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- The narrowing of GDP per capita gap *vis-à-vis* leading OECD economies has recently stalled as labour productivity growth slowed. Unemployment remains low and labour force participation improved especially among older workers and women.
- Progress has been made to tighten eligibility to early retirement schemes and to promote competition in energy network sectors. By contrast, little has been achieved to reduce the labour tax burden and to enhance competition in the service sector.
- Reducing effective marginal income tax rates, in particular for low-income workers, would improve work incentives. This, together with further steps towards eliminating pathways to early retirement, would strengthen labour utilisation. Enhancing competition in the service sector and reducing the strong influence of socio-economic background on education outcomes would foster human capital development and productivity growth.
- Improving outcomes and equity in education, for instance by promoting access to higher quality education for immigrants and disadvantaged youth, would boost skills and reduce inequality. Shifting taxation from labour income towards environmental externalities and wealth would support sustainable growth.

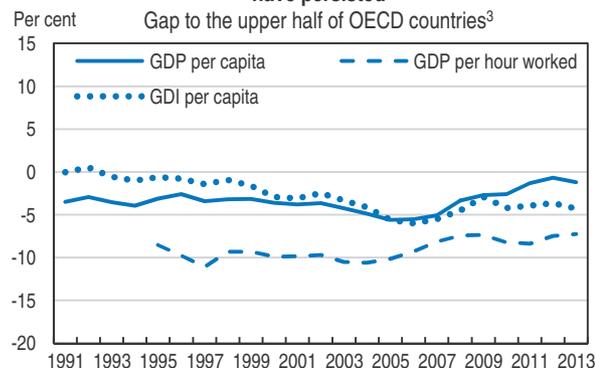
### Growth performance indicators

#### A. Average annual trend growth rates

Per cent

	2003-08	2008-13
Potential GDP per capita	1.2	1.0
Potential labour utilisation	0.4	0.5
<i>of which:</i> Labour force participation rate	0.4	0.4
Employment rate <sup>1</sup>	0.0	0.0
Trend employment coefficient <sup>2</sup>	0.0	0.1
Potential labour productivity	0.8	0.5
<i>of which:</i> Capital deepening	-0.2	-0.2
Labour efficiency	0.7	0.6
Human capital	0.2	0.2

#### B. Small gaps in GDP per capita and productivity have persisted



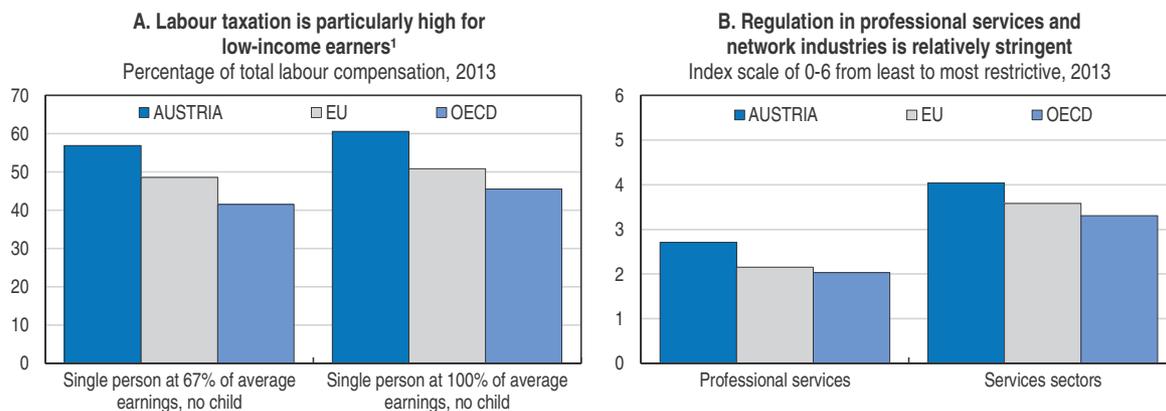
1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: Panel A: OECD, *Economic Outlook 96 Database*. Panel B: OECD, *National Accounts and Productivity Databases*.

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## Policy indicators



1. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers.  
Source: Panel A: OECD, *Taxing Wages Database*. Panel B: OECD, *Product Market Regulation Database*, [www.oecd.org/economy/pmr](http://www.oecd.org/economy/pmr).

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## Going for Growth 2015 priorities

**Priorities supported by indicators**

**Lower marginal tax rates on labour income.** High effective marginal tax rates, especially at low income levels, undermine work incentives.

**Actions taken:** In March 2014, the Austrian Parliament approved a minor reduction of employers' social security contributions by 0.1 pp from July 2014 and an additional 0.1 pp by January 2015.

