

National Reform Programme

Austria
Federal Chancellery



2014

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1. Introduction

The European semester 2014 focuses on ensuring economic recovery through the consistent implementation of reforms. As confirmed by the European Commission's winter forecast, the general conditions are favourable.

In the Annual Growth Survey 2014, the European Commission projects a gradual recovery in economic growth and highlights the fact that the Member States have made progress in correcting the imbalances which had emerged/developed prior to the crisis. Against this backdrop, the European Commission is making efforts to ensure continuity in the reform agenda and therefore proposes that the priorities for 2014 should remain unchanged:

- Pursuing differentiated, growth-friendly fiscal consolidation;
- Restoring normal lending to the economy;
- Promoting growth and competitiveness for today and tomorrow;
- Tackling unemployment and the social consequences of the crisis;
- Modernising public administration.

In line with those priorities, Austria continues to pursue the strategy of growth-friendly consolidation with a balanced mix of measures on the spending side as well as the revenue side. In this context, special attention is paid to ensuring that - in addition to fiscal consolidation - the policies continue to reinforce innovative, sustainable and socially compatible growth as well as Austria's competitiveness and location quality. The Austrian federal government's work programme for the 2013-2018 period defines its strategic orientation for the current legislative session. The key pillars of this strategy are as follows:

- A sound fiscal basis with a balanced budget and a structurally balanced budget from 2016 onward;
- Growth pact to create and secure jobs as well as to promote innovation and sustainable development;
- First-rate education for children and youths;
- Securing the welfare state and fairness between generations;
- Economical public administration;
- More competitiveness and location attractiveness, promotion of business and creative entrepreneurship;

Austria is committed to sustainable environmental policies. Eco-social actions enable economic sustainability, improve the quality of life, reduce burdens from harmful substances and noise, maintain biological diversity, expand renewable energies, increase energy and resource efficiency, and contribute to growth through green jobs.

The goal of Austria's energy policy is an efficient, affordable and socially responsible energy system which ensures supply security, wealth, competitiveness and a liveable environment.

Due to the Austrian National Council elections at the end of September 2013 and the coalition formation process completed in December 2013, the federal budget for 2014 will be presented on 29 April 2014. Due to tight deadlines, the National Reform Programme 2014 and the Stability Programme 2013-2018 will not be submitted simultaneously this year. For this year's National Reform Programme, this means that it is not yet possible to make statements about the budget allocations for planned reform measures. The remaining information and the macroeconomic scenario will be covered in the Stability Programme 2013-2018.

2. Country-specific recommendations

In the European semester, the timing of procedures under the Stability and Growth Pact and the Europe 2020 strategy has been aligned. This means that national stability and convergence programmes as well as national reform programmes are reviewed simultaneously with due adherence to the respective legal basis for those programmes. On the basis of Articles 121 and 148 TFEU, country-specific recommendations are adopted in a single document and provide guidance for economic and fiscal policy. In addition, the recommendations also form the basis for any further steps in the process of monitoring macroeconomic imbalances.

Once Austria had submitted its National Reform Programme and Stability Programme in April 2013, the two programmes were subjected to a review. On the basis of that review, the European Commission issued a total of seven country-specific recommendations for Austria, which were approved by the European Council after extensive discussion in the committees¹ and the respective Council formations, and finally confirmed by the Council on 9 July 2013.²

Country-Specific Recommendation No. 1³

"Implement the budget for the year 2013 as envisaged so as to correct the excessive deficit in a sustainable manner and achieve the average annual structural adjustment effort specified in the Council recommendations under the EDP. After correction of the excessive deficit, pursue the structural adjustment effort at an appropriate pace so as to reach the MTO by 2015. Streamline fiscal relations between layers of government, for example simplifying the organisational setting and aligning spending and funding responsibilities."

The Austrian federal government is committed to stable and sustainable public finances, which are secured by a national debt ceiling. At the same time, the fiscal consolidation measures are also designed to serve as drivers of growth.

In this regard, an offensive in the field of infrastructure and the knowledge base is being negotiated for the years 2014 and 2015.

In legislative terms, this path will be supported first by the 2014/2015 budget (to be adopted in May/June 2014) and in the medium term by the Federal Budgetary Framework for the 2015-2018 period (to be adopted in May/June 2014). In institutional terms, the Fiscal Council established at the end of 2013 will also contribute to greater budgetary discipline.

In order to advance the consolidation process, the first step was a comprehensive legislative package on taxation (Tax Law Amendment Act [*Abgabenänderungsgesetz*] 2014) adopted by the Austrian National Council on 24 February 2014. Since that time, the measures envisaged in that package have served to close tax loopholes, eliminated distortive exemption provisions and enhanced steering effects. In total, these measures are expected to generate net revenues of EUR 0.7 billion (2014) and EUR 1-1.2 billion (2015 onward). This additional burden has been distributed evenly and in a targeted manner among private households, businesses and financial institutions.

On the expenditure side, a reduction of the ministries' discretionary spending by EUR 500 million was adopted in early 2014. Public administration reform is also being

¹ As a rule, the Social Protection Committee (SPC), Employment Committee (EMCO), Economic Policy Committee (EPC) and the Economic and Financial Committee (EFC) prepare materials for meetings of the respective Council formations.

² Council Recommendation of 9 July 2013 on the National Reform Programme 2013 of Austria and delivering a Council opinion on the Stability Programme of Austria, 2012-2017, Official Journal of the European Union (2013/C 217/01)

³ 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 2013 to 2018.

pushed forward, and a working group spanning government departments and local authorities will identify potential areas for efficiency improvements and suitable measures by the end of 2014.

In order to provide targeted economic stimuli, a tax incentive for the use of skilled workers' services for refurbishment, maintenance and modernisation work was adopted by the National Council on 26 March 2014. Incentives for work orders performed "on the books" are available up to EUR 600 per year and applicant. With a total of EUR 30 million available for the years 2014/2015, this incentive system will help combat the shadow economy and thus also secure tax inflows and social security contributions.

In order to streamline fiscal relations between the various levels of government and to simplify organisational structures, school administration competences have been restructured. In order to improve financial management at the provincial and federal levels, negotiations were carried out regarding a nationwide ban on speculative transactions using government funds. This objective has already been implemented in many federal provinces. For example, the provinces of Salzburg, Tyrol and Vienna have imposed a ban on speculative transactions in order to ensure risk-averse financial management. Legislation prohibiting such transactions also was adopted in the provinces of Lower Austria and Vorarlberg. In the province of Styria, risk-averse financial management was passed into law in the legislative implementation of budget reforms. Additional examples include the budget law reforms in Carinthia and Burgenland as well as administrative and municipal structural reforms in Styria. Additional information can be found in Annex 2, Table 1.

In the restructuring of the administrative justice system, a substantial bundling of competences was implemented as of 1 January 2014; these measures will serve to accelerate those procedures and improve legal protection. At the heart of the reform is the abolition of administrative stages of appeal, which were replaced by a two-stage administrative litigation procedure. At the same time, 120 special authorities were dissolved at the federal and provincial level. Another structural simplification was introduced with regard to the laws governing asylum and immigration. With the creation of the Federal Office for Immigrations' Affairs and Asylum, the competences of 194 authorities were combined in a single office. One layer of Austria's school administration system will be eliminated with the dissolution of district school boards and the accompanying school councils. The Business Service Portal (Unternehmensserviceportal, USP) was created as a one-stop portal which provides businesses with a central point of access to information and transaction services offered by the Austrian government. Upon completion, the USP will serve as an electronic interface between businesses and government and provide substantial process support in order to avoid redundant reporting. Another key reform measure was the transparency database, which has been available in its first stage of development since June 2013. When fully implemented, the transparency portal will provide citizens and companies with information on all of the services provided by the federal, provincial and municipal governments in various areas, such as education, labour, family affairs, health, housing and the environment. In this modern eGovernment application, grants and transfer payments will be systematised for the sake of the efficient management of subsidies. In the field of health care, the reform of spending and tasks (including cost containment measures) was passed into law in October 2013.

Measures taken in the Tax Law Amendment Act 2014

Budget implementation

- The banking levy will be adapted in such a way that total assets are used as the calculation basis (while maintaining current revenue levels), and at the same time the rate for the special stability contribution will be raised to 45%
- Capital duty to be abolished from 1 January 2016
- Limitation of tax deductibility of "golden handshakes" (through an amendment to the Ordinance on Non-Monetary Remuneration)

- The application of the solidarity levy will be extended in order to ensure that especially high-income groups continue to make a fair contribution in the future
- At the level of enterprises or corporations annual income beyond EUR 500,000 should no longer be deductible
- Automatic recapture of tax relief for losses of business establishments outside Austria after a three-year period in cases where no comprehensive bilateral assistance agreement exists with the country in which the business establishment is located
- In the Income Tax Act, the limit on losses carried forward will be raised from 75% to 100% for physical persons
- Adaptation of the list of organisations eligible to receive tax-deductible charitable contributions to reflect EU requirements
- Changeover of valuation method for provisions to a discounting model in accordance with the Austrian Company Code (UGB) with a fixed interest rate of 3.5% over the actual term. Reversals of existing (old) provisions which lead to increased profits will be distributed evenly over the ensuing three years
- The tax-free profit allowance for investments will be restricted to housing bonds and to real investments with a positive effect on growth and employment. For evaluation purposes, this measure will be introduced for a limited period of time (until 2016)
- In order to ensure that the capital gains income tax is also applied to non-EU citizens who earn interest from Austrian sources in the future, the limited tax liability under Income Tax Act will be expanded accordingly
- Group taxation will be limited geographically to the EU and third countries with comprehensive bilateral assistance agreements, goodwill amortisation will be abolished for new acquisitions, and the deductibility of foreign losses abroad will be limited to 75% of profits generated in Austria
- The deduction of intra-group interest and licence payments is to be prohibited in cases where appropriate taxation is not ensured in the recipient's country
- Insurance industry: Minimum term of one-off payments to be reduced from 15 years to 10 years for persons over 50 years old
- Threshold to be raised for the issuance of invoices for small amounts with regard to value-added tax
- Adjustment of car registration tax rate, insurance tax rate and motor vehicle tax rate
- 20% increase in tax rates in the Sparkling Wine Tax Act and on alcoholic beverages in the Alcohol Tax Act
- Adaptation and restructuring of tobacco tax rates on cigarettes and fine-cut tobacco, and temporary introduction of a reduced limit on imports from certain countries
- Intensification of information exchange between tax authorities and social insurance institutions
- Changes in the list of activities qualifying as gambling activities in the Austrian Gaming Act

Country-Specific Recommendation No. 2

"Bring forward the harmonisation of pensionable age for men and women, increasing the effective retirement age by aligning the retirement age or pension benefits to changes in life expectancy, implement and monitor the recent reforms restricting access to early retirement and further improve older workers' employability in order to raise the effective retirement age and the employment rate of older workers."

