

National Reform Programme

Austria

Federal Chancellery



2015

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1. Introduction

At the end of November, the European Commission presented its Annual Growth Survey for 2015. Against the backdrop of moderate growth, low inflation and a persistently high level of unemployment in the EU, the Commission proposes an investment plan that will mobilise EUR 315 billion. Taken alone, the EUR 315 billion investment package cannot resolve the problem of weak growth in Europe, which is why the Commission recommends an economic and social policy that rests on three pillars:

1. Investment
2. Structural reforms
3. Fiscal responsibility

In order to improve the processes involved in the European semester, which has proven its value as an instrument of economic policy coordination, the European Commission published a comprehensive analysis document for each Member State in February 2015; this document forms the background to the Commission's country-specific recommendations for 2015.

The Austrian National Reform Programme 2015 follows the structure defined in the guidelines of October 2013 and addresses the core messages in the European Commission's country analysis from February 2015. The National Reform Programme is also accompanied by two annexes that provide an overview of the reform measures taken to implement the country-specific recommendations as well as the attainment of the national Europe 2020 targets at the level of the federal government, provincial governments, municipalities and towns/cities as well as the social partners.

2. Overall economic environment

Additional information on the overall economic environment can be found in the Austrian Stability Programme 2015.¹

3. Country-specific recommendations

In April 2014, Austria conveyed its National Reform Programme and Stability Programme to the European Commission. Those two documents were subjected to a comprehensive assessment by the European Commission. On the basis of that analysis, the Commission proposed a total of five country-specific recommendations for Austria, which were discussed extensively in the committees and Councils of Ministers and approved by the Council of the European Union on 26/27 June, then formally adopted by the Council on 8 July 2014.² On 26 February 2015, the European Commission published a comprehensive analysis document³ in which it presented an interim appraisal of Austria's progress in implementing the country-specific recommendations and identified the challenges Austria faces.

Country-Specific Recommendation No. 1

The Council of the European Union recommends that Austria do the following in the 2014 to 2015 period:

"Following the correction of the excessive deficit, reinforce the budgetary measures for 2014 in the light of the emerging gap of 0,5 % of GDP based on the Commission services 2014 Spring forecast and after taking into account additional consolidation measures announced by Austria, pointing to a risk of significant deviation relative to the preventive arm of the Stability and Growth Pact requirements. In 2015, significantly strengthen the budgetary strategy to ensure that the medium-term objective is reached and, thereafter, maintained, and ensure that the debt rule is met in order to keep the general government debt ratio on a sustained downward path. Further streamline fiscal relations between layers of government, for example by simplifying the organisational setting and aligning spending and funding responsibilities."

In the course of the year 2014, additional consolidation measures were taken in order to advance the structural consolidation process in Austria.⁴

In June 2014, the Austrian National Council adopted the Budget Accompanying Act 2014 (*Budgetbegleitgesetz*; Federal Law Gazette 40/2014), a package of measures with a net budget reduction effect totalling nearly EUR 553 million for the years 2014 to 2018. In addition to relieving pressure on the federal budget through spending cuts, consolidation measures, increased revenues and other cost reduction effects, the package provides for increases in efficiency through the simplification of administrative procedures and a more efficient handling of costs.

The Federal Budgetary Framework for the year 2014 also provided for cuts in discretionary appropriations in the amount of EUR 500 million (cf. Federal Law Gazette 38/2014); for the year 2015, the Framework calls for a reduction of discretionary spending in the amount of EUR 300 million (cf. Federal Law Gazette I No. 39/2014).

¹ Austrian Ministry of Finance: Austrian Stability Programme. Update for the period 2014 to 2019. Vienna, April 2015.

² Council Recommendation of 8 July 2014 on the National Reform Programme 2014 of Austria and delivering a Council opinion on the Stability Programme of Austria, 2012-2017, Official Journal of the European Union (2014/C 247/18).

³ Commission Staff Working Document: Country Report Austria 2015, SWD(2015)39 final.

⁴ Details on the projected development of the federal budget and on economic policy measures can be found in the Austrian Stability Programme, Update for the Years 2014 to 2019.

Another contribution to fiscal sustainability can be found in the Special Pension Limitation Act (*Sonderpensionsbegrenzungsgesetz* – SpBegrG) adopted by the Austrian National Council in July 2014 (cf. Federal Law Gazette 46/2014). The harmonisation of benefit levels and prerequisites for claims affects over 70 institutions and entities. In addition to the federal government, this also includes the social security institutions, the Chamber of Labour, the Chamber of Economics, the Austrian Federal Railways (ÖBB) and the Austrian central bank (OeNB), among other institutions.

On 17 March 2015, the Austrian federal government adopted the 2015/16 tax reform package, which will bring nearly EUR 5 billion in relief to workers subject to income tax. One element of this reform is an economic stimulus package in the amount of approximately EUR 200 million to generate additional stimuli for growth, competitiveness and employment. The tax reform is to be financed through measures against tax and social security fraud as well as structural measures under the tax code (i.a. phasing out of special allowances). Furthermore a “solidarity package”, which includes an adjustment of the assessment basis for the real estate transfer tax and an increase of the real estate profit tax and capital gains tax rates, will also contribute to the financing of the tax reform.

In order to reduce tax evasion and avoidance, the amendment to the Fiscal Offences Act (*Finanzstrafgesetz*) limited the possibility of zero-cost immunity from prosecution in the case of voluntarily reported, premeditated or grossly negligent tax violations (cf. Federal Law Gazette I No. 65/2014). The immunity effect of voluntary disclosure is now subject to higher penalties (between 5% and 30%) and will provide the federal government with additional revenues of nearly EUR 150 million in the year 2014. In the following years, this contribution to the budget will diminish, as it can be assumed that voluntary disclosures subject to such penalties will decline due to the incentive effect. In addition, the 2015/16 tax reform included an agreement to take decisive measures against tax and social security fraud. In addition, an obligation for certain businesses to use cash registers will take effect at the beginning of 2016. In the course of tax-related audits, it will also be possible to view taxpayers' existing bank accounts. In order to combat the problem of "preventive withdrawals", such queries will also cover the time preceding the date on which the law took effect (e.g. 1 March 2015). Additional measures to combat tax fraud include efforts to prevent value-added tax evasion in mail-order transactions and in particular to reduce missing trader fraud. With regard to social security fraud, measures will combat violations such as the abuse of e-cards (social/health insurance ID cards) and sick leave, mainly through increased monitoring activities.

The Commission's country-specific recommendations also call upon Austria to streamline the fiscal relations between the different levels of government. In the government agreement⁵ of December 2013, a general reform of revenue sharing arrangements was agreed upon. In order to provide an appropriate time frame for comprehensive deliberations, the current revenue sharing period was extended by two years, i.e. until the end of 2016 (cf. Federal Law Gazette 17/2015). By the end of 2015, a working group consisting of representatives of the federal, provincial, town/city and municipal governments will submit a proposal to the federal government for a new, responsibility-based Fiscal Equalisation Act (*Finanzausgleichsgesetz*). In addition to ensuring the transparency of financial flows, the key features of the revenue sharing reform include funding in line with responsibilities and increasing efficiency by eliminating redundant structures. In connection with the 2015/16 tax reform, spending cuts totalling EUR 1.1 billion throughout Austria were adopted with regard to grants/subsidies and administration; these cuts are distributed between the federal government and the provincial/municipal governments according to the revenue sharing ratio (2/3 for the federal government, 1/3 for the provincial/municipal governments). Further details

⁵ Work programme of the Austrian Federal Government 2013-2018: Austria. *A story of success*. Vienna, December 2013.

on the cost reduction path in administration can be found in the Austrian Stability Programme.

Table 1 Key features of the 2015/16 tax reform

| | |
|---|---|
| Reform of tax rates | New taxation model calls for six tax brackets to replace the previous three. The minimum tax rate will be reduced from 36.5% to 25%. The top tax rate (EUR 1 million or more) will be raised to 55% for a limited period of time. The revenues gained from these measures will be placed in an "Austria Fund", which will mainly be used for research and education measures. |
| Deductions | The deduction for employees will be merged with the commuting deduction. Together, the two deductions will come to EUR 400; the current sum is EUR 345. For low-income earners, the commuter supplement will be increased. |
| Social security reimbursement | For very low-income earners who are not required to pay income tax, 50% of social security contributions (up to EUR 400 per year) will be reimbursed. The self-employed and farmers will see similar relief in their respective social security schemes. Retired persons will be reimbursed a maximum of EUR 110. |
| Families | The child allowance will be increased to EUR 440 per child. |
| Location package | In order to boost the economy, the research subsidy will be raised from 10% to 12%, while the tax-exempt amount of employee equity investment will be raised from EUR 1,460 to EUR 3,000 per year; the possibility of crowdfunding will also be created. Immigration benefits will also be created for researchers and scientists. Non-wage labour costs will be reduced by lowering the contributions to the Family Burden Equalisation Fund (<i>Familienlastenausgleichsfonds</i> – FLAF) starting in 2018 subject to sufficient funds in the budget. |
| Offsetting measures | |
| Combating tax and social security fraud (EUR 1.9 billion) | Obligatory use of cash registers for businesses with net revenues of EUR 15,000 or higher, combined with an obligation to provide receipts and records. Inspection of existing bank accounts in the course of tax audits. Further measures to combat the abuse of e-cards (social security/health care ID cards) and sick leave. Tax authorities may inspect bank accounts, prohibition of cash payments in the construction industry. |
| Spending cuts in administration and grants/subsidies (EUR 1.1 billion) | Administrative spending cuts will be effected in line with the revenue sharing scheme (ratio: 2/3 for the federal government, 1/3 for the provincial/municipal governments). The reduction will be achieved through a cost reduction path in administration and through sensible spending cuts in grants and subsidies (e.g. by "freezing" grants in certain areas). |
| Structural measures under Austrian tax law (EUR 900 million) | Increase of value-added tax rate from 10% to 13% for cultural services, animal feed, seeds and live animals, among other products. Special expenses related to the creation of living space, renovation and retirement savings can no longer be claimed for tax purposes. Where buildings are depreciated as business assets, a uniform depreciation rate of 2.5% will be used; where company vehicles are used for personal purposes, the tax value of this non-monetary remuneration will be raised to 2% of the vehicle's acquisition costs if the vehicle's CO ₂ emissions are greater than 120g/km. |
| "Solidarity Package" (EUR 400 million) | The tax reform provides for increases in the real estate transfer tax, real estate capital gains tax and investment income / capital gains tax. In the future, the real estate transfer tax will |

also be applied to transfers within families and will be calculated on the basis of the fair market value. In agriculture and forestry, the assessed value will continue to be applied. The real estate capital gains tax to be paid when plots of land are sold at a profit will be raised from 25% to 30%. The investment income / capital gains tax rate will be increased from 25% to 27.5%. In addition, a special EUR 100 increase in the maximum assessment basis for social security contributions will be effected in 2016.

