

Austria

1. Over the last decade, the Austrian economy has grown in real terms by just over 2% on average annually, slightly better than the euro area. Labour productivity growth as well has been just above the euro area average. GDP per capita at 123% of the EU average in 2004 was one of the highest in Europe. The employment rate stood at 67.8% in 2004, well above the EU average. Unemployment increased for the third consecutive year to reach 4.8% in 2004, hitting young people in particular. The employment rate for older workers, around 29% in 2004, is one of the lowest in the EU.

PART I: GENERAL ASSESSMENT

2. The Austrian National Reform Programme (NRP) identifies seven “strategic priority areas” namely sustainability of public finances; R&D and innovation; infrastructure; international competitiveness; environmental sustainability; labour market and employment; and education and training. The Commission broadly shares this analysis of the main priorities but also regards the issue of competition in services as important.
3. Overall, the NRP focuses on continuity without any radical shift in policy or providing a new medium-term vision. Most of the measures referred to are either already in place or planned for 2006. This approach can be considered adequate and realistic in a short-term perspective. However, a clearer identification of challenges ahead and a more ambitious approach to tackling them would have been welcome. In general, the NRP is based on an integrated approach and presents a largely coherent set of policy measures. However, the degree of precision in the definition of implementing measures varies widely across the different areas covered. More information would be required to allow full verification of the consistency of the financial commitments in the NRP, with the overall aim of reaching budgetary balance. The NRP announces important targets (for example for the overall tax burden and for R&D expenditure) but does not set a national target for the overall employment rate. The NRP has some information on how Structural Funds will support its implementation.
4. Consultation and efforts to develop ownership of the document have been fairly substantial. The Federal Chancellery involved several ministries in the preparation of the NRP. A wide range of stakeholders was consulted, including social partners, regions, municipalities and economic research institutes. The Austrian Parliament adopted a favourable resolution.

PART II: ASSESSMENT BY POLICY AREA

Macro-economic policies

5. The NRP identifies the sustainability of public finances as the key macro-economic challenge, an analysis shared by the Commission.

6. The strategy to tackle this challenge is based on a three-pronged approach: a balanced budget over the economic cycle; lowering the tax burden to 40% of GDP by 2010 and increasing potential growth by fostering investment in research, education and infrastructure. The NRP takes stock of macro-economic measures already implemented rather than presenting new ones. It refers in general terms to expenditure cuts, cost-saving administrative reforms and improvement in the quality of public finances by shifting expenditure towards areas conducive to growth. The NRP emphasises the contribution of the latest pension reforms to ensuring financial and social sustainability. References are made to various growth and employment packages, as well as to recently introduced measures aimed at enhancing Austria's attractiveness as a business location. The programme draws attention to the fact that the ratio of public expenditure to GDP has fallen from 57% to under 50% over the last decade but acknowledges that tax reforms in 2004/2005 contributed to a temporary weakening of the budget.
7. The macro-economic section is coherent but is not detailed enough to demonstrate convincingly when a return to a balanced budget – or to the surpluses that a balanced budget over the economic cycle would require - could reasonably be expected. In this respect, the Austrian stability programme, submitted after the NRP, provided some more details on the provisions designed to improve fiscal sustainability.