At present, Austria's statutory retirement age is 65 years for men and 60 for women. In the opinion of the European Commission, a uniform statutory retirement age for both sexes would ensure a fairer and more sustainable pension system. According to current constitutional legislation, the statutory retirement age for women will be raised by six months per year from 1 January 2024 onward. By the year 2033, this harmonisation process will have been completed, and the regular retirement age for old-age pensions will be 65 years for women. Austria for now does not plan to accelerate the process of aligning the retirement age for men and women. The current target focuses on closing the gap between the statutory and actual retirement age.

Many of the measures adopted in the course of the second fiscal consolidation package⁴ in 2012 focus on a gradual increase of the actual retirement age. The new disability pension

⁴ Second Austrian Stability Act 2012 (StabG 2012), Federal Law Gazette No. 35/2012

("IP Neu"),⁵ which went into effect on 1 January 2014 for all persons under the age of 50 (as of that date), aims to achieve the sustained (re-)integration of people with disabilities into the labour market by way of medical and vocational rehabilitation. Unlimited-term disability pensions are only available to people with permanent disabilities. The "Invalidität im Wandel 2" project launched in the autumn of 2012 continued to address the topics of prevention and rehabilitation. In multiple working groups, the link between psychological illnesses and early departures from the workforce was examined and viable solutions were developed in cooperation with experts in the field. In the summer of 2013, the working groups' final reports were presented, and an overall report is to be published at the end of April 2014. The recommendations will be passed on to the Austrian federal government.

According to Eurostat, the rate of employment among 55 to 64-year-olds in Austria rose from 28.8% in 2004 to 43.1% in 2012. The rate of employment among older people in Austria is therefore still substantially lower than the EU-28 average of 48.8%, but this development clearly shows that the measures taken in recent years are already beginning to take effect. With the introduction of the new pension account from 1 January 2014, pensions for all persons born on or after 1 January 1955 will be calculated exclusively under the pension account system. This will make pension calculations simpler and easier to understand and explain. The initial account credit and exclusive use of the pension account system in the future will also enable the pension insurance institutions to perform accurate calculations of recipients' future pension benefits.

A number of measures (including the reform of disability pensions) went into effect on 1 January 2014. These measures will show their full effect in the coming years. In its work programme for the 2013-2018 period, the new federal government already defined a path and timetable for increasing the rate of employment among older persons as well as the actual retirement age and agreed on appropriate measures to this end. According to the envisaged path, the rate of employment among men aged 55 to 59 years is to be raised from 68.1% (2012) to 74.6% (2018), while employment among 60 to 64-year-olds will be raised from 21.6% (2012) to 35.3% (2018). The rate of employment for women in the 55 to 59 age group is to be raised from 47.9% to 62.9% (2018). The actual retirement age is to be increased from 58.4 years (2012) to 60.1 years (2018). At the same time, it was agreed that the attainment of these targets should be reviewed by a semi-annual pension monitoring programme and that immediate, binding measures should be taken if significant deviations from the target path are identified.

The Social Security Amendment Act (SVÄG 2014), which provides for effective steps towards incentives to retire later, is currently in the legislative process (to be finalised in the first half of 2014). For example, the bonus for remaining employed longer and drawing an old-age pension later ("postponement bonus") will be raised from 4.2% to 5.1%. The postponement bonus has prompted some 7,800 persons per year to work beyond the statutory retirement age. This effect should be enhanced further by increasing the bonus. Finally, the Social Security Amendment Act 2014 also establishes the legal basis for the monitoring system described above. In this way, the effect of reform measures (such as the new disability pension, labour market packages and other pension reforms from recent years) on the actual retirement age will be more easily detectable. Another part of the plan is to observe the employment rate among older persons specifically in businesses with 25 or more employees in order to take targeted steering actions. At the same time, this is also a preparatory measure for the introduction of a bonus/malus system as envisaged in the government programme.

On 27 March 2014, the Austrian National Council passed a labour market package for older employees. The objective of these measures is to restore older persons' capacity to work and to reintegrate them into the work force. In order to enhance support for older employees,

⁵ Governed by the Social Security Amendment Act of 2012 (SRÄG 2012)

this package makes it possible use passive funds – which would also be spent in the case of unemployment – to actively promote employment. To this end, a total of 350 million will be allocated by 2016 in order to promote the employment of older persons more effectively (EUR 100 million per year in 2014 and in 2015, EUR 150 million in 2016). The funds can be used at a ratio 60:40 for integration subsidies/wage top-up schemes and employment on the intermediate labour market, respectively. An additional increase to EUR 120 million in the year 2015 is to be implemented in the Budget Accompanying Act 2014. This means that a total of EUR 370 million will be made available for the targeted promotion of older employees.

Country-Specific Recommendation No. 3

"Take new measures to increase the labour market participation of women, namely by further improving childcare and long-term care services and address the high gender pay and pension gaps. Fully use the labour market potential of people with a migrant background by continuing to improve the recognition of their qualifications and their education outcomes. Reduce the effective tax and social security burden on labour for low-income earners in a budget-neutral way by relying more on other sources of taxation less detrimental to growth, such as recurrent property taxes."

At 70.3% (2012), the labour market participation of women in the 20 to 64 age group in Austria is above the EU-28 average (62.3%).⁶ Despite the remarkable increase over the last ten years (+6.2 percentage points), it must not be overlooked that employment patterns among women still diverge substantially from those of men. Women are employed on a part-time basis far more frequently than men. In fact, the part-time employment rate among women rose from 35.9% in 2002 to 44.9% in 2012. Overall, some 82% of part-time employees in 2012 were women. The reasons for part-time employment include obligations to care for children or adults requiring care.⁷

The National Action Plan for Gender Equality on the Labour Market is one of the most important steering instruments in this regard. With the involvement of all ministries, the provincial governments, the social partners, NGOs, businesses and scientists, a comprehensive package of 55 concrete measures was developed in 2010.⁸ Of those measures, 35 (64%) have been implemented in their entirety, and an additional 14 measures have been implemented in part or are currently in the implementation process.

The efforts of the federal, provincial and municipal governments to improve child-care services in recent years are now showing their effect. According to Statistics Austria, some 50,000 children in the 0 to 2 age group were placed in child-care facilities in the 2012-2013 nursery school year. This points to an increase of 21,400 children (+76.5%) over the last five years. The child care coverage rate among children in this age group thus comes to 20.8% (2007: 11.8%). Among 3 to 5-year olds, the increase was far less drastic (+5.7%, or 9,600 children), but here it is important to note that the coverage rate has already reached 90.6% in this age bracket (2007: 84.9%).⁹

The Austrian federal government's work programme for the 2013-2018 period states that the further expansion of child-care offerings in both quantitative and qualitative terms has to be advanced. The objective is to attain the Barcelona target of 33% quickly in all of Austria's federal provinces.

⁶⁶ For comparison purposes, the labour market participation among men came to 80.9% in 2012; cf. Eurostat.

⁷ In the reference period (2002 to 2012), the rate of part-time employment also increased substantially among men (from 4.7% to 9.0%). However, the main motive for part-time employment among men is (continuing) school or vocational education.

⁸ For further information on the National Action Plan for Gender Equality and its four strategic objectives, please refer to Austria's National Reform Programme 2013 and/or the following link:

<http://www.frauen.bka.gv.at/DocView.axd?CobId=40018>; <http://www.frauen.bka.gv.at/DocView.axd?CobId=42527>

⁹ cf. Statistics Austria child care statistics

Another contribution toward (full-time) employment among women is the creation and further development of suitable conditions in the field of **care provision**. In the last year, the introduction of leaves of absence and part-time employment for the purpose of caring for relatives has brought about a substantial improvement for employees. In July 2013, the National Council adopted an amendment to the Act Amending Austrian Labour Law (cf. Federal Law Gazette I No. 138/2013) to this effect. The amendment in question provides for protection from termination of employment, a legal claim to benefits for care leave, and social security protection in the form of zero-contribution health and pension insurance.

The social policy challenges with regard to care provision are formidable and go far beyond mere material assistance. As estimates indicate that the number of relatives providing care is decreasing by one-half to one percentage point per year,¹⁰ it will be necessary to use more paid care services or public care services in the future. In this context, the main focus is on expanding mobile care. According to Statistics Austria's data, some 139,000 persons in Austria were provided with mobile care services and 71,800 persons were cared for in inpatient facilities in 2012 with financial support from social assistance programmes or minimum income subsidies from provincial and municipal governments. The use of mobile care services increased by 8.2% between 2010 and 2012 while that of inpatient services rose only 0.03% over the same period. In order to better account for the increasing importance of case and care management – some 70,000 persons have made use of this form of support – the expansion of coverage to all of Austria's federal provinces will be financed by the Long-Term Care Fund.

For the sake of creating good general conditions for long-term care services, the federal government's work programme states that the personnel situation in the care professions is to be improved by the end of 2015. One major preparatory step which will increase the efficiency and effectiveness of the health and care provision system as a whole is the planned harmonisation of professions in social services and health care as well as the establishment of federal responsibility for the overall coordination of care professions. Modular education which is standardised across all health care and social service professions throughout Austria – with horizontal and vertical permeability – will make an additional contribution to ensuring high-quality care.