Self-financing (EUR 850 million)

Additional revenues from value-added and excise taxes due to enhanced purchasing power.

Country-Specific Recommendation No. 2

The Council of the European Union recommends that Austria do the following in the 2014 to 2015 period:

"Improve the long-term sustainability of the pension system, in particular by bringing forward the harmonisation of the statutory retirement age for men and women, by increasing the effective retirement age and by aligning the retirement age to changes in life expectancy. Monitor the implementation of recent reforms restricting access to early retirement. Further improve the cost effectiveness and sustainability of healthcare and long-term care services."

Pensions and expenditures for health and care services have a decisive effect on the long-term sustainability of public finances. In recent years, a number of measures have been launched in order to increase the actual retirement age in Austria.

Table 2 Overview of most important reform measures in recent years

| | |
|---|--|
| New pension account | A single pension account system for all persons born after 1 January 1955 (in effect since 1 January 2014) |
| New disability pension | Disability pensions will only be granted in cases of permanent disability; this provision has been in effect since 1 January 2014 and applies to all persons under 50 years of age. |
| Special retirement scheme for long-time insured manual labourers ("Hacklerregelung") | Since 1 January 2014, stricter access conditions for early retirement have been in effect for long-time insured manual workers. The minimum age and number of contribution months has been raised (men: 62 years, 540 contribution months/women: 57 years, with a gradual increase to 62 years; 504 contribution months with a gradual increase to 540 contribution months) and the prerequisites for claiming these pensions are now more rigid (no purchase of insurance periods, school and university years no longer credited). |
| Corridor pensions | Since 1 January 2013, the required number of insurance years has been increased gradually, from 37.5 in 2012 towards the target of 40 years in 2017. |
| Labour market package for older workers | Adopted by the Austrian National Council on 27 March 2014; entered into force on 1 July 2014. Employment promotion in order to integrate older workers into the labour market. |
| Fit2work | The objectives of this prevention programme are to provide information on healthy working environments and to provide support in the case of health problems at the workplace. Gradual introduction of advising for individuals and businesses from 2011 onward; nationwide implementation now completed. |

According to the 2014 pension monitoring data published by the Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection, the average retirement age for newly retired persons across all pension insurance institutions increased by 13 months compared to the year 2013, meaning that the average actual retirement age has currently reached 59 years and 8 months. In the case of disability pensions, the average actual retirement age rose from

52 years and 1 month (2013) to 54 years and 8 months (2014), i.e. by a total of 2 years and 5.8 months within one year.⁶ These figures confirm that the reform measures listed above are indeed having their intended effect. The harmonisation of the pensionable age for women with that of men is planned for 2024 in accordance with the provisions set forth in Austrian constitutional law. Starting on 1 January 2024, the pensionable age for women will be increased by 6 months per year so that the regular pensionable age will be the same as for men (65 years) by the year 2033.

One milestone in the enhancement of **cost effectiveness in public health spending** was the 2013 health care reform in Austria. This reform legally requires that the increase in health care expenditure (not including long-term care) must be aligned with expected average nominal GDP growth by 2016. In addition, the reform defined a ceiling for the expenditure path, which should generate a total of EUR 3.4 billion in cost reduction effects by 2016. According to the most recent monitoring report,⁷ the cumulative cost reduction effect for provincial governments and statutory health insurance providers amounts to approximately EUR 2.955 billion for the years 2012, 2013 and 2014. As a result, expenditure remained below the agreed cap during that period.

The stringent monitoring and regular review of cost developments serve to support the structural reforms initiated in the health care sector and ensure that appropriate measures can be taken in time if the desired effects are not achieved.⁸ In June 2014, the Federal Commission for Health System Governance (*Bundes-Zielsteuerungskommission*) decided to expand multidisciplinary primary care in Austria. Starting in 2015, multi-profession group practices will be piloted in Austria. By the end of 2016, a coverage level of 1% of the population is planned in each federal province.⁹ In the medium term, this measure will provide relief for Austria's more costly hospital clinics and serve to expand acute care in private practices.

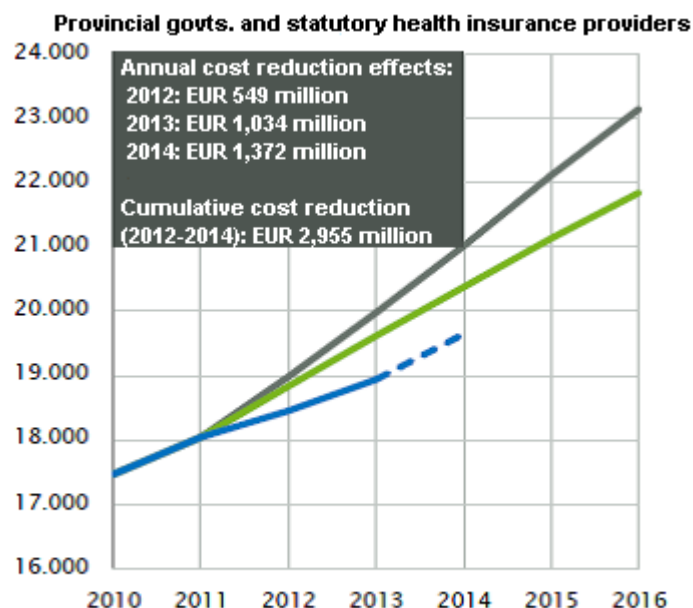
⁶ Beschäftigungs-, Rehabilitations- und Pensionsmonitoring auf Basis der Daten Jänner bis Dezember 2014, Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection.

⁷ Monitoringbericht II/2014, monitoring according to agreement under Article 15a of the Federal Constitutional Act (B-VB). Zielsteuerung-Gesundheit und Bundes-Zielsteuerungsvertrag, Gesundheit Österreich GmbH, Vienna, February 2015.

⁸ As for the doubts voiced by the European Commission in the 2015 country report regarding the sustainability of reform effects, it is important to note that such a comprehensive structural change will take time to show its full impact.

⁹ In the 2015 Country Report, the Commission erroneously assumes a 1% coverage level in relation to the entire country; cf. SWD (2015)39 final of 26 February 2015, p. 21.

Figure 1 Development of target monitoring-relevant public health care expenditures for provincial governments and statutory health insurance providers in EUR million, 2010 to 2016



| Target monitoring-relevant public health spending Provincial governments and statutory health insurance providers | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|--------|--------|--------|--------|--------|--------|--------|
| Spending without intervention | 17.466 | 18.042 | 18.984 | 19.975 | 21.017 | 22.115 | 23.143 |
| Upper spending limit | 17.466 | 18.042 | 18.834 | 19.615 | 20.377 | 21.135 | 21.843 |
| Spending according to final monitoring | 17.466 | 18.042 | 18.435 | 18.941 | | | |
| Spending according to interim monitoring | | | | | 19.645 | | |

Italics = Data based on (preliminary) figures from monitoring of final accounts
 In the calculations of sums above, the original, unrounded figures were used; marginal deviations may arise from rounding differences.

Source: Monitoringbericht 2015.

Progress in improving cost effectiveness and sustainability in long-term care services has been made through targeted changes in the hours of care required each month in order to qualify for a care allowance. Previously, more than 60 hours of care per month were required in order to qualify for a Level 1 care allowance (EUR 154.20 per month), and more than 85 hours per month were required in order to receive a Level 2 care allowance (EUR 284.30). In January 2015, the Level 1 requirement was raised to more than 65 hours per month and the Level 2 requirement increased to more than 95 hours per month. This measure has reduced access to care allowances. This reduction in costs is expected to total approximately EUR 19 million in 2015, EUR 57 million in 2016, EUR 95 million in 2017 and EUR 133 million in 2018.

The extension of the care provision fund from 2016 to 2018 also brought about progress in improving the cost effectiveness and sustainability of long-term care. Between 2011 and 2018, a total of EUR 2.035 billion will be transferred for this purpose. Two-thirds of that amount is to be provided by the federal government, while the remaining third will be covered by provincial and municipal governments. The extension of the fund to include the years 2017 and 2018 will be included in a legal amendment by 2016.

In the 2015 country report on Austria, the European Commission observes that the current design of the long-term care system, which consists of cash benefits and publicly organised long-term care services, can be improved.

On 1 January 2012, Austria introduced a comprehensive reform with regard to care provision. This reform brought about a consolidation of legislation and the administration of care allowances at the federal level. The reform also introduced the uniform administration of care allowances and led to a reduction of costs with regard to administration and legislation at the provincial level. This system should not be changed.

Moreover, the care allowance system should not be income-based. Every person requiring care in Austria should have the ability to lead an independent and autonomous life. The care allowances are therefore based on personal needs.

The Austrian care provision system consists of three pillars: The first pillar is formed by care allowances, the second consists of measures to support relatives who provide care, and the third pillar refers to the care services themselves. Responsibility for the first two pillars is borne by the federal government, while care services fall under the competences of the provincial governments. While care allowances are not dependent on income, the contribution paid for those services by the person requiring care is determined on the basis of that person's income.

In the course of the reform in 2014, quality assurance measures for home-based care saw further developments: Before the reform, caregivers were not able to request house calls to receive advising at home; relatives providing care on an informal basis or the persons requiring care themselves can now request such a house call free of charge if desired. Relatives who provide care can now also request a meeting with a psychologist in cases where they mention psychological burdens during a house call. This measure is preventive in nature.

The Austrian federal government's work programme for 2013 to 2018 also calls for the development of a dementia strategy, which is to include recommendations for the required awareness-raising, support and prevention measures, early diagnosis as well as training and support for relatives providing care. In February 2015, the Austrian Dementia Report (*Demenzbericht*) was published; this document describes the current care situation for people with dementia diseases and provides epidemiological and statistical data on the prevalence of dementia in Austria. The Dementia Report will be used as a basis for developing Austria's dementia strategy, and all interest groups will be invited to contribute opinions and ideas in the course of a public consultation.