Micro-economic policies

8. In relation to micro-economic policies, the NRP focuses on R&D and innovation, infrastructure investments, international competitiveness and environmental technologies.
9. For R&D investment, Austria is committed to meet a target of 3% of GDP in 2010 (2.5% for 2006, 2.35% currently), in line with the overall EU target. To this end, research funding has been increased in 2005, through both direct support measures and tax incentives. The planned increase in R&D spending seems sufficient to bring Austria to 1% of public research investment by 2010 (0.86% currently), but substantial additional efforts may well be needed to leverage investments from the private sector. The NRP recognises weaknesses in the innovation system and tackles them adequately by measures to improve access to finance for innovative ventures and strengthen the qualifications of the workforce. Although the NRP stresses the intention to implement the EU's i2010 initiative to focus ICT developments on contributing to growth and jobs, the measures specified are not comprehensive, and ICT related policies could further benefit from support in related policy areas such as innovation, research and skills.
10. The programme acknowledges that Austria, as an export oriented economy, has strongly benefited from the internal market. Measures supporting the export effort of Austrian companies such as the "Go International" initiative should bring further benefits. Austria is also taking steps to improve its regulatory environment, particularly by reducing administrative costs and boosting competitiveness. The NRP contains a commitment to further strengthen impact assessment procedures.
11. Austria's horizontal industrial policy approach is complemented by sector specific initiatives in life sciences, nano-technology and environmental technologies. The latter is consistent with the inclusion in the NRP of environmental technologies and resource efficiency, including renewable energy. Measures, like the "klima:aktiv"

programme, which provide financial support for the introduction of climate-friendly technologies in various sectors, are an important contribution to help Austria limit CO₂ emissions. Most of the measures to improve the business environment or to address specific SME needs are built on past experience. Planned initiatives concerning entrepreneurship are not set out in detail and doubts remain as to their likely effect in fostering an entrepreneurial culture.

12. The NRP stresses the need to improve its transport, energy and ICT infrastructure. It is essential that projects such as the Vienna-Bratislava railway link, or the Brenner-tunnel, are now realised and the NRP provides grounds for optimism in this respect.
13. The NRP does not contain a clear commitment to improve Austria's performance in implementing internal market legislation or to reduce state regulation of liberal professions.
14. The programme addresses all relevant areas of microeconomic policies except competition in services. Objectives are generally clearly set out, though specific measures are not always precisely described, which makes it difficult at this stage to assess their likely effectiveness.

Employment policies

15. The employment part of the NRP focuses mainly on attracting people into employment; promoting active ageing; adaptability issues including fighting against undeclared work and promoting "flexicurity"; and on qualifications and education reforms.
16. A number of appropriate measures are proposed to attract and retain more people in employment, for example increased expenditure on active labour market policy and the strengthening of the Public Employment Service. In the context of rising youth unemployment a number of measures have been introduced, in particular to modernise and reinforce the apprenticeship system. Existing successful programmes for people with disabilities are to be continued. Although some measures to improve qualifications for women and work-life balance are mentioned, limited attention is paid in the NRP to improving availability of childcare facilities. The integration of migrants into the labour market is also only given relatively limited attention in the NRP. Previous pension reforms begun in 2003 and continued in 2005 have already strengthened incentives to work longer. Other initiatives related to qualifications and quality at work, along with reductions in statutory non-wage costs for older workers, seem likely to contribute to increasing the very low employment rate of older workers. In 2006, the government will experiment with wage subsidies to make low-paid work sufficiently attractive to disadvantaged workers.
17. Initiatives aiming at improving the adaptability of workers and enterprises rely to a large extent on social partners. Stronger emphasis is given to preventing undeclared work. An unemployment insurance scheme for self-employed people is yet to be implemented. Very moderate wage developments have contributed to competitiveness and real unit labour costs have declined since 1999. The relatively high gender pay gap is only addressed to some extent by measures to reduce the segmentation of the labour market. The rapid development of new forms of work also calls for special attention to preserve an adequate balance between flexibility and security.

18. Austria is performing well against several EU education and training benchmarks. The NRP focuses strongly on improving education, vocational training for young people and universities, which should contribute to raising the quality of labour supply and meeting skill demands. Nevertheless, additional attention to raising reading standards and to maths and science teaching at all levels would seem necessary. Although incentives for employers and individuals to invest in training have increased and this may prove effective, the NRP does not present a fully-fledged strategy for lifelong learning.
19. The NRP sets out a comprehensive set of measures, mostly already in place, to address the employment challenges identified. The measures taken to increase the low employment rate of older workers are appropriate but given the very low base, more radical steps and a stronger commitment from all stakeholders are needed.