The **reduction of the gender pay gap** is a high priority for the Austrian federal government. In addition to legislative measures such as the gradual introduction of a compulsory pay gap report for businesses (Equal Treatment Act 2011 [GIBG]; Federal Law Gazette No. 7/2011)¹¹ and the salary calculator, information campaigns will also be carried out with a view to raising awareness in society. The "Women/Girls in Technology" (*Frauen/Mädchen in die Technik*) information platform pursues the objective of attracting more women to "atypical" professions.

The Microcensus Labour Force Survey indicates that an average of 18.9% of Austria's overall population in 2012 came from a migrant background. One of the main obstacles for this group on the Austrian labour market is **finding employment suitable to their education**. In 2008, more than one-fourth of employed persons born outside of Austria were overqualified for their professions.¹² However, it has also become clear that overqualification is more often an issue in the first generation of immigrants than it is in the second generation (29% vs. 15%). As the regulations and competences for the formal recognition of qualifications earned outside of Austria are highly varied, contact points for the recognition of professional qualifications have been established. These facilities provide free information

¹⁰ Due to demographic shifts and the increase in labour market participation among women, the share of informal care is expected to decline by 0.5 to 1.0 percentage points per year; cf. Mühlberger/Knittler/Gugler (2008).

¹¹ The Austrian Equal Treatment Act requires business to prepare reports on the equality of remuneration between men and women. Since 1 January 2014, these reports have been mandatory for businesses with more than 150 employees.

¹² Migration & Integration. Zahlen, Daten, Indikatoren, Statistics Austria, Vienna 2013

and support in the recognition process. Since April 2013, all of the nationwide contact points have been fully operational. In the first year, demand for these services exceeded the original expectations by a wide margin. The government programme calls for a continuation of these activities and their integration into the planned law on the recognition of foreign qualifications. In this context, it is also important to mention the already existing (and subsidised) business practices which have proven to be an effective tool for encouraging labour market integration. These measures provide migrants with an opportunity to apply their qualifications earned abroad in practice. In addition, Austrian labour market policy also focuses on the qualification of migrants through the definition of a separate labour market policy target in the target management system for the Austrian Public Employment Service (AMS).

Labour was exempted from the fiscal consolidation measures and not subjected to additional burdens. The reduction of unemployment insurance contributions for low-income earners and the increase of the tax-free threshold from EUR 10,000 to EUR 11,000 in the course of the 2009/2010 tax reform pursued the objective of reducing the tax burden on low-income earners. In exchange, various environment-related taxes were increased (fuel tax in 2011, car registration tax [NoVA]) and environmentally harmful tax breaks abolished (e.g., the energy tax rebates for service businesses in 2011, the tax exemption for buses, and the rebate for rail transport vehicles and agricultural diesel in 2012). In February 2014, in addition to an increase in the car registration tax and an increase in the horsepower-based insurance tax, an amendment to the Motor Vehicle Tax Act (Federal Law Gazette I No. 13/2004) was adopted. These measures serve to implement the incentive effects in order to “green” the Austrian tax and duty system as mentioned in the federal government's work programme for the 2013-2018 period.

In March 2014, a reduction of non-wage labour costs was approved by the Austrian National Council. The plan is to reduce the accident insurance contribution by 0.1 percentage points to 1.3% from July 2014 onward and to decrease the employer's contribution to the Insolvency Remuneration Fund from 0.55% to 0.45% from January 2015 onward. This will reduce the burden on businesses by a total of approximately EUR 200 million. In order to ensure that the Insolvency Remuneration Fund remains sufficiently endowed in the future, it will receive contributions from the labour market promotion funds.

Country-Specific Recommendation No. 4

"Effectively implement the recent reforms of the healthcare system to make sure that the expected cost efficiency gains materialise. Develop a financially sustainable model for the provision of long-term care and put a stronger focus on prevention, rehabilitation and independent living."

The health care reform of 2012, which restructured the coordination and funding of the Austrian health care system, also introduced a key tool for monitoring the attainment of targets. Against the backdrop of the existing distribution of competences between the federal government, provincial governments and social security institutions, the Health Care Reform Act (Federal Law Gazette I No. 81/2013) passed in May 2013 governs cooperation and coordination among the various partners in the system. The partnership-based monitoring of targets in the health care system is intended to ensure that public health care expenditures do not exceed the agreed limits.¹³ In the monitoring of financial targets, financial monitoring reports will have to be submitted twice per year (in April and October) in order to assess the attainment of targets in a timely manner. The relevant acts have already been adopted at the provincial government level.

In 2011, a Long-Term Care Fund was established with a view to developing a financially sustainable model for the provision of long-term care services. Since that time, the Long-Term Care Fund Act (*Pflegefondsgesetz*) has been one of Austria's strategic pillars for the

¹³ cf. Nationales Reformprogramm 2013, p. 6f.

long-term development and harmonisation of service offerings, service provision, transparency and control. In order to ensure funding for long-term care beyond the year 2014, the National Council passed an amendment to the Long-Term Care Fund Act (Federal Law Gazette I No. 173/2013) in May 2013 to extend the act for two additional years (until the end of 2016). Specifically, this means that the federal provinces will receive an additional EUR 300 million in earmarked grants in the year 2015 and EUR 350 million in the year 2016. In addition, the federal government's work programme for the 2013-2018 period calls for the continued endowment of the Long-Term Care Fund with additional contributions totalling EUR 700 million for the years 2017 and 2018. As in the past, these funds will support the further expansion of existing care services as well as mobile, inpatient and partial inpatient services. The definition of a uniform standard coverage level and the envisaged nationwide expansion of case and care management will help ensure the high quality of care services.

The provinces are obliged to prepare plans for backup as well as for expansion and development for each upcoming year. These plans must be submitted to the Ministry of Social Affairs by 31 October. In this way, the plans will ensure a clear overview of developments in the field of care services throughout Austria.

Country-Specific Recommendation No. 5

"Improve educational outcomes, in particular of disadvantaged young people, including 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 drop-outs."

Along with gainful employment, the education system is also generally considered a driver of integration. According to the most recent Statistical Yearbook on Migration and Integration, the share of youths with native languages other than German who did not complete any schooling beyond the eighth year in Austria has declined slightly, dropping from approximately 15% in 2008 to approximately 13% in 2012.¹⁴ Important measures in this area include the expansion of Austria's "new secondary school" (*Neue Mittelschule*) and the further improvement of full-day supervision offerings as well as remedial language support for multilingual pupils in German and their first languages. Over 20% of school pupils in Austria use German as well as another language in their day-to-day lives. At compulsory general-education schools, this percentage is even higher (over 25%). In the 2012-2013 school year, some 420 teachers delivered instruction in the pupils' native languages. Nearly 300 teachers gave instruction in the two most prevalent languages among pupils from migrant backgrounds, namely Bosnian/Croatian/Serbian and Turkish.

Another major effort which focuses in particular on improving early childhood education is support in the transition from nursery school to primary school. Starting in the 2013-2014 school year, model projects at school locations with large numbers of children requiring high remedial language instruction will be piloted in all of Austria's federal provinces. These model projects will also serve to test the intensified cooperation between pre-school and primary school education. In addition, school curricula are being developed in order to ensure a higher level of skills orientation.

In order to counteract social exclusion and youth unemployment at an early stage, special attention will be paid to the interface between school and careers. In this regard, the measures taken in the field of youth and apprentice coaching have proven to be highly effective. Moreover, measures are being taken to promote a stronger orientation toward career and educational paths in school education in order to provide pupils with optimal support and promotion. In September 2013, a quality offensive to modernise instruction and service offerings at polytechnical schools was launched at 11 locations on the basis of a school pilot project. In the autumn of 2014, three additional schools will be included in the

¹⁴ Migration & Integration. Zahlen, Daten, Indikatoren 2013, Statistics Austria, Vienna 2013

pilot stage. In addition, special attention will be paid to facilitating access to education for adults through appropriate programmes to allow them to "catch up" and complete their education at later stages (completion of basic education and compulsory schooling).

The "new secondary school" (*Neue Mittelschule*) represents a high-quality education option. For the 2014-2015 school year, 136 new locations received approval for this school form, meaning that a total of 1,072 locations with 7,461 classes will be available for more than 150,850 pupils. Those locations will already provide a coverage level of nearly 96% in the 2014-2015 school year.

Once the necessary legislative measures had been adopted, the implementation of Austria's new teacher training framework (*PädagogInnenbildung NEU*), one of the government's core projects in education policy, began in the autumn of 2013. The acceptance of the new employment and remuneration law for teachers in December 2013 represented an important step toward increasing the attractiveness of the teaching profession.

The key management instrument for improving strategic planning in higher education is the Austrian Higher Education Plan (Mapping Process of the Austrian Higher Education Area),¹⁵ which was developed in 2011 and defines strategic objectives as well as initial instruments, measures and mechanisms. The changeover of the university funding system to a capacity-based system based on enrolment was adopted by the Austrian National Council in March 2013 (cf. Federal Law Gazette I No. 52/2013). The objective of this new funding system is to create a sufficient number of places for students on par with international higher education conditions. This system will be implemented and realised in multiple stages leading to full-scale implementation. The first step in the 2013-2015 performance agreement period is to optimise the conditions of higher education studies, an objective which has been supported by enabling access restrictions in five fields of study which are in especially high demand and by creating 95 additional professorships in those fields.

The instruments of capacity regulation enable universities to implement access restrictions in the form of admissions/selection procedures for fields of study which are in especially high demand. The objective of these measures is to contribute to improving the conditions of higher education in order to optimise faculty-student ratios as well as to decrease dropout rates.

Country-Specific Recommendation No. 6

"Further strengthen the powers and resources of the federal competition authority and monitor the implementation of the competition law reform. Remove excessive barriers for service providers. This includes reviewing whether existing restrictions on entry and conduct in regulated professions are justified by general interest and fostering competition notably in the railway sector."