Country-Specific Recommendation No. 3

The Council of the European Union recommends that Austria do the following in the 2014 to 2015 period:

"Reduce the high tax wedge on labour for low-income earners by shifting taxation to sources less detrimental to growth, such as recurrent taxes on immovable property, including by updating the tax base. Reinforce measures to improve labour market prospects of people with a migrant background, women and older workers. This includes further improving childcare and long-term care services and the recognition of migrants' qualifications. Improve educational outcomes in particular for disadvantaged young people including those with a migrant background, by enhancing early childhood education and reducing the negative effects of early tracking. Further improve strategic planning in higher education and enhance measures to reduce dropouts."

The current structure of the Austrian **system of taxes and levies** places an above-average burden on labour. The 2015/16 tax reform adopted in March aims to provide a total of EUR 4.9 billion in relief for workers subject to income tax. Lowering the minimum income tax rate from 36.5% to 25% will provide targeted relief, especially in the lower and middle income brackets. Higher-income earners will benefit from the increase in the threshold for the maximum tax rate from EUR 60,000 to EUR 90,000. The inclusion of three additional tax brackets will serve to flatten the progressive taxation curve. The reform includes an increased commuter supplement for low-income commuters, who will also benefit from a higher commuting deduction. As in the past, the minimum tax rate will only apply above an annual tax assessment base of EUR 11,000, meaning that the tax exemption threshold will be maintained for very low-income earners. In addition, the social security reimbursement will be raised from its current level of EUR 110 to a maximum of EUR 400 per year by way of the social security rebate. In order to provide relief for businesses with regard to non-wage labour costs, a decrease in the statutory contribution to accident insurance and to the

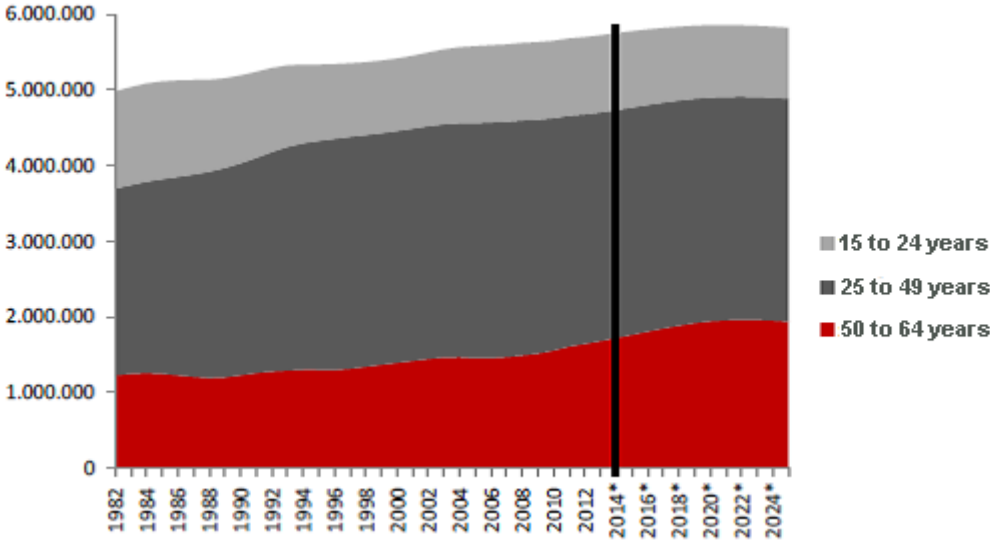
Austrian Insolvency Remuneration Fund was adopted in early 2014. The accident insurance contributions, which are borne entirely by the employer and serve to cover insurance costs in the case of employee accidents, were reduced by 0.1 percentage point to 1.3% in July 2014. The decrease in the contribution to the Insolvency Remuneration Fund (-0.1 percentage point) to 0.45% went into effect on 1 January 2015. Starting in 2018, non-wage labour costs will gradually be reduced (subject to available funds in the budget). Specifically, there is some fiscal latitude for decreasing those costs in the contribution to the Family Burden Equalisation Fund.

In its country-specific recommendations and the most recent country report,¹⁰ the European Commission recommends that Austria pay special attention to demographic developments with regard to medium to long-term labour market dynamics. In particular, the Commission voices the opinion that the labour market potential of people from migrant backgrounds, women and older workers should be utilised more effectively. Accordingly, improving the labour market opportunities of those groups has been one of the focuses of Austrian labour market policy since 2010.

Focus: Older workers (50+)

In February 2015, the number of people registered as unemployed in the 50+ age group had risen by 14.6% compared to the previous year. This development can essentially be attributed to the fact that baby boomers born in the years with especially high birth rates (1961 to 1964) had moved up into the 50+ age group. At the same time, the number of people over 50 years of age in dependent employment has seen significant and disproportionately high growth in recent years. In total, the share of overall dependent employment attributable to this age group has grown steadily since the start of the economic crisis, rising from 18.3% in the year 2008 to 23.3% in the year 2014.¹¹

Chart 2: Labour force potential by age group, 1982 to 2024 (forecast from 2014 onward)



Source: Eurostat, Statistics Austria.
 Note: Annual average; *Forecast using main scenario (average level of fertility, life expectancy, immigration)

According to population forecasts, the longer-term trend toward an ageing labour force is expected to continue. Given the policy focus on continuously increasing the actual retirement age and the rate of employment among older people, the labour market challenges of the

¹⁰ cf. Council Recommendation of 8 July 2014 on the National Reform Programme 2014 of Austria and delivering a Council opinion on the Stability Programme of Austria, 2012-2017; Official Journal of the European Union C247 of 29 July 2014; and Commission Staff Working Document: Country Report Austria 2015, SWD(2015)39 final.
¹¹ Austrian Public Employment Service (AMS), Spezialthema Ältere am Arbeitsmarkt, February 2015

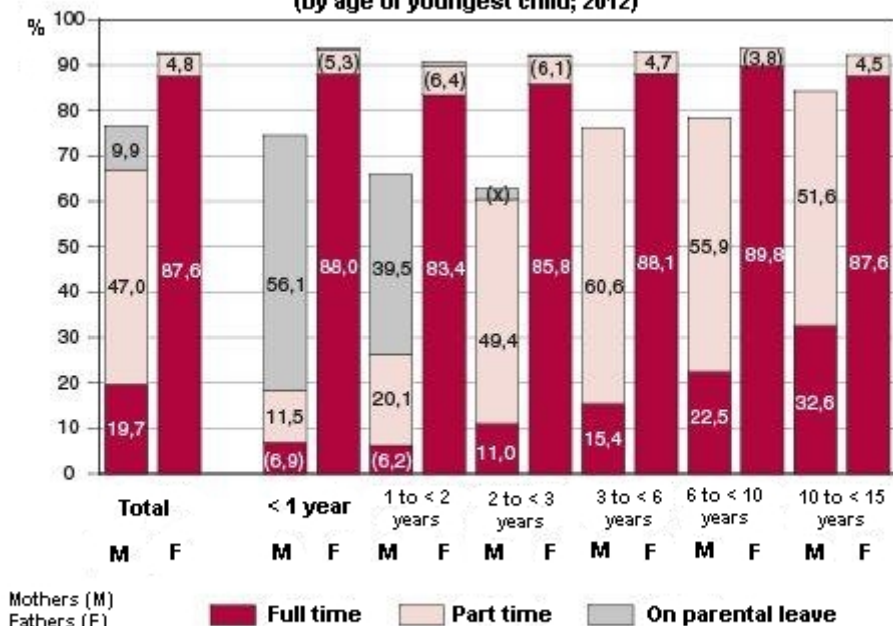
future are thus clearly articulated. In Austria's 50+ employment initiative, a total of EUR 220 million is available for the targeted promotion of workers in the 50+ age group in the years 2014 and 2015. These funds will be increased to 250 million per year for 2016 and 2017. Proven labour market policy instruments such as integration subsidies, wage subsidies and social enterprises (2nd labour market) are expected to benefit some 50,000 people per year and create more than 20,000 long-term jobs. Initial monitoring data from 2014 show that the 50+ employment initiative practically funds itself by reducing expenditures for unemployment benefits.

Focus: Women

By European comparison, Austria is among the countries which exhibit both a high **rate of employment among women** and a high rate of part-time employment. In 2013, the rate of employment among women in the 20 to 64 age group reached 70.8%; this figure was higher in only five EU Member States (Sweden, Germany, Denmark, the Netherlands and Finland). In 2013, the rate of part-time employment among women came to 45.5% (annual average), a level exceeded only by the Netherlands (77.2%) and Germany (46.1%).¹² According to a survey conducted by Statistics Austria in 2012, 37.6% indicated care obligations for children or adults requiring care as the reason for part-time employment.¹³

Chart 3: Rates of employment by gender

Employment rates among mothers and fathers with children under 15 years of age (by age of youngest child; 2012)



Source: Statistics Austria, Microcensus Labour Force Survey 2012. Based on ILO definition. Does not include persons in compulsory military or civil service. Created on 20 February 2014. () Values based on an extrapolated population of less than 6,000 persons are highly susceptible to random error. (x) Values based on an extrapolated population of less than 3,000 persons are not statistically interpretable.

According to Statistics Austria,¹⁴ considerable growth in the age groups of 3 to 5-year-old children has been observed over the last ten years. In 2013, the child care coverage rate came to 82.5% for 3-year-olds, 94.2% for 4-year-olds and 95.8% for 5-year-olds. The overall child care coverage rate for 3 to 6-year-olds in institutional education and care facilities is

¹² cf. Statistics Austria, Erwerbstätige und unselbständig Erwerbstätige nach Vollzeit/Teilzeit und Geschlecht seit 1994 (24 March 2014)

¹³ cf. Statistics Austria: Gender Statistics (19 September 2013).

¹⁴ cf. Statistics Austria, Day care centres, Child care (5 December 2014),

http://www.statistik.at/web_de/statistiken/bildung_und_kultur/formales_bildungswesen/kindertagesheime_kinderbetreuung/021659.html

90.8%. In the last ten years the coverage rate for children under 2 years old has risen 14.3 percentage points, nearly tripling to a level of 23.0% in 2013.

