

AUSTRIA

Priorities supported by indicators

Improve graduation rates from tertiary education (2005, 2007, 2009)

Recommendations: Extend performance-based funding in tertiary education and allow universities to set tuition fees. Introduce an income-contingent loan system to avoid excluding financially-constrained students.

Actions taken: The three-year performance budgeting system was implemented in 2007, which stipulates that 20% of the university budget is allocated according to output-related indicators. However, the already low tuition fees were abolished for most students at universities in 2008.

► **Reduce implicit taxes on continued work at older ages (2005, 2007, 2009)**

Recommendations: Phase in all provisions of the recent pension reforms without relaxing their conditions. Ensure that disability pensions are only used in well-justified cases.

Actions taken: The 2003-04 pension reforms considerably reduced early retirement incentives. However, some backtracking resulted from the subsequent halving of the discount rate for early retirement in 2007 and extension of the special early retirement scheme in 2008.

Reduce barriers to entry in network industries (2007, 2009)

Recommendations: Reduce or eliminate remaining cross-subsidies. Relax ownership restrictions in the electricity sector. Fully privatise the telecommunications and electricity sectors. Foster competition in rail transportation.

Actions taken: No substantial action taken. Market supervision was strengthened to some degree in the gas and electricity sectors.

► **Reduce administrative burdens on start-ups (2005)**

Recommendations: Reduce company set-up costs. Further narrow the range of trades requiring qualification certificates. Ease entry regulations for liberal professions.

Actions taken: Entry restrictions have been eased in some sectors, notably in wholesale and retail trade in 2005. Electronic legal submissions by Austrian notaries to the Companies' Register were introduced in 2007, and the geographical coverage of electronic trade registration was subsequently extended.

Other key priorities

Lower marginal tax rates on labour income (2007, 2009)

Recommendations: Enhance work and entrepreneurship incentives by lowering marginal income tax rates financed by further broadening the tax base through reducing the numerous tax allowances.

Actions taken: Personal income taxes were lowered in 2009, including through tax relief for families with children, entrepreneurs and freelancers. Unemployment insurance contribution rates were reduced for low-wage workers in 2008.

► **Reduce barriers to competition in professional services and retail trade (2007, 2009)**

Recommendations: Reduce the statutory regulation of trades and professions. Abolish compulsory chamber membership for liberal professions. Further promote competition in retail trade.

Actions taken: The Crafts, Trade, Service and Industry Act was amended in 2008 to facilitate entry in several professions. Several EU directives concerning professional qualification certificates were transposed, and legal shop opening hours were extended.

Reduce inactivity traps in the benefit system (2005)

Recommendations: Reduce inactivity traps in the benefit system by restructuring child benefits in favour of vouchers for childcare, and better integrating job-placement activities with social assistance.

Actions taken: Work incentives of low-income parents were increased in 2008, and a new system of child benefits was introduced, which is more tailored to various work situations.