In order to improve legal enforcement, the investigative powers of the Federal Competition Authority (a body which is not bound by instructions from any other authority) were enhanced in 2013 by the amendment to Austrian cartel and competition legislation (cf. Act Amending Austrian Cartel and Competition Law [KaWeRÄG] 2012). The amendments to Cartels Act ensure more effective supervision of undertakings with significant market power. The Austrian *de minimis* exception was adapted to models under EU law. In addition, the private-law enforcement of cartel law was also strengthened. In this context, an explicit basis for damage claims was stipulated in the Cartels Act for the first time. The limitation period for damage claims is to be suspended for the duration of pending cartel proceedings and for an additional six months thereafter. In order to increase transparency, the cartel court is required to publish final legal decisions.

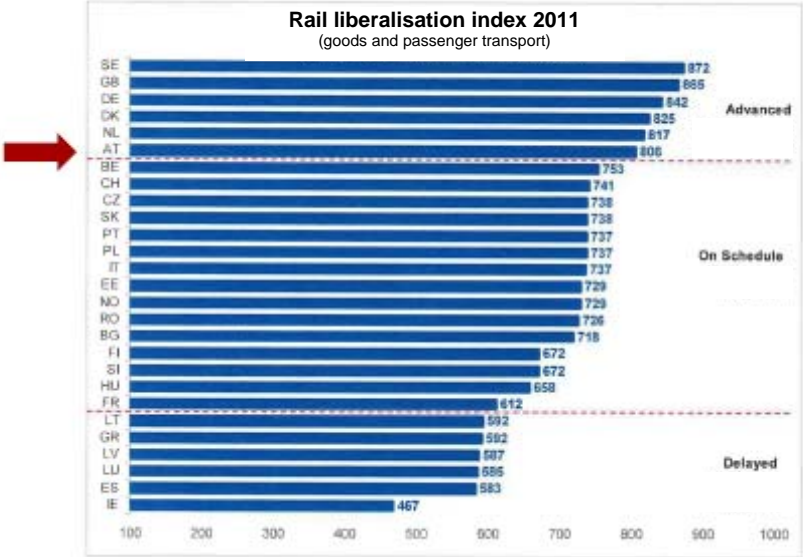
¹⁵ cf. NRP 2012, NRP 2013 and www.hochschulplan.at

Austria took the new version of the Directive on the recognition of professional qualifications (2013/55/EC) adopted in October 2013 as an occasion to review the country's list of regulated professions and to provide reasons for any restrictions required. The impact assessment which was introduced in the reform of budgetary legislation on 1 January 2013 involves predicting the effects of laws, ordinances or major projects, and describing the outcomes that can be expected for businesses and citizens.

The revision and digitisation of the Austrian Commercial Register will enable the rapid execution of transactions using state-of-the-art technology, at the same time ensuring appropriate levels of security.

Competition and liberalisation affairs in Austrian rail transport are handled by the competent regulatory authorities, namely Schienen-Control GmbH (SCG) and the Schienen-Control Kommission (SCK). As of 1 July 2013, 33 rail transport companies – six of which are headquartered outside of Austria – were operating in the Austrian Federal Railways network.

Chart: EU liberalisation progress by country



Source: Schienen Control, Liberalisation Index (Deutsche Bahn/IBM, 2011)

Country-Specific Recommendation No. 7

"With a view to maintaining financial stability continue to closely oversee the nationalised and partly nationalised banks and speed up their restructuring."

The government has consistently pushed forward its timely restructuring of government-supported banks and their supervision. Detailed information will be provided in the Austrian Stability Programme for the 2013-2018 period.

In addition to the implementation of the Basel III package, the Bank Intervention and Restructuring Act (BIRG) passed in the summer of 2013 in particular has served to support financial market stability. In this way, crisis planning should be ensured by the preparation of restructuring and liquidation plans. In this context, banks and the financial market supervisory authority examine various crisis scenarios and develop potential solutions to address those crises. The supervisory authority can also prevent economic disruptions through early intervention.

3. National Europe 2020 targets

Since the Austrian government defined its national Europe 2020 targets in the year 2010, continuous progress has been made in all areas. In nearly all respects, Austria is substantially above the average EU levels and is on course with regard to the defined national targets with the exception of private-sector R&D expenditure and greenhouse gas emissions.

Table: Overview of Europe 2020 targets

	EU headline target		Austrian national target	
	2020	Level in 2012	2020	Level in 2012
Employment rate in %	75%	68.4%	77-78%	75.6%
R&D investment in % of GDP	3%	2.06%	3.76%	2.84%
Emissions reduction target in sectors not covered by emissions trading system	-10% (compared to 2005, non-ETS)	-18%	-16% (compared to 2005)	n.a. ⁽¹⁾
Increase in share of renewable energy in gross final energy consumption	20%	14.1%	34%	32.1%
Increase in energy efficiency / stabilisation of final energy consumption (in Mtoe)	Increase in energy efficiency by 20% / 1,078 Mtoe (EU-27), 1,086 Mtoe (EU-28)	1,098 Mtoe (EU-27) 1,103 Mtoe (EU-28)	26.27 Mtoe	27.3 Mtoe
Reduction of dropout rate	10%	12.7%	9.5%	7.6%
Completion of tertiary education in %	40%	35.7%	38% ⁽²⁾	38.3%
Reduction of number of people in or at risk of poverty and social exclusion (compared to 2008)	20,000,000		235,000	n.a. ⁽³⁾

Source: Eurostat, Statistics Austria.

(1) Figures for 2012 not yet available; value for 2011 based on UBA data: -11.8%.

(2) Including ISCED 4a

(3) Not currently available due to change in method

The Austrian Institute of Economic Research (WIFO)¹⁶ has also pointed out that there is little sense in taking these targets out of their overall context and assessing each one individually. Due to interrelations between the targets, it is also necessary to account for "side-effects" which can have positive or negative effects on the attainment of targets.

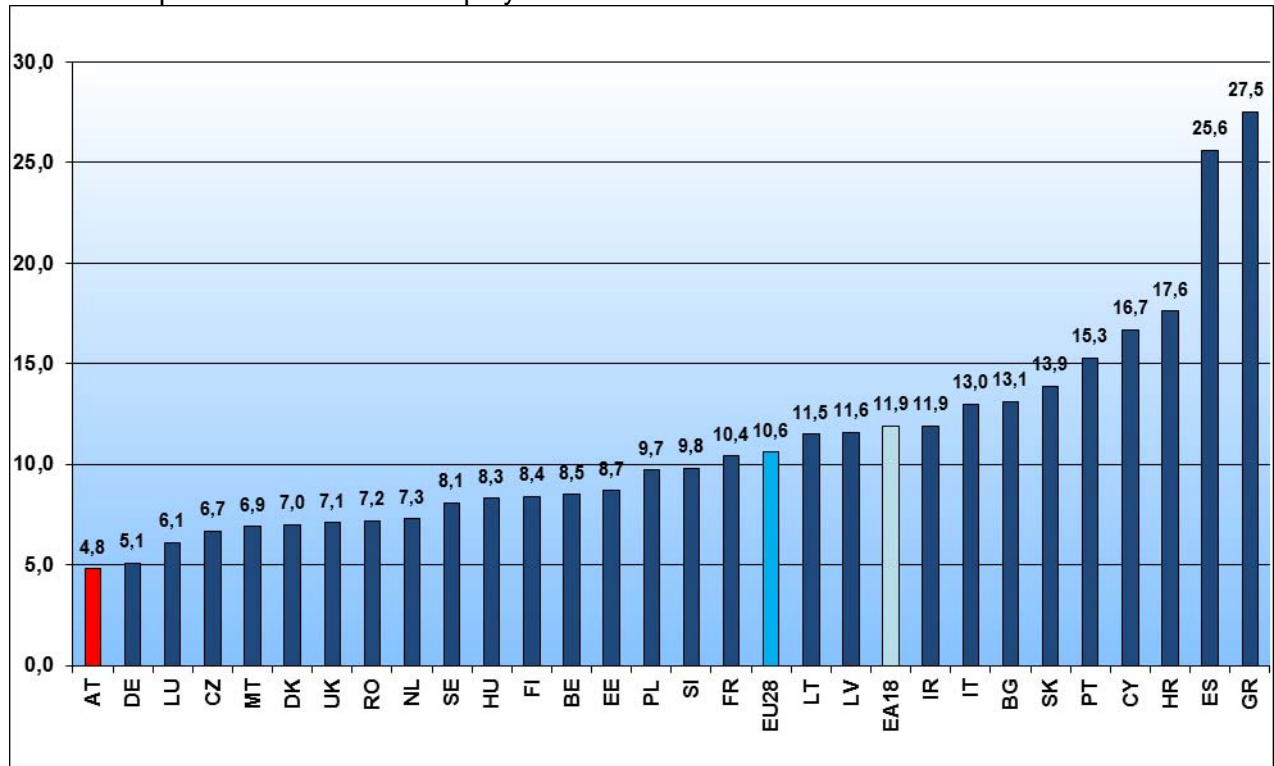
3.1 Labour market and employment

At its current level of 4.8% (as of February 2014), the unemployment rate in Austria is still the lowest in the European Union. In addition, Austria has the EU's second-lowest level of youth unemployment (9.4% as of February 2014) after Germany (7.7%). According to the

¹⁶ Monitoring of Austria's Efforts Within the Europa 2020 Strategy, Update 2013/14, WIFO 2014

microcensus, employment growth averaged approximately 39,900 employees over the year 2012.¹⁷

Chart: Comparison of overall unemployment rates in the EU



As of February 2014

Source: Eurostat

In the employment of older persons, Austria is still below the EU-28 average, which came to 48.8% in 2012. However, one remarkable development is the increase in employment among 55 to 64-year-olds, which climbed 14 percentage points over a ten-year period (from 29.1% in 2002 to 43.1% in 2012). In absolute figures, employment in this age group rose by 22,500 persons in 2013.