Focus: People from migrant backgrounds and educationally disadvantaged groups

In order to facilitate access to **employment which matches the education and training of migrants** in Austria, advising services have been expanded and enhanced. In addition to the contact points for advising, which have enjoyed considerable success since 2013, an online portal has been set up to provide migrants with a quick overview of the processes and authorities involved in the recognition of qualifications acquired outside of Austria.¹⁵

In 2013, only about one third (34%) of the adult working population with non-Austrian citizenship had completed an apprenticeship or a lower secondary vocational school. 28% of migrants in the 25 to 64 age group had completed no more than compulsory schooling, and some 12.2% did not continue their education after finishing their eighth year of school at a lower secondary school in the 2011/12 school year. Overall, the number of youths who do not continue their education beyond the 8th year has declined in the last four years. For example, the decline in the dropout rate among pupils at lower secondary schools whose language of everyday communication is not German is significantly more pronounced than among those who use German as their language of everyday communication (-3 percentage points compared to -1 percentage points).¹⁶ The share of early school leavers – based on the EU benchmark definition – is currently 7.3% (see also Section 4.4). Numerous measures are being taken in order to improve the **education outcomes of disadvantaged young people** in a sustainable manner. Children and youths are provided with targeted remedial instruction in German as the language of instruction. For many multilingual children, support measures are also available in their first languages. A legal framework for support in the transition from kindergarten to primary school is being developed in close coordination with the provincial and municipal governments. Nationwide implementation is planned from 2016/17 onward. In addition, the expansion of full-day school forms will continue, as will the process of improving the quality of those offerings. In order to provide children and youths with the necessary time to develop and enhance their interests, abilities and strengths, measures have been taken to counteract the **early selection of achievement levels** since 2008. Since 1 January 2012, the federal and provincial governments have co-funded measures to help adults gain basic education and a compulsory schooling completion certificate within the adult education initiative (*Initiative Erwachsenenbildung*) on the basis of uniform quality standards. In November 2014, the Austrian National Council decided to extend the Article 15a agreement to the end of 2017. As the interface between school and a career is a critical transition phase to a successful working life for many youths, youth coaching measures have been enhanced with regard to compulsory education as well as career and educational path orientation. Since the fall of 2014, a total of 24 "production schools" for some 3,000 youths have been available. Many youths already require advising and support during their education. Another important step toward a more effective and inclusive education system is the enhancement of lower secondary school education in the form of the new secondary school (*Neue Mittelschule*, or NMS). The NMS has been defined as a standard school form under Austria law since 2012, and the transformation of all lower secondary schools into new secondary schools will be completed in the 2015/16 school year. The results of a comprehensive evaluation were published in early March 2015 and show that this development has been a positive one in key areas such as the improvement of the learning culture and the atmosphere at school. The report also indicates that pupils whose native language is not German particularly benefit from attending a new secondary school. Another positive development is the fact that the number of transitions to upper secondary education has risen. In comparison to the 2007/08 school year (i.e. before the NMS was introduced), the number of transfers to general academic upper secondary schools or vocational upper

¹⁵ cf. www.berufsanerkennung.at

¹⁶ cf. Migration und Integration. Zahlen, Daten. Indikatoren 2014, Statistics Austria 2014.

secondary schools has risen by approximately 5 percentage points.¹⁷ However, the substantial overall improvements with regard to pedagogical processes and school life have not yet thoroughly translated into better achievement. Significant quality enhancements in all areas have been observed at those locations where the requirements were implemented on a broad basis. In principle, however, the fundamental problem of the social selection of pupils after the fourth year of school remains an issue. The recommendations from the report are already being used to develop the new secondary school further. On 8 April, the first set of measures was already adopted by the Austrian Council of Ministers.

In the country-specific recommendations and the 2015 country report on Austria,¹⁸ the European Commission recommends that Austria should improve its **strategic planning in the field of higher education**. The new development plan for Austrian universities was created as a new, comprehensive higher education planning instrument in the context of a new university funding system based on capacity and enrolment. In the overall development plan for Austrian universities, the quantitative values which will serve as the (calculation) basis for the new university funding system in the future are placed in their overall context in terms of education, science and research policy. Between April 2013 and November 2014, the working group on improving the quality of instruction in higher education within the Austrian Higher Education Conference developed concrete measures and implementation proposals in the areas of course offerings, instruction and operations, as well as a set of proposals for analysing their effects on the quality of instruction.¹⁹ The key measures and proposals will be taken into account in the negotiations with the universities regarding performance agreements for the 2016-2018 period. Since July 2014, one working group has been developing concrete proposals to enhance non-traditional access in the higher education sector as a means of enhancing social inclusion.²⁰ At present, the universities are preparing their positions for negotiations on the 2016-2018 performance period; these positions will form the basis for each university's work programme and the budgetary framework for the next three years. In the 2016-2018 performance period, structural funds for higher education will be expanded and increased. In addition to structured doctoral education programmes and the competitive component, key elements in the advancement of enrolment-based funding include funding for large-scale research infrastructure in line with the universities' research profiles and specific strengths.²¹ As for measures to **reduce the dropout rate in higher education**, proven instruments such as the advising and information tool "18plus" and "*Studieren probieren*" are being expanded. By the end of the year, multiple evaluation reports will also be submitted to the Austrian National Council. In one report, the effects of access regulations under Article 124b (for studies in medicine and dental medicine, veterinary medicine, psychology and communication sciences) and Article 14h (areas of study in especially high demand, such as economics and business administration, pharmacy studies, information technology, biology and architecture) of the Austrian Universities Act 2002 are to be analysed. Another evaluation will analyse the introduction and orientation phase of university studies (Art. 66 Universities Act 2002), which serves to confirm the students' choice of study areas and their suitability for the chosen subject area, and to promote expedient university studies.

Austria's education system²² is also geared toward demand on the labour market and strives to reduce qualitative imbalances between labour supply and demand. In the case of dual

¹⁷ cf. Eder, F./Altrichter, H./Hofmann, F./Weber, C., Evaluation der Neuen Mittelschule (NMS). Befunde aus den Anfangskohorten. Forschungsbericht, Graz 2015

(https://www.bmbf.gv.at/schulen/bw/nms/eval_forschungsbericht.pdf?4sr7p3)

¹⁸ cf. Commission Staff Working Document: Country Report Austria 2015, SWD(2015)39 final. Brussels, 2015.

¹⁹ http://www.hochschulplan.at/wp-content/uploads/2015/03/Bericht-der-HSK-zur-Verbesserung-der-Qualität-hochschulischer-Lehre_20151.pdf

²⁰ The findings of the working group within the Higher Education Conference will be presented in the course of the year 2015.

²¹ For additional information on higher education, see also: Universitätsbericht 2014 (http://wissenschaft.bmwf.gv.at/fileadmin/user_upload/Universitaetsbericht_2014.pdf)

²² The European Commission's pessimistic analysis in the Country Report Austria 2015, SWD(2015)39 final (p.2) cannot be confirmed on the basis of Austria's labour market and employment data.

education/training and vocational lower and upper secondary schools in particular, the Austrian education system has cooperated with the social partners to ensure that graduates possess the skills they need for the current and future labour market. For its part, Austrian labour market policy responds to these challenges by offering labour market-oriented retraining, follow-up training and higher qualification initiatives (see also Sections 3.1 and 3.4.).

Austrian universities of applied sciences offer practice-oriented higher education, and their career-oriented curricula are prepared in cooperation with representatives of the business world. The universities have established various measures in order to gain insights on the employment, skills and labour market experience of their graduates. These insights are taken into account in curricula and instruction, thus ensuring their relevance to future careers.

Country-Specific Recommendation No. 4

The Council of the European Union recommends that Austria do the following in the 2014 to 2015 period:

"Remove excessive barriers for services providers, including as regards legal form and shareholding requirements and with respect to setting up interdisciplinary services companies. Review whether restrictions on entry into and conduct in regulated professions are proportionate and justified by general interest. Identify the reasons behind the low value of public contracts open to procurement under EU legislation. Substantially strengthen the resources of the Federal Competition Authority."

At the end of 2013, an amendment to the Directive on the Recognition of Qualifications entered into force. In the process of implementing this directive in Austria, entries in the database of regulated professions were made and evaluation discussions were held at the EU level with regard to specific professions. These evaluation activities regarding regulated professions will continue in the year 2015, and a final report of the European Commission is planned for early 2016. In addition, amendments to Austrian laws governing certain professions are to be introduced by January 2016; in the course of the year 2015, adaptations of the Austrian Trades Ordinance, Civil Technicians Act (*Ziviltechnikergesetz*), Professional Accountants and Tax Advisors Act (*Wirtschaftstreuhandberufsgesetz*) and the Accountancy Act (*Bilanzbuchhaltungsgesetz*) will be developed within the Federal Ministry of Science, Research and Economy.

With the amendment to the Trades Ordinance 1994 (adopted in Federal Law Gazette No. 18/2015), the current system of maintaining the business register, which comprises a total of 14 decentralised business registers that export data to the central business register, was replaced with a uniform nationwide business register. In addition to harmonised data storage, this new business register, which went into operation on 30 March 2015, also enables standardised business registration processes which can be carried out online throughout Austria. These measures have served to harmonise and simplify business registration processes. With these new functions, the new central business register is referred to as the "Austrian Business Information System" (*Gewerbeinformationssystem Austria – GISA*).

Once the minimum target defined for GISA (i.e. an increase in the share of electronic registrations from the current level of about 36% to at least 50%) has been reached, the reduced administrative burden will effect substantial relief for Austrian businesses.

With regard to public procurement, the European Commission regularly points out Austria's relatively low number of public invitations to tender at the EU level (contracts above the upper threshold level). The Commission questions the validity of the argument that this can be attributed to Austria's federal structure and – as a direct result – to the relatively large number of contracting authorities and correspondingly low value of contracts. In this context, it is necessary to consider the fact that contracts which only exceed the lower threshold

already account for 85% of total procurement volume due to the small size of the contracting authorities, which predominantly belong to the municipal sector and, on average, have a small budget at their disposal. The Austrian federal government has already taken steps to develop standardised controlling procedures for public procurement.

As for law professions, it is important to emphasise that attorneys can already pursue their professional activities using a wide variety of business organisations. Most recently, the "Rechtsanwalts-GmbH & Co KG" was added to the list of permissible legal forms in 2013. With regard to holding interests in such companies, European attorneys as defined in the European Lawyers Act (*Europäisches Rechtsanwaltsgesetz – EIRAG*) can hold stakes in such Austrian law companies without restrictions. As all law school graduates also have access to the law profession in accordance with the relevant education requirements, there are no disproportionate restrictions in this area.

Country-Specific Recommendation No. 5

The Council of the European Union recommends that Austria do the following in the 2014 to 2015 period:

"Continue to closely oversee and advance effectively the orderly restructuring of the nationalised and partly nationalised banks."