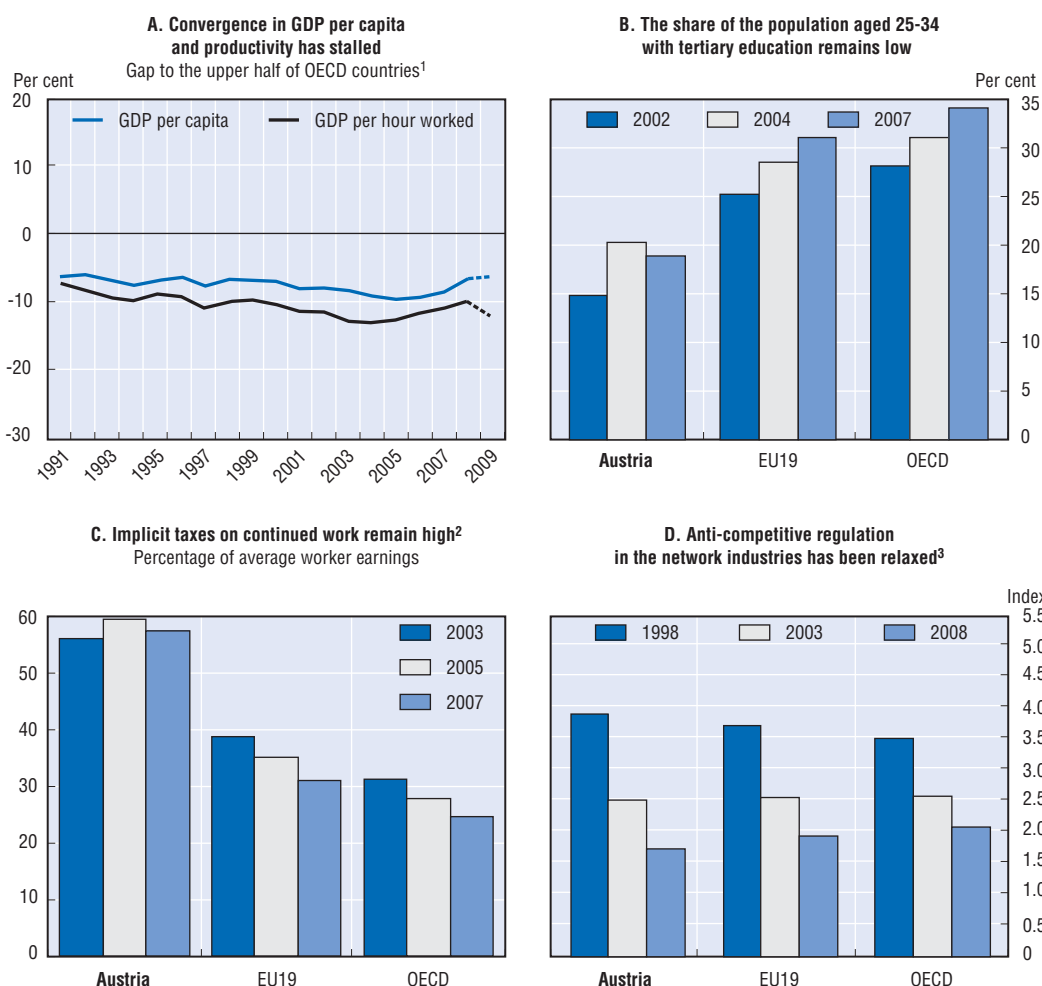
Strengthen competition law (2005)

Recommendations: Strengthen competition law and enforcement by assigning more powers and resources to the competition authority, streamlining the institutional setup, simplifying rules on vertical agreements and introducing a credible leniency programme.

Actions taken: Several changes to the competition law and rules were implemented with the 2005 reform of the Cartel Act, Austrian Competition Act and Unfair Competition Act.

AUSTRIA

- GDP per capita has been below the average of the upper half of OECD countries and its relative position slightly deteriorated until the mid-2000s. Labour productivity has accelerated in the most recent years but labour utilisation remains sluggish, reflecting a decline in average working hours.
- In key priority areas, early retirement incentives, marginal tax rates on labour income and administrative burdens on start-ups have been reduced, and the competition framework has been improved somewhat, but further reforms are still needed. Network industries and especially higher education are in need of deeper reforms.



1. Percentage gap with respect to the simple average of the upper half of OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs). The gaps for 2009 are OECD estimates, based on the OECD Economic Outlook, No. 86.
2. Implicit tax on continued work in early retirement route, average for 55 and 60-year-old workers.
3. Index scale of 0-6 from least to most restrictive.

Source: Chart A: OECD, National Accounts and Economic Outlook 86 Databases; Chart B: OECD (2009), Education at a Glance; Chart C: Duval, R. (2003), "The Retirement Effects of Old-Age Pension and Early Retirement Schemes in OECD Countries", OECD Economics Department Working Papers, No. 370 and OECD calculations; Chart D: OECD, Product Market Regulation Database.

StatLink  <http://dx.doi.org/10.1787/786611566183>