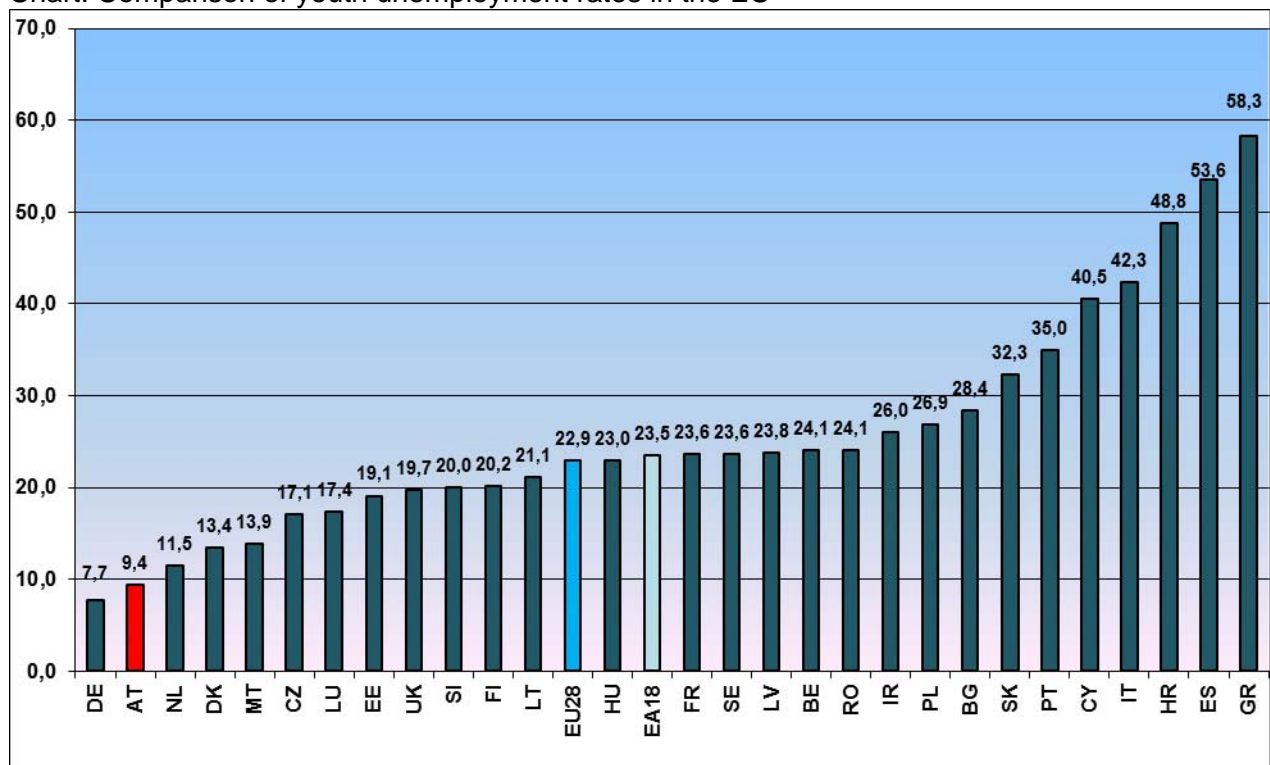
This steady increase shows that the measures taken in recent years have been effective. In addition to "fit2work", a secondary preventive information, advising and support programme regarding labour and health which has been available nationwide since 2013, several measures have been developed for older employees. Examples include the "*Reife Leistung*" programme, which provides non-wage labour cost grants for sustainable employment opportunities, the "*Aufstieg*" programme for persons with disabilities, and the skilled labour grant (since 1 July 2013). The purpose of these measures is to enhance employee qualifications in order to improve their prospects on the labour market.

The Austrian federal government's work programme for the 2013-2018 period provides for a special policy focus on increasing employment among older persons. Through the corresponding permanent legal provisions in the Austrian Labour Market Policy Funding Act (*Arbeitsmarktpolitik-Finanzierungsgesetz*, or AMPFG), the promotion of labour market integration of older persons will be reinforced by the activation of passive benefits for grants from the Austrian Public Employment Service (AMS). A total of EUR 350 million will be earmarked specifically for the promotion of employment among older persons in the years 2014 to 2016 (integration subsidies, expansion of the intermediate labour market). In this way, more than 20,000 persons can be provided with targeted support each year.

Another key target group in the context of the national Europe 2020 employment target – in addition to women (see Recommendation No. 3) – is youths from migrant backgrounds.

¹⁷ Statistics Austria, 10 January 2014

Chart: Comparison of youth unemployment rates in the EU



As of February 2014
Eurostat

Source:

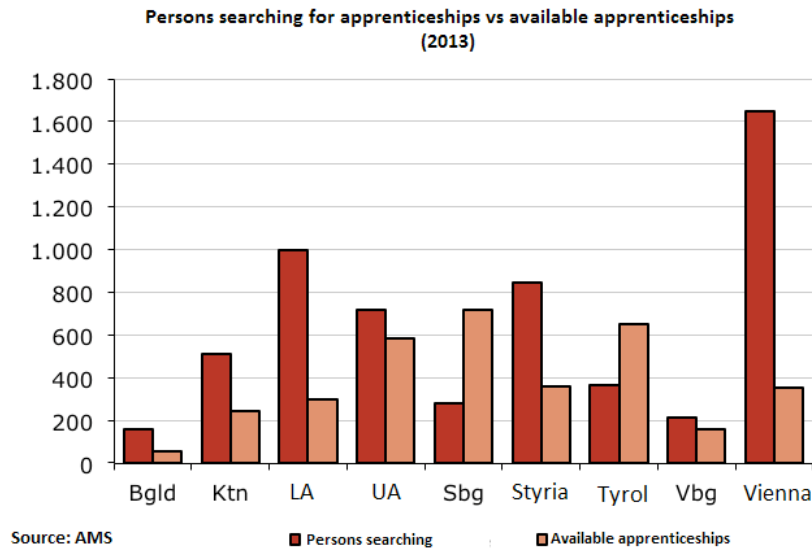
Youth unemployment in Austria is fairly moderate compared to the EU average. However, it is still a key focus area in Austrian labour market policy. Youths from migration backgrounds are more often affected by unemployment. In fact, the increase in youth unemployment by one percentage point compared to the previous year primarily affected non-Austrian citizens.

In order to provide as many people as possible with opportunities to gain professional qualifications, the Austrian federal government launched the *AusbildungsFit* ("Fit for Education")¹⁸ programme in January 2014 as a complement to the already existing and successful programmes in this area. The target group in this programme consists of youths up to 21 years of age (24 years of age in the case of youths with disabilities or special education needs, learning disabilities, or social or emotional disadvantages) who wish to complete a vocational training course and whose current career objectives appear to be clear and feasible.

In addition, the Austrian federal government's work programme includes a fundamental agreement on obligatory youth education, a measure which was formally adopted during the government meeting in January 2014. For youths up to 18 years of age who are not in education, employment or training (NEETs), administrative fines in the amount of approximately EUR 440 (analogous to fines for truancy) will be introduced in the 2016-2017 school year.

¹⁸ The programme was first launched in 24 pilot projects in 7 federal provinces and is slated for nationwide expansion in 2015. Detailed information is available at <http://ausbildungsfit.at/>

Chart: Persons searching for apprenticeships / available apprenticeships (2013)



For youths who are unsuccessful in searching for an apprenticeship, the instrument of apprentice training centres was already created in 2008. In order to make the employment of apprentices more attractive, businesses have been eligible for a one-off grant of EUR 1,000 (subject to a one-year retention period) since September 2013.

3.2. Research and development

When the Austrian federal government defined its R&D intensity target of 3.76% of GDP at the start of the Europe 2020 process, it was clear that the government had set a highly ambitious goal.

Developments over the last ten years have been remarkable. Since R&D expenditures exceeded the 2% mark for the first time in 2001, they have increased steadily nearly every year (exception: 2011). With an R&D intensity of 2.84%,¹⁹ Austria is in fifth place behind Finland (3.55%), Sweden (3.41%), Denmark (2.99%) and Germany (2.92%) and also clearly above the EU-28 average, which came to 2.06% in 2012 according to Eurostat.

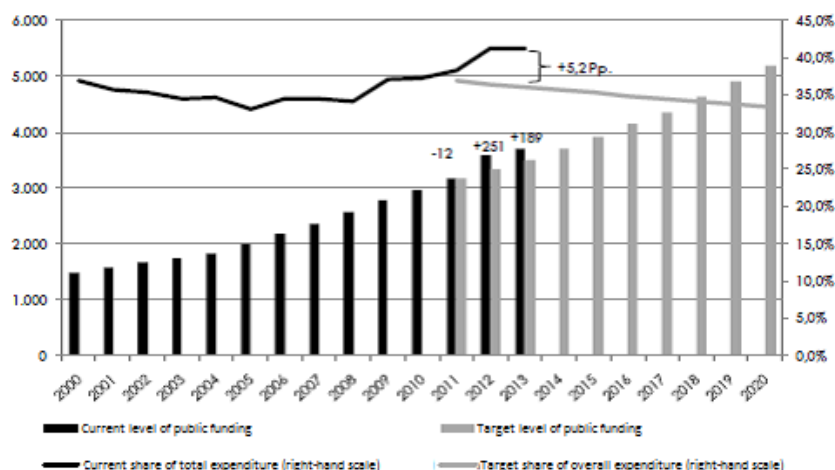
Austria's total research and development expenditure came to some EUR 8.96 billion in 2013, up 2.9% from the previous year. Federal research funding rose 2.8% to EUR 3.09 billion in 2013. This record level of funding can be attributed to the research subsidy (rebates to businesses), among other things. A total of EUR 427 million was provided by the federal provinces, while some EUR 105 million came from other public-sector institutions (municipalities, chambers, etc.). Private-sector businesses contributed approximately EUR 3.93 billion to research in 2013. In the previous year, their contribution amounted to approximately EUR 3.70 billion, or 43.8% of total expenditure. An additional 15.2% (EUR 1.36 billion) came from outside Austria. The largest share of funding comes from multinational corporations whose subsidiaries conduct research in Austria.