The processes of restructuring and monitoring of government-supported banks have continued systematically in Austria. To give one example, on 1 March 2015 the Austrian Financial Market Authority (FMA) initiated the resolution of Heta Asset Resolution AG in accordance with the European bank resolution regime. Further information, especially with regard to the budget implications, is provided in the Austrian Stability Programme 2014-2019.

With the **Austrian Federal Act on the Recovery and Resolution of Banks** (*Bundesgesetz über die Sanierung und Abwicklung von Banken*), which went into effect on 1 January 2015, the EU Bank Recovery and Resolution Directive (BRRD) was transposed into Austrian law completely and within the period stipulated. In this act, the FMA – in its new capacity as the national resolution authority – is equipped with the tools necessary to enable the orderly resolution of banks. Within the FMA, organisational measures were taken in order to ensure the operational independence of resolution activities and to rule out any conflicts of interest between the FMA's resolution functions and its other supervisory duties.

As of 1 January 2014, the Austrian Financial Market Stability Board (*Finanzmarktstabilitätsgremium – FMSG*) was established as the central decision-making forum for the purpose of implementing macroprudential supervision in Austria. The Board is responsible for strengthening collaboration in macroprudential issues and promoting financial market stability. On the basis of the expertise provided by its member institutions (Austrian Ministry of Finance [BMF], Austrian central bank [OeNB], the FMA and the Fiscal Advisory Council), the FMSB reviews issues relevant to financial market stability and can make recommendations to the FMA or issue risk warnings.

4. National Europe 2020 targets Progress and measures taken

Since its national Europe 2020 targets were defined in 2010, Austria has made steady progress in many areas. Nevertheless, it is becoming apparent that Austria will not be able to attain all of the defined targets. This applies to targets at the national level as well as the European level. The interim report published by Eurostat shows that there is still an urgent need for action specifically in the areas of employment and poverty / social exclusion. In this regard, the EU has still not recovered from the effects of the economic crisis, and the relevant indicators have not yet returned to their 2008 levels.

The Austrian Institute of Economic Research (WIFO)²³ conducts a regular progress evaluation with regard to Austria's national Europe 2020 targets as well as the implementation of country-specific recommendations issued to Austria. The most recent evaluation report states that Austria is at a more favourable level than the EU average in all areas.

Table 3 Overview of Europe 2020 targets

| | EU headline target | | Austrian national target | |
|--|--------------------|---------------------|--------------------------|--------------------------|
| | 2020 | As of 2013 | 2020 | As of 2013 |
| Employment rate in % | 75.0% | 68.4% | 77-78% | 75.5% |
| R&D investment in % of GDP | 3.0% | 2.02%* | 3.76% | 2.81%* |
| Emissions reduction target in sectors not covered by Emissions Trading System | -14%(**) | n.a. ⁽¹⁾ | -16%(**) | -12.33% |
| Share of renewable energy in gross final energy consumption | 20% | 15.0% | 34% | 32.5% ⁽²⁾ |
| Energy efficiency / stabilisation of gross final energy consumption (EU-28) | 1,086 Mtoe | 1,105 Mtoe | 25.1 Mtoe | 26.7 Mtoe ⁽³⁾ |
| Early school/training leavers | 10% | 12% | 9.5% | 7.3% |
| Tertiary education in % | 40% | 36.9% | 38% | 40.0% ⁽⁴⁾ |
| Poverty or social exclusion | -20,000,000 | | -235,000 | -127,000 |

(*) Global estimate for 2014, Statistics Austria

Sources: Eurostat, WIFO,

Statistics Austria

(**) Base year 2005; non-ETS

⁽¹⁾ Figure will not be available until summer 2015, as not all Member States' GHG inventories are available.

⁽²⁾ Statistics Austria

⁽²⁾ According to Austrian Federal Ministry of Science, Research and Economy, *Energiestatus Österreich 2015*.

⁽³⁾ Including ISCED 4a; preliminary data.

4.1. Labour market and employment

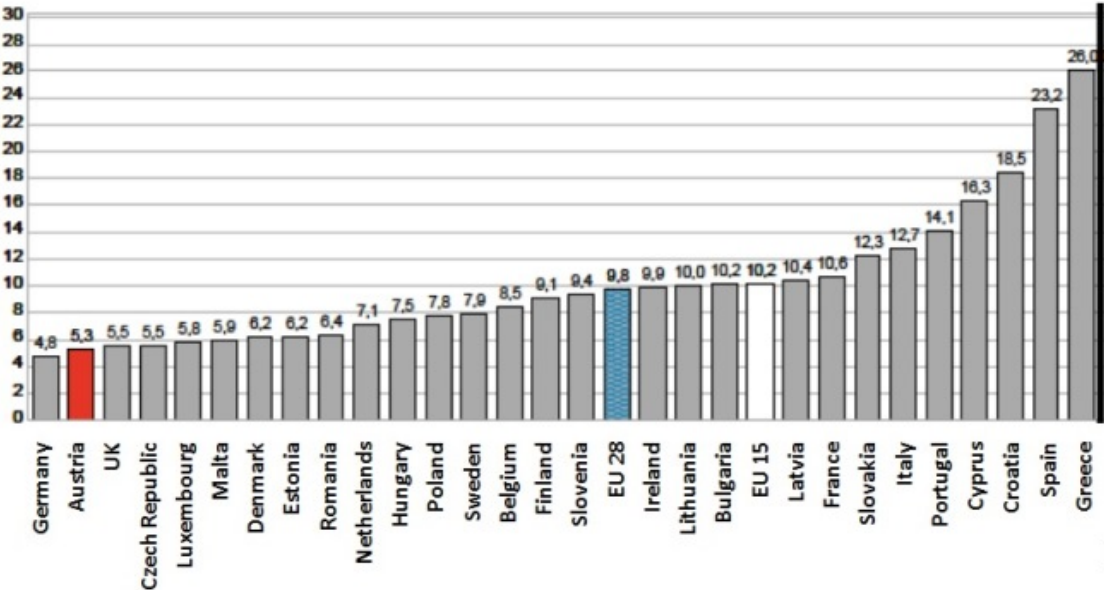
Within the framework of the Europe 2020 strategy, Austria is targeting an employment rate of 77% to 78% among 20 to 64-year-olds. In this context, the main focus is on labour market participation among older workers as well as the employment of women and (young) migrants.

According to Eurostat, the rate of unemployment came to 5.3% at the end of February 2015, meaning that Austria has the second-lowest unemployment in the European Union after Germany (4.8%). In the case of youth unemployment, the picture is quite similar: At 9.0%, the youth unemployment rate in Austria is the second-lowest in EU labour market statistics, again behind Germany (7.2%). A comparison to the previous year shows that the number of

²³ Monitoring of Austria's Efforts Within the Europe 2020 Strategy, Update 2014-15, WIFO 2015.

people registered as unemployed has increased by 12.9%. This development can be attributed to weak economic developments on the one hand and to the steadily growing labour supply on the other. According to forecasts prepared by the Austrian Institute of Economic Research (WIFO),²⁴ Austrian economic growth in 2015 will not be sufficient to contribute to a decline in unemployment because labour supply is growing faster than demand. Due to the reorientation of the Austrian Public Employment Service's (AMS) training programmes, a decline in training course figures has been observed in recent months. The shift of funds for active labour market policies toward more sustainable training measures has resulted in a decrease in the number of participants. In addition, a change of strategy in labour market policy means that more funds are being devoted to employment programmes and integration subsidies.

Chart 4: Seasonally adjusted rates of unemployment, international comparison



Value for Austria: February 2015

Source: Ministry of Social Affairs; as of March 2015

Starting in 2016, positive stimuli are expected from the 2015/16 tax reform, which, in addition to a slight export stimulus, is also expected to boost domestic demand, thus creating positive feedback effects on labour market dynamics.

Against the backdrop of the current problems on the Austrian labour market, the government's labour market policy has relied on the increased use of wage subsidies and the provision of additional employment opportunities in social enterprises. In recent months, integration subsidies in particular have proven to be one of the most important instruments to promote the employment of **older workers** (50+). The amount and duration of these temporary wage subsidies are agreed on an individual basis. More detailed information on measures related to the employment of older workers can be found in Section 2, Country-Specific Recommendation No. 3.

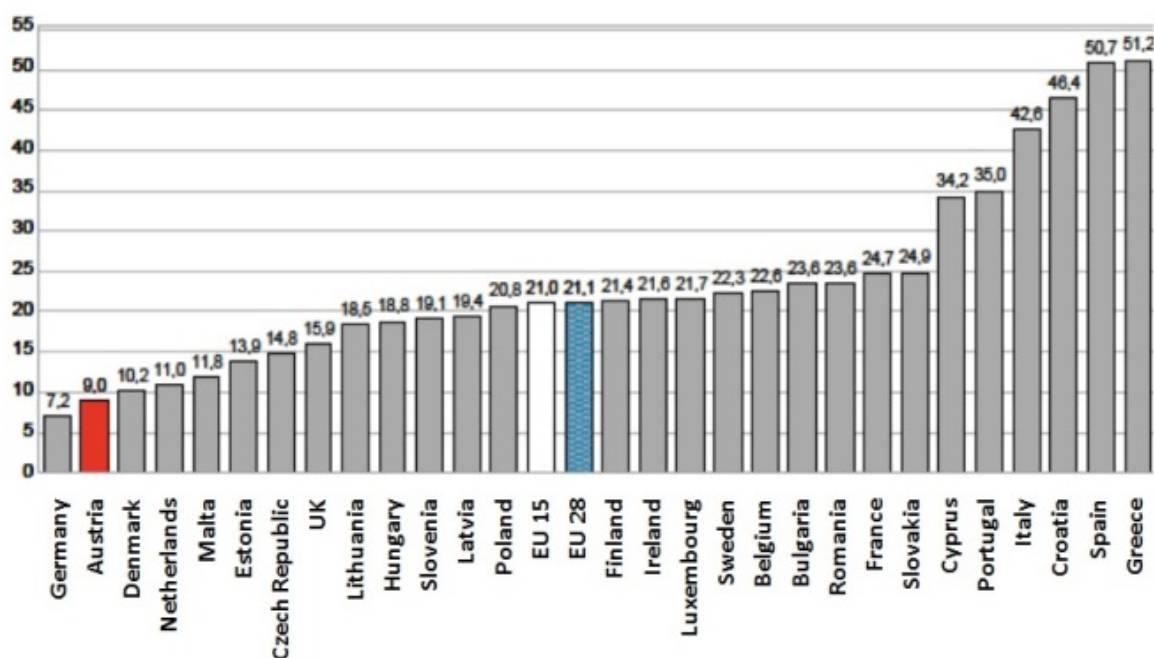
The rate of unemployment among people from migrant backgrounds is rising at an above-average pace, not least due to the high level of immigration to Austria. In Country-Specific Recommendation No. 3, the European Commission mentioned the specific problem of **youths from migrant backgrounds**. In line with this recommendation, Austria's labour market policy is pursuing three lines of action in order to keep youths in the education or employment system:

²⁴ Forecast as of 16 March 2015

- » Vocational training (apprenticeships): Promotion of apprenticeships in businesses, AMS apprenticeship promotion, apprentice training centre programme (ÜBA) and premiums for taking on ÜBA apprentices, integrative vocational training (IBA);
- » Preparation of youths for vocational training and transition management: Career orientation, youth coaching, AusbildungsFit ("Fit for Training") programme, production schools;
- » Active labour market policy for youths

Measures that aim to retain youths in the education or training system and low-threshold offers for (re)integration into the labour market have proven to be especially effective in the case of NEET youths (Not in Education, Employment or Training), as demonstrated by the NEET rate among 15 to 24-year-olds, which held steady at around 7% between 2008 and 2013. During the same period, the EU average rose two percentage points to 13%. Additional information on this topic can be found in Section 2, Country-Specific Recommendation No. 3.

