup> will also come with some benefits for those with low payroll income: it provides for an increase in the value of the reduced unemployment insurance contribution for those with low income from employment. One of the groups particularly affected by poverty and social exclusion are the long-term unemployed – their risk amounts to 64%. With a view to improving the situation of this risk group, persons who claim means-tested minimum income, but are fit to work, will be registered as job seekers by the Public Employment Service. This status gives such persons access to all services offered by the Public Employment Service, such as help with job searches, as well as all training and support measures available to further a sustainable reintegration into the labour market.

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<sup>83</sup> cf. Sozialministerium 2017, Armut und soziale Ausgrenzung 2008-2016. Entwicklung von Indikatoren und aktuelle Ergebnisse zur Vererbung von Teilhabechancen in Österreich, p. 15  
[https://www.sozialministerium.at/cms/site/attachments/0/6/6/CH3434/CMS1515498709051/armut\\_und\\_soziale\\_ausgrenzung\\_2008\\_bis\\_2016\\_entwicklung\\_von\\_indikatoren\\_u.pdf](https://www.sozialministerium.at/cms/site/attachments/0/6/6/CH3434/CMS1515498709051/armut_und_soziale_ausgrenzung_2008_bis_2016_entwicklung_von_indikatoren_u.pdf)

<sup>84</sup> cf. Statistics Austria, Internationaler Frauentag 2018: Immer mehr Frauen sind erwerbstätig, oft in Teilzeit; Lohnunterschied trotz Rückgang über dem EU-Durchschnitt  
[https://www.statistik.at/web\\_de/statistiken/menschen\\_und\\_gesellschaft/soziales/gender-statistik/einkommen/116346.html](https://www.statistik.at/web_de/statistiken/menschen_und_gesellschaft/soziales/gender-statistik/einkommen/116346.html), date: 12/03/2018

<sup>85</sup> cf. 2017 National Reform Programme, p. 8 and 29, and Federal Law Gazette I No. 29/2017

<sup>86</sup> cf. Submission to the Austrian Council of Ministers, federal draft bill to amend the Labour Market Policies Funding Act (*Arbeitsmarktpolitik-Finanzierungsgesetz*).  
[https://www.bundeskanzleramt.gv.at/documents/131008/678211/9\\_6\\_mrv.pdf/21b27c3e-71b3-4ec6-a05e-346bbbed7f505](https://www.bundeskanzleramt.gv.at/documents/131008/678211/9_6_mrv.pdf/21b27c3e-71b3-4ec6-a05e-346bbbed7f505)

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

The content of Austria's ESI Funds programmes is geared toward the objectives of EU cohesion policy (economic, social and territorial cohesion), the Common Agricultural Policy and the targets of the EU 2020 strategy in the context of intelligent, sustainable and inclusive growth. The Austrian programmes for the ERDF (including the programmes in the European Territorial Cooperation (ETC) funding pool), the ESF, EAFRD and EMFF make a contribution to all national EU 2020 targets, with a highly differentiated range of corresponding investment priorities and focus areas. For example, 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. For its part, the ESF Programme 2014-2020 focuses on promoting sustainable and high-quality employment, investing in education, skills and lifelong learning, and promoting social integration and poverty reduction. In this context, the deployment of ESF funds is designed to promote equal opportunities-based labour participation and career development for women, the formal advancement of qualifications among persons with low-level qualifications and persons subject to disadvantages in education, and the reduction of the number of early school leavers (especially among disadvantaged young people, such as students with a migrant background; see also Country-Specific Recommendation No. 2). The Austrian EAFRD Programme 2014-2020 contributes towards achieving the emissions reduction target, facilitating the supply with, and use of, renewable energy, increasing energy efficiency in agricultural production, processing and marketing, as well as towards safeguarding employment in rural areas (also by means of funding the expansion of broadband access). For the first time, the programme has also been able to fund social service facilities in rural areas, including those providing care for children and adults. The purpose of the EMFF Programme 2014-2020 is to boost the development of market-oriented processing facilities and to enable the freshwater fisheries and aquaculture production sector – primarily SMEs – to continuously adapt and develop in terms of environmental impact and energy efficiency. Overall, Austria has an amount of some EUR 5.2 billion at its disposal from ESI Funds (including ETC) for the period 2014-2020.

## **6. Institutional aspects**

The 2017 National Reform Programme was adopted by the Austrian Council of Ministers on 19 April 2017 and submitted to the Austrian Parliament on 27 April 2017 for deliberation in accordance with the rules of procedure. The Budget Committee deliberated on the National Reform Programme in a public session held on 10 May 2017 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 the health sector is governed by so-called Article 15a agreements. A key aspect of health-sector policies is to continue strengthening the sustainability of the healthcare system and to take



measures to shift patient care away from costly hospitals. The specific measures taken by the provincial governments to implement the country-specific recommendations and to attain Austria's national Europe 2020 targets are summarised in Annex 2, Table 1, and Annex 2, Table 2. 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 educational achievements of disadvantaged groups, 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 the provincial governments, regions and local governments as well as 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 regarding poverty reduction and social inclusion (*Österreichische Plattform zur Begleitung der Umsetzung des nationalen Europa 2020-Ziels zur Bekämpfung von Armut und sozialer Ausgrenzung*). This platform unites all major stakeholders and meets at least twice a year, thus ensuring a sustained dialogue between the parties involved.