With regard to reaching the R&D intensity target, it is important to note the overall context because R&D spending as a percentage of GDP can only be interpreted meaningfully against the backdrop of the given framework conditions and RTI structures as well as the interdependencies between the Europe 2020 targets.

¹⁹ cf. Eurostat, preliminary estimates.

Chart: Funding path toward attainment of R&D spending target

Target/actual comparison of public funding (EUR million)



Source: Statistics Austria, WIFO-calculations

Excursus: Measures to complete the European Research Area

Austria is committed to the target of creating a European research and innovation area where researchers enjoy high mobility and where research findings and technologies can be exchanged freely. Austria also supports the recommendations outlined in the ERA Progress Report of 20 September 2013 and is making efforts to participate actively in the implementation of those recommendations. The implementation of Austria's RTI strategy accounts for the realisation of the ERA in many respects. The specific measures to implement the goals of stronger partnership are discussed below.

a. More effective national research systems

In Austria, a substantial share of funds supporting R&D is already allocated on a competitive basis using international peer review procedures. In the course of implementing its national RTI strategy, Austria will analyse the specific potential for extending these principles to other areas of the national research system.

b. Optimal cross-border cooperation and appropriate competition

- Austria is currently involved in seven Joint Programming Initiatives and will devote particular effort to the alignment of European and national strategies within the framework of those initiatives.
- Austria is an active partner in ERA-NETs and is making efforts to further advance the use of this instrument.
- In addition, Austria is actively involved in a number of partnership initiatives within the framework of the Horizon 2020 programme (ECSEL, AAL, EDCTP, EMPIR and Eurostars) as well as the Strategic Energy Technology Plan (SET Plan).
- Austria is currently participating in ten ESFRI Initiatives as well as eight additional research infrastructures of pan-European interest.
- Austria is also actively involved in the design of the EU's Horizon 2020 framework programme, in the subject-specific Joint Undertakings as well as the European Technology Platforms, which – thanks to the cooperation between industry, research, the European Commission and the EU Member States – are a decisive strategic planning tool in European technology policy and R&D funding and thus make a contribution to maintaining Europe's competitiveness.
- In addition, Austria is an active partner in international and European research and industry initiatives designed to promote alternative propulsion technologies (IEA

Implementing Agreement Hybrid & Electric Vehicles, European Green Vehicles Initiative [EGVI], European Road Transport Research Advisory Council [ERTRAC], European Automotive Research Partners Association [EARPA], Fuels, Cells and Hydrogen JTI; ERANET Electromobility+).

- Austria is also making significant contributions to European research and implementation projects focusing on electric vehicles within the framework of the Horizon 2020 and TEN-T programmes.

c. An open labour market for researchers

- The international or EU-wide advertisement of scholarly vacancies at universities is required under Austrian law. EURAXESS Jobs, the European Commission's free European job database, is recommended and promoted as a platform for this purpose.
- The portability of funding has been possible for several years now thanks to the "Money Follows Researcher" initiative within the framework of the DACH Agreement (FWF-DFG-SNSF).
- The Euraxess Declaration of Commitment has been signed by a total of 22 Austrian organisations. Continued promotion efforts are being undertaken in order to increase this figure.
- The implementation of the principles laid down in the Charter & Code at Austrian universities is part of the performance agreements with the universities. The Charter & Code have already been signed by 34 Austrian organisations.

d. Attention to gender equality aspects in research

In the course of the reform of budget laws, gender budgeting and gender equality were laid down in Austrian law. In the research field, the objective is to attain gender balance in leadership positions, in decision-making bodies and among junior scholars. Strategic gender equality targets have also been defined in the universities' performance agreements. These agreements refer to increasing the share of women in leadership positions and decision-making bodies to 40% as well as the share of women among junior scholars, reducing the gender pay gap and enhancing the compatibility of university studies / careers and family.

e. Optimal exchange and transfer of scientific insights

- Austria supports open access initiatives within the framework of its performance agreements with universities and through measures taken by the Austrian Science Fund (FWF). The Austrian Academy of Sciences and the University of Graz have already developed open access strategies. In addition, the Austrian Science Fund provides funding for open access publications in connection with all of the projects it funds.
- With the establishment of three regional knowledge transfer centres and a subject-specific knowledge transfer centre in the field of life sciences, the new "Knowledge Transfer Centre and IPR Exploitation" funding programme is designed to create strong incentives for universities and public research institutions to optimise the use of the available knowledge and technology transfer potential in cooperation projects and thus to create optimal conditions for the successful transfer of technologies to the business world.
- Similar to the European technology platforms, Austria has set up national technology platforms where industry, researchers and government not only cooperate at the strategic level (i.e. in the definition of technology policy priorities and measures), but also plan the flow of information between partners and the representation of Austrian interests in international bodies.

3.3. Climate change and energy

The Austrian targets in the EU's 2020 climate and energy package include a reduction of greenhouse gas emissions as well as an increase in the share of renewable energies.

Obligations with regard to greenhouse gas emissions:

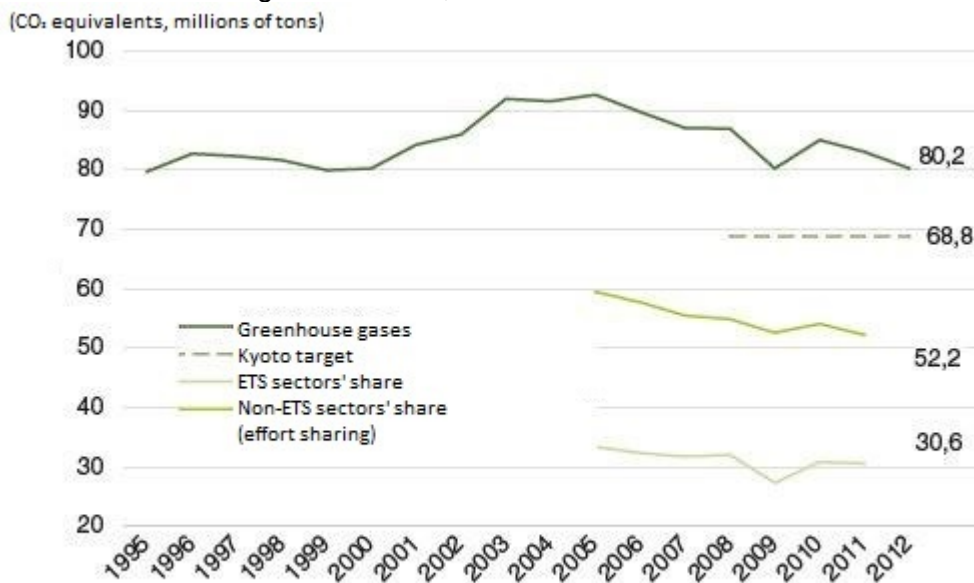
- EU Emissions Trading Sector (plants with a total rated thermal input exceeding 20 MW and plants for certain manufacturing processes): Reduction of 21% compared to 2005 (throughout Europe).
- EU non-Emissions Trading Sector (other greenhouse gas emissions): Reduction of 10% compared to 2005 (throughout Europe) and a reduction of 16% in 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 energy strategy (2010) calls for a stabilisation of final energy consumption at the 2005 level (1,100 PJ).

In the case of greenhouse gas emissions, a steady decline has been observed since the start of the reference period in 2005. According to the Greenhouse Gas Inventory for 2012 published by Environment Agency Austria in January, emissions totalled 80.2 million tons of CO₂ equivalents in 2012, down 3.3% (2.7 million tons) compared to 2011.

Chart: Greenhouse gas emissions, 1995 to 2012



Source: Environment Agency Austria (17 February 2014)

59.84 million tons of CO₂ equivalents – some three-quarters of overall greenhouse gas emissions in 2012 – were energy-related. They were generated by the transport sector (21.68 million tons), energy supply sector (12.45 million tons), industry (15.74 million tons), small consumers/room heating (9.5 million tons) and fugitive emissions from fuels (0.48 million tons).

Energy-related emissions; CO₂ equivalents

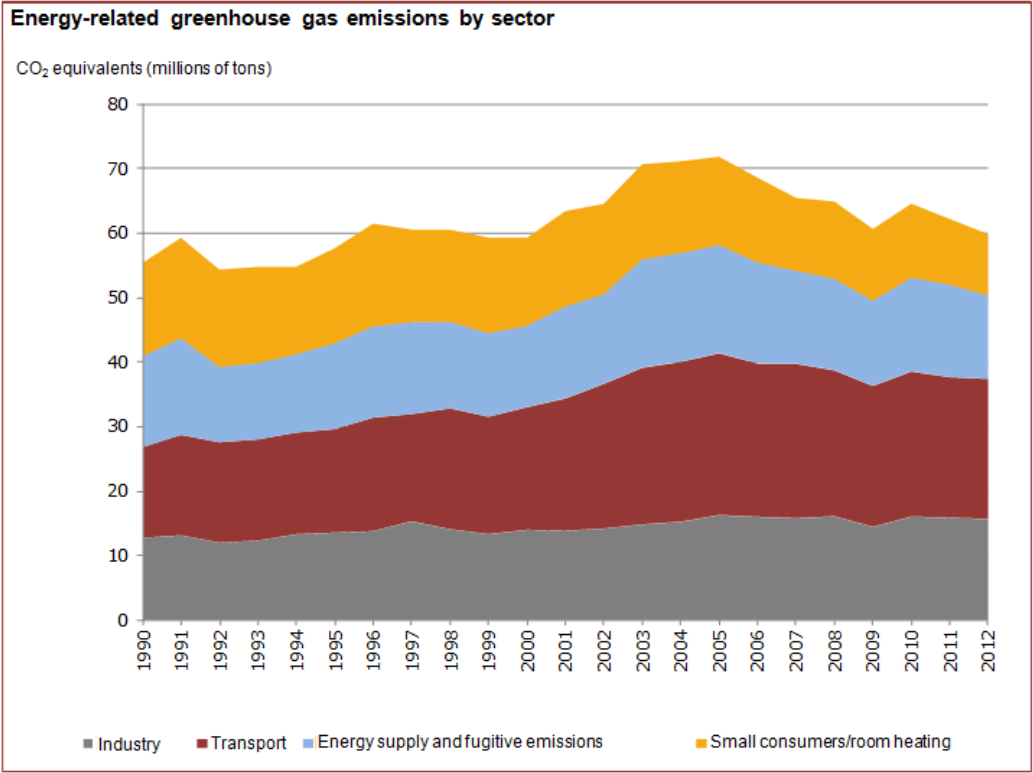
Sector	includes emissions from:	CO ₂ equivalents (millions of tons) - 1990	CO ₂ equivalents (millions of tons) - 2012
Industry	Combustion	12.77	15.74
Transport		14.07	21.68
Small consumers	Room heating	14.41	9.50
Energy suppliers	Electric power, district heating, refineries and energy consumption	13.84	12.45
Fugitive emissions		0.31	0.48
Total		55.40	59.85

Source: Environment Agency Austria

The structure of energy-related greenhouse gas emissions has changed substantially in the long term: The transport sector has shown significant increases in its share of emissions and is therefore 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 increase in district heating and renewable energy sources. In contrast, the shares generated by the industry sector and energy supply sector have changed only moderately.