Chart 5: Seasonally adjusted youth unemployment rate, international comparison



Value for Austria: February 2015

Source: Ministry of Social Affairs; as of March 2015

The increasing overall level of **labour market participation among women** has been accompanied by further growth in the share of part-time employment in this group (see Section 2, Country-Specific Recommendation No. 3). The structure of employment in Austria points to a labour market divided along gender lines. In 2013, the majority of women in dependent employment were working in the service sector, with the highest shares in the fields of trade (17.9%) and health and social services (16.8%).²⁵ In addition, women were found to be in atypical employment relationships such as freelance contracts, temporary/agency work, marginal employment under 12 hours/week, or fixed-term positions far more often than men (50% compared to approximately 14%). Marginal employment contracts are distributed across all industries, but approximately half of them are concentrated in the female-dominated industries of trade, tourism, health and social services.

²⁵ cf. Statistics Austria, 11 March 2015.

For further information on specific measures and programmes,²⁶ see also Section 2, Country-Specific Recommendation No. 3. In 2013, the labour market participation rate for women in the 55 to 59 age group came to 53.4%, while the corresponding figure for men was 71.6%. Compared to their 2004 levels, these figures now show a substantially smaller difference between men and women due to the steadily increasing rate of employment among women. Between 2004 and 2013, the labour market participation rate among women rose 4.9 percentage points in the 35 to 44 age group (2004: 77.1%; 2013: 82.0%). In the 45 to 54 age group, the increase came to 10.3 percentage points (2004: 70.7%; 2013: 81.0%), and an increase of 23.5 percentage points was recorded among 55 to 59-year olds (2004: 31.0%; 2013: 54.5%).²⁷

4.2. Research and development (R&D)

Over the last 15 to 20 years, Austria's R&D intensity has increased substantially. According to estimates prepared by Statistics Austria, R&D spending increased by 2.7% in 2014 compared to the absolute value from 2013.²⁸

Total research and development expenditure thus rose to a total of EUR 9.32 billion in 2014. With a contribution of approximately EUR 3.61 billion (38.7%),²⁹ the public sector is a key source of funds for these activities. Austrian companies invest some EUR 4.15 billion (44.5% of total spending) in research and experimental development. Although the business sector is thus the most important economic sector in quantitative terms when it comes to funding research and development, the targeted R&D spending ratio (70% private sector, 30% public-sector) has not yet been reached. However, if we also include the contribution of businesses from outside Austria (mostly parent companies of Austrian subsidiaries), which comes to some EUR 1.53 billion (16.4%), then the business sector's overall share of funding comes to 60.9%. According to the most recent data available, Austria has managed to expand its research basis in the business sector over the last decade,³⁰ as the 74% increase (from 1,942 to 3,384) in the number of companies that conduct research clearly shows. Likewise, the business sector's R&D spending (including companies outside Austria) increased continuously during that period, rising from EUR 3.5 billion in the year 2004 to nearly EUR 5.2 billion in 2011.

²⁶ As a complement to specific measures to promote employment among women, all programmes and measures within Austria's active labour market policy are guided by the principle of gender equality.

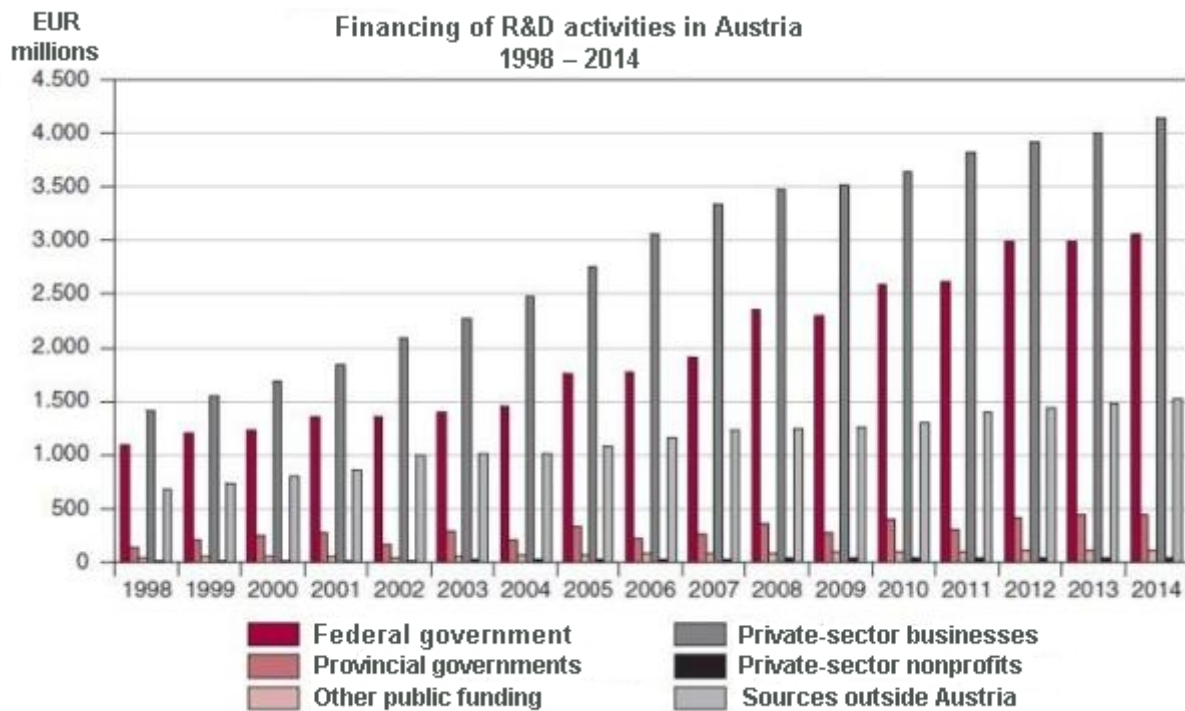
²⁷ cf. Statistics Austria, 11 March 2015 (http://www.statistik.at/web_de/statistiken/soziales/gender-statistik/erwerbstaetigkeit/)

²⁸ cf. Statistics Austria, global estimate for 2014, 24 September 2014.

²⁹ In this context, the federal government is the most significant source of funding, accounting for EUR 3.06 billion; the provincial governments contribute some EUR 440 million, while other public-sector entities (municipalities, chambers, social security institutions) provide funding in the amount of EUR 110 million. cf. Statistics Austria, 7 May 2014.

³⁰ Data from the year 2011; an update on the basis of data from the 2013 R&D survey is scheduled for 2015.

Chart 6: Total spending on research and development



Source: Statistics Austria, R&D Statistics. Created on 7 May 2014.

In the course of the 2015/16 tax reform, the research subsidy for innovative businesses was raised from 10% to 12%. In addition, a financing package for SMEs will be prepared, crowdfunding opportunities will be created, and the tax-exempt amount of employee equity investments will be raised from EUR 1,460 per year to EUR 3,000 per year. Preferential tax treatment for researchers and scientists immigrating from abroad should also create additional incentives for outstanding talent in this area.

On the whole, a positive trend can be observed in Austrian research and development, and the Austrian RTI strategy points in the right direction.

Excursus: Measures to complete the European Research Area

Austria is still firmly committed to the objective of creating a European area for research and innovation. In the implementation of Austria’s RTI strategy, the realisation of the ERA is taken into account in many respects. The following measures will be taken in 2015 to realise the objectives envisioned in the ERA Roadmap:

a. More effective national research systems

In line with the ERA Roadmap 2015, Austria has launched measures to improve the evaluation of national RTI policies. A comparative study of Austria, Sweden and Denmark will develop recommendations regarding the best possible ways to use the instruments of the European Research Area to fulfil the national objectives of the RTI strategy (i.e. to become an innovation leader).

b. Grand challenges / research infrastructure

- Given its high commitment to the Joint Programming process, which is to be developed even further in the future, Austria will devote more efforts to aligning national strategies, programmes and other promotional measures for research and innovation in the context of social challenges in the European Research Area. In addition to strategic transnational

cooperation, these efforts will also involve ensuring greater compatibility between national research funding systems and procedures in Europe.