PART III: CONCLUSIONS

20. In line with the Integrated Guidelines, the Austrian National Reform Programme identifies and responds to the main challenges facing Austria, namely sustainability of public finances; R&D and innovation; infrastructure; international competitiveness; environmental sustainability; labour market and employment; and education and training. However competition in services has not been addressed as a main challenge. Overall, the different policy areas are well integrated within the NRP, which is coherent and for the short-term adequate and realistic. A more ambitious and longer-term approach would have been welcome.
21. Implementing measures are not always described with precision. More information would be required to assess whether the financial commitments in the NRP are fully consistent with the overall aim of reaching budgetary balance.
22. The programme's strengths include:
 - coherent strategies to boost innovation and environmental technology;
 - appropriate measures to attract and retain more people in employment, including reinforcing active labour market policy and reductions in non-wage costs;
 - initiatives to modernise and promote apprenticeships for young people.
23. Among the points requiring further attention are:
 - improving competition in services, where there are currently severe regulatory obstacles;
 - further measures to address the low employment rate of older workers and investment in the vocational training of adults.
24. Taking due account of the above, Austria is invited to implement its NRP with vigour. The 2006 progress report on the implementation of the NRP should cover in particular the way Austria has dealt with the issues mentioned in paragraph 23. In

this context, the Commission looks forward to discussions with the Austrian authorities as part of the new partnership for growth and jobs.

PART IV: STATISTICAL GRAPHS AND DATA

AUSTRIA

	AT							EU-25							
	1999	2000	2001	2002	2003	2004	2010 National target	1999	2000	2001	2002	2003	2004	2010 EU target	
GDP per capita in PPS	125.7	126.4	122.6	120.5	121.4	123.2	3.0	100.0	100.0	100.0	100.0	100.0	100.0	70.0	
Labour productivity per person employed	104.6	105.9	103.6	102.5	103.5	105.9		100.0	100.0	100.0	100.0	100.0	100.0		
Employment rate	68.6	68.5	68.5	68.7	68.9	67.8b		61.9	62.4	62.8	62.8	62.9	63.3		
Employment rate of older workers	29.7	28.8	28.9	29.1	30.3	28.8b		36.2	36.6	37.5	38.7	40.2	41.0		
Gross domestic expenditure on R&D	1.88	1.91	2.04	2.12	2.19e	2.26e		1.87e	1.89e	1.93e	1.93e	1.92e	1.90pe		3.0
Youth education attainment level	84.7	84.7	84.1	85.1	83.4b	86.3b		74.8	76.3	76.1	76.5	76.5	76.6		
Comparative price levels	104.7	102.0	102.6	105.2	105.7	103.6p		100.0	100.0	100.0	100.0	100.0	100.0p		
Business investment	20.4	21.3	20.9	19.4	20.2	19.9		17.9	18.3	17.7	17.1	16.7	16.9		
At-risk-of-poverty rate after social transfers	12.0	12.0	12.0	:	13.0b	13.0		:	16.0	15.0	15.0	15.0	16.0		
Dispersion of regional employment rates	2.3	2.5	2.6	2.5	2.9	3.5		13.3	13.4	13.5	13.3	12.9	12.2		
Long-term unemployment rate	1.2	1.0	0.9	1.1	1.1	1.3b	4.1	3.9	3.8	3.9	4.0	4.1			
Total greenhouse gas emissions	102.4	103.2	108.1	110.1	116.6	:	90.6	90.5	91.4	90.7	92.0	:			
Energy intensity of the economy	139.6	134.4	142.8	139.9	150.5	:	214.9	208.8	209.7	206.5	209.5	:			
Volume of freight transport relative to GDP	109.8	112.3	117.1	119.0	117.8	117.0b	100.7e	100.4e	99.4e	100.3e	99.7e	104.7e			