In the energy-intensive industry sector, the decoupling of value added from emissions has mitigated the increase in overall emissions. In addition to industry, trades, heating and energy production, transport is one of the largest sources of CO₂ emissions. Between 1990 and 2012, greenhouse gas emissions from transport (including fuel exports) rose from 14.1 million tons to 21.7 million tons (+55%). The most significant source of emissions is road transport. In 2012, passenger transport by road generated approximately 12.2 million tons of CO₂ equivalents, while goods transport by road was responsible for 8.9 million tons (cf. Environment Agency Austria, *Klimaschutzbericht* 2013).

In the Effort Sharing Decision (406/2009/EC), Austria undertook to reduce its greenhouse gas emissions by 16% by the year 2020. In order to attain this goal, a large number of measures are also required in the transport sector, e.g. subsidies for public transport, bicycle usage and mobility management, for example through the initiative to promote fuel-efficient motoring as well as the promotion of environmentally friendly propulsion technologies. This also includes the use of electric vehicles in connection with renewable, efficient energy sources, embedded in an intelligent and intermodal overall transport system. The target of ensuring that 20% of newly registered vehicles in Austria should be battery-driven and hybrid vehicles by 2020 is supported by R&D programmes such as “*Mobilität der Zukunft*”, “*Leuchttürme der Elektromobilität*” and the electric mobility implementation plan in and from Austria, as well as incentives for rapid market introduction, especially as supported by the “*klima:aktiv mobil*” initiative.

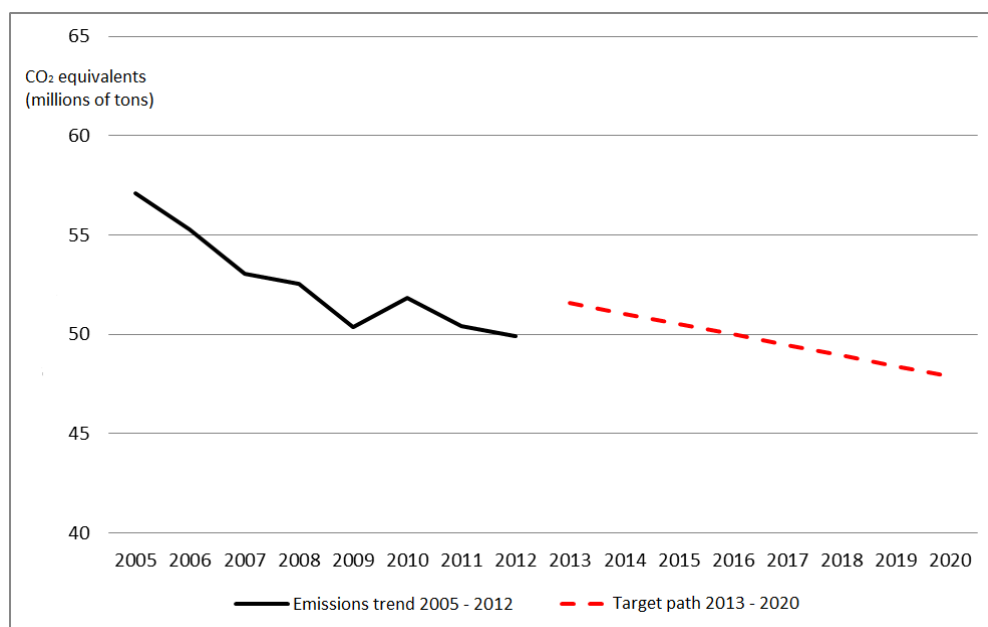


Source: Environment Agency Austria

In the amendment to Annex 2 to the Austrian Climate Protection Act (*Klimaschutzgesetz*, KSG) passed by the Austrian Parliament in July 2013, the act was adapted to reflect the

country's climate protection obligations outside of EU emissions trading in the period from 2013 to 2020. The maximum quantities stipulated in the amendment are triggers and should activate control processes in cases where the development of greenhouse gas emissions require intervention.

Chart: Greenhouse gas emissions in non-emissions trading sectors (2005 to 2012) and target path until 2020



Source: Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management 2014

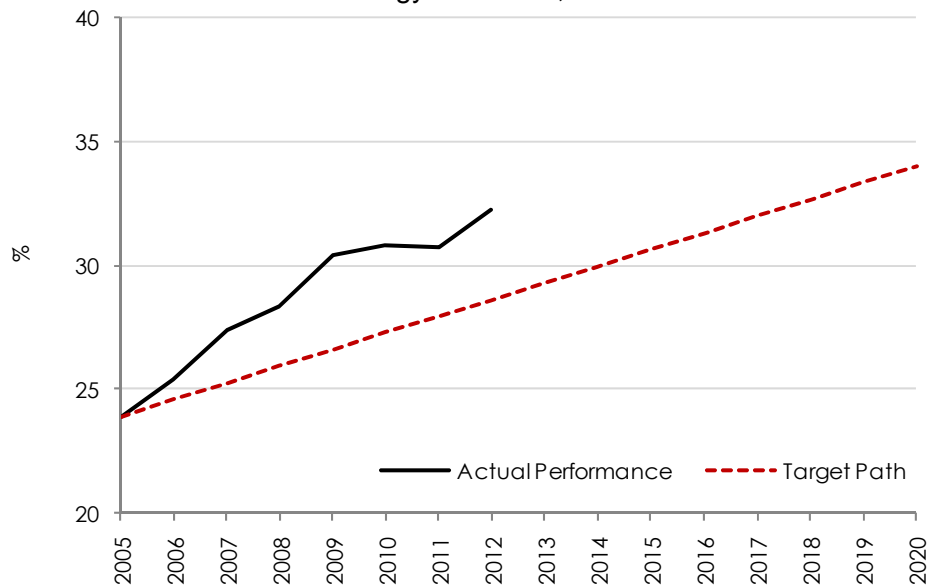
One key measure for the purpose of raising awareness and ensuring quality in this context is the internationally recognised Austrian Climate Protection Initiative (*klima:aktiv*), which provides stimuli with regard to saving energy, construction and renovation, renewable energies and mobility (see Annex 1, Table 2). A solid basis for these activities will be created by the (also widely recognised) programmes for research and technology development in the energy sector, such as the programmes for energy systems of the future, cities of the future, the Climate and Energy Fund (KLIEN) and Austrian activities in the European Strategic Energy Technology Plan (SET Plan).

The share of renewable energy sources is to reach at least 34% by the year 2020. By 2012, this share had already reached 32.1%, up 1.5 percentage points compared to 2011. In absolute figures, the contribution of recognised renewable energy sources rose by 4.1% to 103,535 GWh (372,726 TJ) between 2011 and 2012. This places Austria well above the EU-28 average, which came to 14.1% in 2012 (source: Eurostat).

An analysis of the share of renewable energies in the main categories of electric power, district heating, direct use (heating) and transport in 2012 shows that renewable electric power (from hydro, wind, photovoltaic cells, geothermal heating and biomass) accounts for the largest share (65.3%), followed by renewable district heating from biomass, solar and geothermal sources at 45.0%, the direct use of renewable heating in final energy consumption (biogenic fuels, ambient heat, geothermal heating and solar heating) at 29.6% and sustainably produced bio fuels (biodiesel and bioethanol) at 6.6% of overall fuels.²⁰ The total revenues from (investments in) the operation of technologies for the use of renewable energy in Austria amounted to EUR 5.9 billion in 2012, up 4.7% compared to 2011. In the corresponding production and service businesses, a total of approximately 38,800 persons were employed in 2012, which represents an increase of 1.4% compared to 2011.

²⁰ cf. Statistics Austria, Energiebilanzen 1970-2012, published on 27 November 2013

Chart: Share of renewable energy in Austria, 2005 – 2020



Source: WIFO 2014

According to Statistics Austria's energy statistics, final energy consumption dropped approximately 0.7% to 1,096 petajoules (PJ) in 2012 compared to 2011 and was thus at approximately the same level as in 2005 (1,111 PJ). This reduction was achieved despite colder temperatures compared to 2011 (total heating degrees rose by 5% in 2012). In the industry sector, energy consumption fell approximately 1.7% to 332 PJ, while the transport sector saw a decline of about 1.6% to 352 PJ. Household energy consumption rose 4.7% to 275 PJ.

Overall, the final energy consumption of all fossil energy sources declined markedly compared to 2011: coal -8.9% to 20 PJ; petroleum products -2.5% to 404 PJ; natural gas -3% to 190 PJ. Combustible waste also fell 17.2% to 12 PJ. In contrast, final consumption rose in the case of district heating (+2.9% to 76 PJ), electric power (+1.2% to 224 PJ) and renewable energy sources (+5.3% to 170 PJ).