- Austria is currently participating in ten ESFRI Initiatives as well as eight additional research infrastructures of pan-European interest.

c. An open labour market for researchers

- The international / EU-wide advertisement of scientific and scholarly vacancies at universities is required by Austrian law. As a platform for the open, transparent and merit-based recruitment of researchers, EURAXESS, the pan-European job database of the European Commission, continues to be recommended and promoted in Austria.
- At present, a total of 24 Austrian organisations have signed a letter of commitment for the EURAXESS network. For the sake of ensuring a welcoming recruitment culture, efforts are being made to increase this figure even further.
- The implementation of qualified doctoral studies in Austria is being handled by autonomous universities. The implementation of the Principles for Innovative Doctoral Training is recommended in this context,
- and implementation of the principles laid down in the Charter & Code at Austrian universities will be part of the performance agreements with the universities for the 2016-2018 period. The Charter & Code have already been endorsed by 35 Austrian organisations.

d. Gender equality in research

In this regard, Austria is making efforts to achieve gender balance in leadership positions and decision-making bodies, in remuneration (gender pay gap) and among junior researchers. The 2015 amendment to the Austrian Universities Act stipulates that university decision-making bodies must ensure that 50% of their members are women, as well as requiring the preparation of plans for the promotion of women and gender equality, especially when it comes to the compatibility of work and family. In addition, strategic gender equality objectives will be defined for the universities in the performance agreements for the 2016-2018 period. One very valuable action-oriented basis for the realisation of the ERA gender equality objective is a study conducted in 2014 on the cultural transformation of Austria's science and research landscape by 2025. One measure taken to promote this cultural transformation can be found in the Diversity Award, which is given to higher education and research institutions which have implemented and are practising diversity management in their organisational structures and work processes.

e. Optimal exchange of, access to, and transfer of scientific/scholarly insights

- Within the framework of the "Knowledge Transfer Centres and IPR Exploitation" (*Wissenstransferzentren und IPR-Verwertung*) programme, three regional knowledge transfer centres and one subject-specific knowledge transfer centre were launched on 1 August 2014; the centres will receive EUR 11.25 million in funding up to 2018. A total of 16 cooperation projects from the regional centres were recommended for funding by an international jury and are currently being implemented. In early 2015, another jury meeting will be held for projects from the regional knowledge transfer centres.
- In addition, the Open Access Network Austria (OANA) has also been established, and multiple working groups have begun to develop a strategy for Austria. This strategy development process will continue in 2015. Moreover, the Austrian platform for a network of institutional repositories is currently being prepared. Austria already has 5 repositories, which are in part used internationally.

f. International cooperation

- The "Beyond Europe" internationalisation strategy prepared within the framework of the RTI strategy is being implemented gradually within the constraints of the available budget.

4.3. Climate change and energy

The Austrian goals within the European Union's 2020 climate and energy package include a reduction of greenhouse gas emissions as well as increases in the share of renewable energy and in energy efficiency.

Obligation with regard to greenhouse gases:

- EU Emissions Trading Sector (plants with a total rated thermal input of more than 20 MW and plants for certain manufacturing processes): Overall reduction of 21% compared to 2005 throughout Europe.
- EU Non-Emissions Trading Sector (other greenhouse gas emissions): Overall reduction of 10% compared to 2005 throughout Europe; reduction of 16% for Austria ("effort sharing").

Obligations with regard to energy consumption:

- Renewable energy sources: Increase of share in gross final energy consumption to 34%
- With regard to increasing energy efficiency, the Austrian Federal Act on Energy Efficiency (*Energieeffizienzgesetz* – EEffG) provides for the following:
- A cumulative energy end-use efficiency target of 310 PJ (159 PJ through supplier obligations, 151 PJ through strategic energy efficiency measures such as the fuel tax, thermal rehabilitation, etc.) by the end of the commitment period (2020).
- Achievement of an energy end-use efficiency benchmark of 1,050 PJ for the year 2020.

Emissions produced by the use of fossil fuels (oil, natural gas, lignite and bituminous coal) for mobility, industry and room heating are considered to be the main causes underlying climate change. According to the Austrian Environment Agency,³¹ 75% of greenhouse gas emissions in 2012 could be attributed to energy consumption. In this context, **increasing energy efficiency**, as also provided for in the Europe 2020 strategy, leads directly to a reduction of emissions.

In the period from 2005 to 2013, final energy consumption stabilised at a level of approximately 1,100 PJ (preliminary value for 2013: 1,119 PJ); at the same time, real GDP has risen by 11.1% since 2005.³² During that period, therefore, Austria's final energy consumption has been just above the target level stipulated for 2020 (1,050 PJ) in the Austrian Federal Act on Energy Efficiency (Federal Law Gazette I No. 72/2014), but energy consumption has been effectively decoupled from economic output.

The structure of energy-related greenhouse gas emissions has changed markedly in recent years. The transport sector has shown significant increases in its share of emissions and is currently responsible for more than one-third of emissions, while the share attributable to small consumers/room heating has decreased markedly thanks to the improved thermal insulation of buildings as well the increased use of district heating and renewable energy sources. In contrast, the shares generated by the industry sector and energy supply sector have changed only moderately.

The transport sector is one of the most significant consumers of fossil fuels. For this reason, the Austrian Biofuel Ordinance of 2012 addresses the transport sector specifically and stipulates an obligation to replace fossil fuels with biofuels in line with the EU Biofuels Directive (2003/30/EC). In Austria, a total of 5.7% (20 PJ) of final energy consumption in the transport sector was already covered by biofuels (primarily biodiesel or bioethanol).³³

³¹ Austrian Environment Agency, Austria's annual greenhouse gas inventory 1990-2012, Submission under Regulation 525/2013/EC, Vienna 2014: <http://www.umweltbundesamt.at/fileadmin/site/publikationen/REP0452.pdf>

³² cf. Statistics Austria, *Wie geht's Österreich? Indikatoren und Analysen 2014*, Vienna 2014.

³³ For comparison purposes, the share of consumption covered by biofuels in 1995 was only 0.1%.

With regard to the goal of **reducing greenhouse gas emissions**, a continuous decline in non-ETS emissions has been observed since 2005. On average, greenhouse gas emissions decreased by 1.54% per year between 2005 and 2013.³⁴ If Austria manages to sustain this rate of reduction, it will even go beyond fulfilling the target for 2020.

The reduction in emissions can also be attributed to the increased use of **renewable energy sources**. The share of recognised renewable energy sources (including renewables from electric power generation and district heating) in gross final energy consumption rose from 23.9% in 2005 to approximately 32.5% in 2013. Developments in recent years have been markedly better than the linear target path defined for the national target of 34% in 2020. If this growth continues until 2020, Austria will even exceed the target level.³⁵ The use of energy from renewable sources increased by approximately 34% between 2005 and 2013, while gross final energy consumption remained fairly constant over the same period. The largest share of recognised renewable energy sources in 2013 was attributable to hydro power (37%), followed by solid biomass with a share of 32.5%.³⁶

4.4. Education

In October 2010, a national target was defined under which Austria should ensure that 38% of persons in the 30 to 34 age group should possess a higher education degree or an equivalent degree by 2020. With regard to the school/training dropout rate, the national target called for a rate below 9.5%. These two targets have already been achieved.

Including graduates of vocational colleges (ISCED 5³⁷), the share of people with tertiary degrees came to 40.0% in 2014. A closer look at the development over the last ten years reveals that the increase in tertiary educational attainment (ISCED 6 to 8) is mainly attributable to degrees in higher education. This dynamic development primarily appears to have resulted from the implementation of the Bologna Process, as the introduction of the three-level tertiary education system (bachelor's – master's – PhD) already led to higher output in the bachelor-level segment. In addition, educational offerings in the tertiary sector have been expanded further since universities of applied sciences were launched in Austria in 1994. In the winter semester of 2014, the number of degree-programme students in Austria rose by 1.6% compared to the previous year, reaching an all-time high of 277,678. The number of students at universities of applied sciences rose approximately 4.5%, from 43,593 in 2013 to 45,660³⁸ in 2014.³⁹

One of the core objectives of the Europe 2020 strategy is to reduce the share of early school leavers in the long term. According to the underlying definition, this includes people between 18 and 24 who have not received education beyond the lower secondary level (ISCED 2) and are not currently pursuing an education or training programme. In 2013, the share of early school leavers came to 7.3%, meaning that Austria has already attained this national target. Due to the complexity of reasons for leaving school early, measures in this area are directed at different system levels. For example, with regard to prevention, activities in fields

³⁴ Statistics Austria, *Wie geht's Österreich? Indikatoren und Analysen 2014*, Vienna 2014.

³⁵ cf. Janger, J. (et.al.), 2015, *Monitoring of Austria's Efforts Within the Europe 2020 Strategy. Update 2014-2015*, Vienna, WIFO

³⁶ cf. Vienna University of Technology on behalf of the Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management: *Erneuerbare Energien in Zahlen. Die Entwicklung erneuerbarer Energie im Jahr 2013*.

³⁷ ISCED 2011: International Standard Classification of Education (UNESCO); higher education: ISCED 6 (BA), 7 (MA and diploma programmes) and 8 (PhD and Dr.)

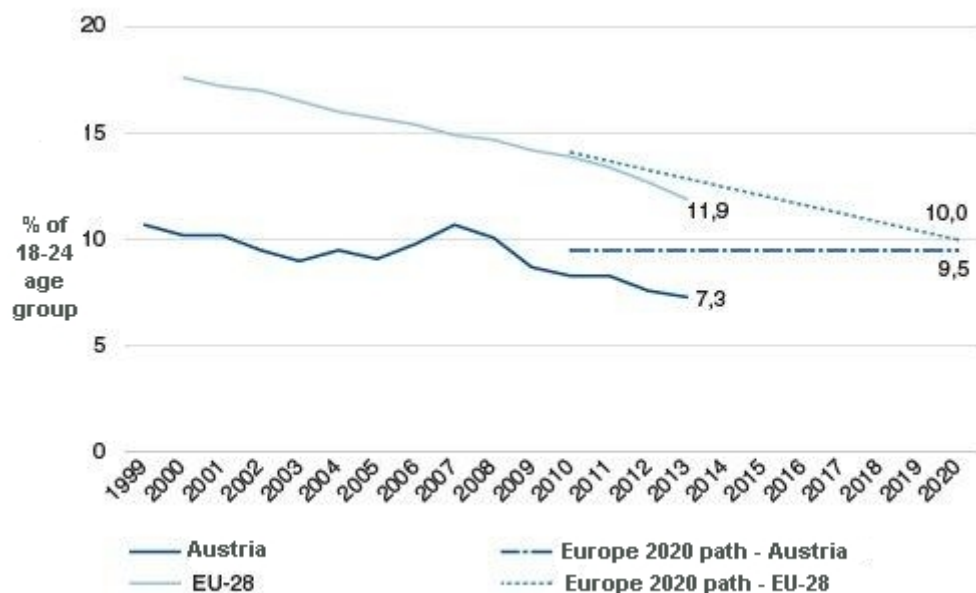
³⁸ BMWFV, unidata, FH-Daten; as of 15 November 2014

³⁹ cf. Statistics Austria, *Bildung im Überblick*, 16 December

2014 http://www.statistik.at/web_de/statistiken/bildung_und_kultur/formales_bildungswesen/bildung_im_ueberblick/index.html

such as information and advising for education and careers, the individualisation of teaching and learning settings, the promotion of reading and the continuing professional development of teachers (e.g. in dealing with cultural diversity and multilingualism) have proven successful in combating early departures from school. In this context, it is also important to note the targeted promotion of language skills among children whose first language is not German.