3.4 Education

In the field of education, two target values were defined within the framework of the national Europe 2020 targets: 38% of persons in the 30 to 34 age group are to have completed tertiary education or possess an equivalent degree, and the share of early school and training leavers is to be below 9.5%.

Both targets have already been reached. The tertiary education attainment rate came to 38.3% in 2012 (including ISCED 4a). Entry rates in Austrian tertiary education have risen steadily in recent years. According to the OECD,²¹ entry rates rose from 27% in 1995 to 52% in 2011. In the winter semester of 2013, the number of regularly enrolled students at universities came to 272,837.²² At the same time, the number of graduates increased as well: The 37,215 graduates in the 2012-2013 academic year indicate that the number of graduates has doubled in comparison to 2002-2003. The continuous expansion of universities of applied sciences has made a substantial contribution to increasing entry and graduation rates in Austrian tertiary education. In the winter semester of 2013, a total of 43,593 students were enrolled at universities of applied sciences.

²¹ OECD, Education at a Glance 2013

²² cf. Statistics Austria, *Bildung im Überblick*

The term “early school leavers” refers to persons between 18 and 24 years of age with an educational attainment no higher than ISCED level 3a/b and who are not currently engaged in any form of training or continuing education. In Austria, the share of early school leavers came to 7.6% in 2012, down 0.7 percentage points compared to 2011. Of the approximately 53,000 persons who had completed only lower secondary education in 2012, young men accounted for a larger share (27,000) than young women (26,000).

As educational attainment is still closely correlated with social background, reforms in recent years have focused on improving equal opportunities. The introduction of the “new secondary school” (see also Section 2 and Annex 2), the expansion of full-day school forms on offer and the introduction of central quality development measures (e.g. education standards, standardised school-leaving examinations, etc.) represent important preparatory steps in school and social policy.

3.5 Poverty and social exclusion

Combating poverty and social exclusion is among the Austrian federal government’s core priorities. Within the framework of its Europe 2020 strategy, the Austrian federal government defined the objective of reducing the number of persons at risk of poverty and social exclusion by 235,000 within ten years.

Risk of poverty is considered to exist in cases where equivalised household income is below a poverty risk level of 60% of the median. In 2012, the median equivalent income came to EUR 21,800.00.²³ The poverty risk level was therefore EUR 13,084.00 for a one-person household, or EUR 1,090.00 per month (12 times per year). Another measure used in this context is material deprivation, which is considered to exist when at least four of nine criteria (defined at the EU level) are not fulfilled: Examples include the ability to keep one’s home adequately warm, to make payments (rent, utility bills) in time, or to face unexpected expenses (e.g. repairs). In Austria, this was the case for approximately 4% of the population, or 335,000 persons in absolute terms. A third indicator used to measure the risk of poverty or exclusion refers to the integration of households in the labour market. According to the most recent data available from the EU-SILC 2012, 7.7% of persons under 60 years of age live in households with no or very little employment intensity. In absolute terms, this amounts to 490,000 persons.

According to the EU-SILC 2012 survey, 362,000 children and youths under 20 years of age in Austria are at risk of poverty or social exclusion. With a share of 20%, women are more often at risk than men (16%). The highest risk of social exclusion by type of household can be found in single-parent households (predominantly single mothers and their children), which account for 39%. Single female pensioners also exhibit an above-average risk level (28%).²⁴

In 2012, a methodological change was introduced in the underlying EU-SILC survey in Austria: For the first time, comprehensive income-related information was derived from administrative data, which led to an improvement in data quality but also to a substantial break in the time series; the percentage at risk of poverty in 2012 came to 14.4%, two percentage points higher than the previous level. This break in the series does not currently enable reliable monitoring of the quantifiable national poverty reduction target. In order to depict and analyse a comparable and meaningful time series going back to the Europe 2020 base year 2008, Austria will carry out comprehensive recalculations for those years in early 2015. With the help of recalculations (likewise based on administrative data) for 2011,

²³ cf. Statistics Austria. A methodological change was introduced in the EU-SILC 2012 survey. For the first time, administrative data (e.g. income tax data) was accessed instead of conducting the survey carried out in the past.

²⁴ cf. Statistics Austria, March 2014

Austria's national statistics bureau (Statistics Austria) was able to show that the level of poverty risk in Austria has not changed, as this percentage came to 14.5% in 2011.

This result shows that countermeasures have been effective despite the two fiscal consolidation packages in 2011 and 2012. It also means that the developments in Austria have gone against the current trend across the EU.²⁵ The fact that Austria has managed to remain on the target path in a very difficult economic environment in recent years can mainly be attributed to the country's long-term, stable social policy orientation and to its numerous social inclusion and poverty reduction initiatives.

Due to numerous interrelations, there are many ways to approach poverty reduction in Austria: education, training, qualification campaigns for less educated workers, health and the creation of a framework for high-quality care services for children and adults requiring care (see Annex, Table 3).

4. Additional measures

4.1 EU Structural Funds – Coherence between funding priorities for 2014 to 2020 and the national Europe 2020 targets

The content orientation of Austria's Structural Funds programmes is based on the objectives of EU cohesion policy (economic, social and territorial cohesion) and the targets of the EU 2020 strategy in the context of intelligent, sustainable and inclusive growth.

The Austrian **IWB/ERDF**²⁶ Regional Programme 2014-2020 is currently being developed and is intended to make regional policy contributions to the attainment of the Europe 2020 headline targets (intelligent, sustainable and inclusive growth) and the corresponding targets for Austria.

In essence, the programme's orientation pursues an economically oriented development strategy. It supports the adaptation of aggregate productivity and the structural transformation required for that purpose as well as an overall paradigm shift toward technology leadership. In this way, it makes a contribution to Austria's progress toward becoming an innovation leader. In accordance with the requirements in Articles 4 and 5 of the ERDF Regulation and in line with concentration requirements, the following priorities have been defined as focus areas:

- (1) **Strengthening research, technological development and innovation:**
Regional policy contribution supporting Austria's progress toward becoming an innovation leader through intelligent specialisation and a broadening of the basis for innovation in business.
- (2) **Strengthening the competitiveness of SMEs:**
Securing and expanding a competitive production economy and specialised services in innovative (niche) areas.
- (3) **Transition to a low-CO₂ economy:**
Primarily by increasing energy efficiency and using renewable energies in businesses and by expanding R&D innovation activities.
- (4) **Reinforcement of integrated (urban) development and new forms of cooperation** in functional spaces for innovation-oriented, urban and regional development, and reduction of utilisation conflicts and obstacles to growth.

Priorities 1 (R&D), 2 (SMEs) and 3 (CO₂ reduction) form the substantial and quantitative core of the IWB Programme, with more than 90% of the available ERDF funds, and make a contribution to Targets 2 and 3 of the National Reform Programme.

²⁵ In 2012, 24.8% of the EU's population was at risk of poverty or social exclusion. This represents an increase of 0.5 percentage points compared to 2011 and 1.1 percentage points compared to 2008.

²⁶ IWB/ERDF Regional Programme: operational programme for investment in growth and employment

In the future, Austria will continue to participate in the "European Territorial Cooperation 2014-2020" target (ETC/ERDF). Both cross-border/transnational cooperation and participation in the network programmes will be continued.

The ESF will also be geared toward the implementation of the EU 2020 targets in the upcoming period (within the framework of the IWB programme) and will deploy funds in a highly focused manner. Accordingly, the focus will be on the following priority areas:

- (1) Promoting sustainable and high-quality employment through measures aimed at access to employment for job seekers and unemployed persons, the equal treatment of women and men as well as the compatibility of professional and private life and active, healthy ageing. In addition, support will be provided for the adaptation of the labour force, businesses and business owners to the changes.
- (2) Promotion of social integration and poverty reduction with special attention to improving employability.
- (3) Investments 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 high-quality primary and secondary education. Likewise, access to lifelong learning as well as improving the abilities and skills of the labour force will also be promoted.

In addition to the Structural Funds, the Austrian Programme for Rural Development 2014-2020 will contribute to the targets of the National Reform Programme. Above all, this refers to the targets of reducing emissions, increasing the share of renewable energies and increasing the employment rate.

5. Institutional aspects

The National Reform Programme 2013 was presented to the Austrian National Council on 22 April 2013 as a federal government report for deliberation in accordance with the rules of procedure. The EU Subcommittee, the Budget Committee and the Plenary of the National Council negotiated the National Reform Programme in a public session and acknowledged the Programme with a majority of votes.

Within their areas of responsibility, the provincial and local governments not only contribute to reaching the national Europe 2020 targets but also drive the implementation of country-specific recommendations. Where opportunities for cooperation exist between the federal and provincial levels of government, agreements are concluded on the basis of Article 15a of the Austrian Federal Constitutional Act (B-VG). For example, such agreements include the organisation and funding of health care, energy efficiency, minimum income, child care and education-related measures. The 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.

Upon the suggestion of the Vienna Municipal Council Committee for European and International Affairs, a specialist seminar was held on 6 May 2013 to address the significance of the National Reform Programme at the regional and urban levels.

On 18 September, the European Affairs Committee of the Vorarlberg Provincial Parliament discussed how the provinces would be impacted by the newly created economic and fiscal policy monitoring instruments within the framework of the European semester. In the discussion, it was emphasised that the European Commission's country-specific recommendations in particular have immediate effects on the federal provinces, as several of the policy areas addressed are within their immediate scope of authority. The specific

measures taken by the federal provinces to implement the 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. In June, a study on involving civil society in the Europe 2020 reform programme (commissioned by the Austrian Federal Chancellery) was presented at an event held in the House of the European Union. Examples of measures highlighted in this context include the Austrian platform for the implementation of the poverty reduction and social inclusion target established at the Federal Ministry of Labour, Social Affairs and Consumer Protection, the participation process launched in 2012 for the development of partnership agreements for the new Structural Funds period, as well as the "*Wachstum im Wandel*" stakeholder dialog on growth.