Chart 9: Early school leavers, 2000 to 2020



Source: Statistics Austria, Microcensus Labour Force Survey. Created on 11 April 2014.

One particular challenge is the improvement of educational outcomes among people from migration backgrounds as well as population groups which are less inclined toward education. Education is a key aspect which impacts the development of a person's entire career and income, and which also plays a significant role in connection with the social component of the Europe 2020 targets. In this regard, Austria has taken targeted action with the further expansion of full-day school forms, the new secondary school (NMS) and the continuation of the adult education initiative.

4.5. Poverty and social exclusion

Combating poverty, social exclusion and the social consequences of the crisis are a special priority for the Austrian federal government. Within the framework of the Europe 2020 strategy, the Austrian federal government set the objective of reducing the number of persons at risk of poverty and social exclusion by 235,000 within ten years.⁴⁰

According to EU-SILC 2013, a total of 1,572,000 people – or 18.8% of the population – are at risk of poverty and social exclusion in Austria. In 2013, 14.4% of the overall population (1,203,000 people) were at risk of poverty, i.e. their available household income for a one-person household amounted to EUR 1,104 per month or less (12 times per year). 4.2% of the total population (355,000 people) fulfilled the criteria for severe material deprivation in

⁴⁰ According to the EU definition, people are considered to be at risk of poverty or social exclusion if they fulfil at least one of the following three conditions: (1) their household income is below the poverty threshold of 60% of the national median equivalent income; (2) severe material deprivation; (3) living in a household with very low work intensity.

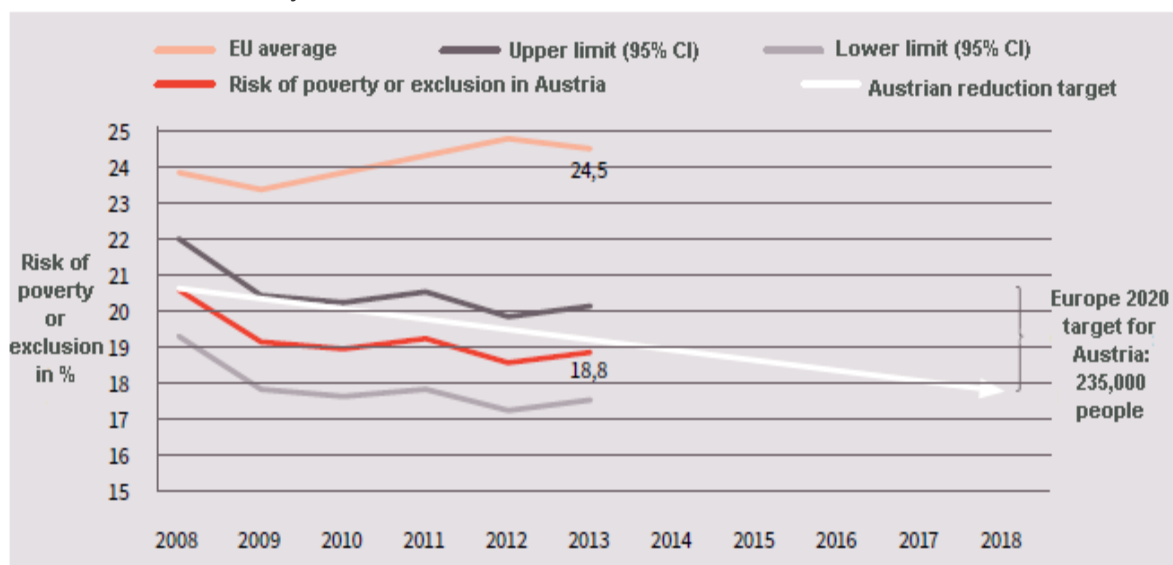
2013.⁴¹ Finally, 7.7% of the population, or 496,000 people (under the age of 60), lived in households with no or very low work intensity.⁴²

In 2013, a total of 313,000 (18%) children or youths under the age of 20 were affected by the risk of poverty or social exclusion. Women are affected in more cases (15%, or 497,000) than men (12%, or 393,000).⁴³

On the whole, a declining trend can be observed in Austria (in contrast to the overall trend in the EU). A comparison of the data from the EU-SILC 2008 with the 2013 statistics shows that the number of people at risk of poverty or exclusion fell by 127,000; in other words, the share of the population at risk dropped from 20.6% to 18.8%.⁴⁴

In order for Austria to remain on the target path, the existing risks – such as the flagging dynamics on the labour market – must not be ignored. Due to the numerous interrelated effects involved, efforts to combat poverty in Austria focus on multiple risk factors. The availability of high-quality child care and caregiving addresses the risk of exclusion for single-parent households, 41% of which are at risk of poverty or social exclusion (compared to the average of just under 19%). The risk factors of low education (26% with no more than compulsory schooling) and migrant backgrounds (40% for people with non-EU/non-EFTA citizenship) are addressed using measures such as the opportunity for adults to complete compulsory schooling free of charge or the intensive support and advising provided for youths at the interface between school and career. More detailed information on these measures can be found in Sections 3 and 4 as well as Annex 1, Tables 1 and 2. Measures to provide relief for very low-income earners are described in Section 3.

Chart 10: Risk of Poverty or Social Exclusion in Austria, 2008 to 2020



Source: Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection, 2015.

⁴¹ Severe material deprivation is considered to exist if at least 4 out of 9 criteria (defined at the EU level) are met: (1) having arrears on mortgage or rent payments, utility bills, hire purchase installments or other loan payments; (2) not being able to face unexpected financial expenses; not being able to afford (3) one week's annual holiday away from home, (4) heating to keep the apartment/home warm, (5) a meal with meat, chicken, fish (or vegetarian equivalent) every second day, (6) a car, (7) a washing machine, (8) a color television, (9) a phone (including mobile phones).

⁴² Households with no or very low work intensity are defined as those where the members who are of working age (18-59 years, except students) work less than 20% of their total employment potential. This indicator is only reported for people under 60 years of age.

⁴³ cf. Statistics Austria, EU-SILC 2013, created on 22 October 2014.

⁴⁴ In 2012, a change of method was introduced; administrative data are now used to calculate household income. Statistics Austria recalculated the EU-SILC for 2008 to 2011 with administrative data to create a new time series, meaning that consistent monitoring of the Europe 2020 social target is still possible despite the change in method.

5. Additional measures: ESI Funds – Coherence between funding priorities for 2014 to 2020 and national-level Europe 2020 targets

The content orientation of Austria's ESI Funds programmes is based on the objectives of EU cohesion policy (economic, social and territorial cohesion), the Common Agricultural Policy and the targets of the Europe 2020 strategy in the context of intelligent, sustainable and inclusive growth. These programmes contribute to the national Europe 2020 targets discussed in Sections 4.1 to 4.5 in the following focus areas:

The **EFRE** regional programme (investment in growth and employment, 2014 to 2020) throughout Austria focuses on the following thematic priorities:

- (1) **Strengthening research, technological development and innovation:** Supporting Austria's path to becoming an innovation leader by way of intelligent specialisation and by broadening the basis for business innovation
- (2) **Enhancing the competitiveness of SMEs:** Securing and expanding a competitive manufacturing economy and specialised services in innovative (niche) offerings
- (3) **Shaping the transition to a low-CO₂ economy:** Increasing energy efficiency and using renewable energy sources in business as well as expanding R&D and innovation activities
- (4) **Strengthening integrated (urban) development and new forms of cooperation in functional spaces**

Austria will also continue to participate in the European Territorial Cooperation 2014-2020 target in the future (**ETC/EFRE**). Austria will also continue to participate in both cross-border and transnational cooperation as well as network programmes.

The **ESF** programme (Employment in Austria 2014-2020) focuses on the following thematic priorities:

- (1) **Promoting sustainable and high-quality employment** primarily through measures focusing on access to employment for job seekers and unemployed persons, on gender equality, on work/life balance as well as active and healthy ageing. In addition, workers, businesses and business owners are provided with support in the process of adjusting to the changes.
- (2) **Promoting social integration and combating poverty** with special attention to improving employability
- (3) **Investment in education, skills and lifelong learning** by reducing the number of school dropouts and promoting equal access to high-quality early education as well as primary and secondary education. Likewise, support is provided for access to lifelong learning as well as enhancing the knowledge, abilities and skills of the labour force.

The Austrian ELER programme 2014-2020 will mainly make contributions to attaining the emissions reduction target, to increasing the share of renewable energy sources and to increasing the employment rate.

6. Institutional aspects

The Austrian National Reform Programme 2014 was adopted by the Austrian Council of Ministers on 8 April 2015 and submitted to the Austrian Parliament on 23 April 2014 as a report of the federal government for deliberation in accordance with the rules of procedure. The Budget Committee deliberated on the National Reform Programme in a public session and acknowledged the reform programme with a majority of votes.

Within their respective areas of responsibility, the provincial and local governments contribute to reaching the national Europe 2020 targets and to the implementation of country-specific recommendations. Where cooperation opportunities between the federal government and the provincial governments exist, agreements are made on the basis of Article 15a of the Federal Constitutional Act (B-VG). These agreements are binding on the federal government as well as the provincial governments. In addition, the Austrian Stability Pact (ÖStP 2012) governs domestic budget coordination, the medium-term orientation of budgets and the division of deficit ratios and sanction burdens. Examples of measures which are the sole responsibility of the provincial governments can be found in Annex 2, Table 2.

In December 2014, the Europe Committee of the Vorarlberg State Parliament discussed the country-specific recommendations to Austria with a representative of the European Commission. One point that was emphasised in this discussion was that the recommendations are also directed at the provincial governments, as several of the policy areas addressed are within their immediate scope of authority. The specific measures taken by the federal provinces to implement country-specific recommendations are summarised in Annex 2, Table 1. This documentation is in no way exhaustive, but it does provide some insight into implementation progress at the provincial level.

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

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 involvement processes at an early juncture in order to make use of the existing room for manoeuvre. With regard to measures to combat poverty, reference is made to the Austrian platform for the implementation of the national Europe 2020 target regarding poverty reduction and social inclusion. This platform involves all major actors and meets at least twice per year, thus ensuring a sustained dialogue between the actors involved.