**Recommendations:** Reduce the lowest income tax rate as announced in the government's work programme. Partly or fully waive social security contributions, financed by a further broadening of the tax base and increases in consumption, environmental and recurrent property taxes.

**Reduce incentives to exit early from the labour force.** The effective retirement age remains low and subsidised avenues to early retirement still exist.

**Actions taken:** Restrictions to early retirement and invalidity pension schemes adopted in previous years came into force on 1 January 2014. Pension eligibility requirements for the long-term insured have been further tightened. The temporary invalidity pension has been abolished for those below the age of 50 and replaced by medical and job-related rehabilitation for those aged 50 and above. These reforms progressively dilute the former early retirement rules ("Hacklerregelung").

**Recommendations:** Bring the official retirement age for women in line with that for men. Eliminate all remaining subsidised avenues to early retirement. Tighten eligibility to disability pensions also for those above 50 and help partially-disabled workers to better use their remaining work capacity. Reflect changes in life expectancy more directly in the parameters of the pension system.

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**Reduce barriers to competition in professional services and retail trade.** Restrictive regulations (including self-imposed ones) in many services hinder competition and productivity growth.

**Actions taken:** No action taken in 2013-14.

**Recommendations:** Resume easing restrictive rules in retail trade and liberal professions to allow more competition, without reducing high quality standards and consumer protection.

**Other key priorities**

**Reduce barriers to entry in network industries.** Limited competition in network industries slows productivity growth and innovation. Supplier switching rates, though increasing, are well below those of other European countries with liberalised gas and electricity markets.

**Actions taken:** Progress has been achieved since 2012 with the unbundling of gas and electricity transmission system operators (TSO) into independent transmission operators (ITO). Cross-border and cross-regional integration of networks have been pursued. In the gas market, the authorities have introduced an entry-exit system with centralised virtual trading points that replaces the system based on contractually agreed transport paths. Several proactive initiatives have been launched by the Consumer Information Association (VKI) and the Austrian Energy Regulator (E-Control) to better inform households and businesses about switching opportunities in the gas and electricity markets.

**Recommendations:** Ensure that network access prices are not kept artificially high. Stimulate competition in railways. Eliminate or reduce remaining cross-subsidies in all network industries.

**Improve outcomes and equity in tertiary education.** Tertiary education graduation rates, in particular for immigrants, are below EU average, and drop-out rates are high. The influence of socio-economic background on educational outcomes is strong, in particular the migration status. This holds back human capital accumulation, productivity growth and innovation.

**Actions taken:** Educational and career guidance as well as orientation measures have been extended. In March 2013, an amendment to a university law was enacted, which allows universities to limit the number of students in highly demanded fields by introducing selection processes. Simultaneously, 95 new professorships are created in these fields. Further, the government will create 4 000 additional study places at Universities of Applied Science in order to attenuate supply shortages.

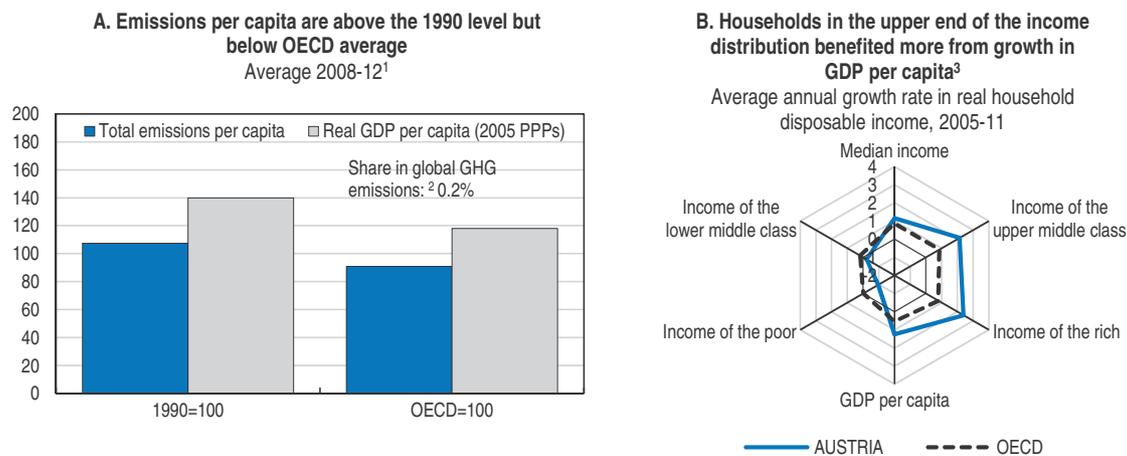
**Recommendations:** Allow universities to re-introduce tuition fees in order to finance quality improvements in the provision of tertiary education. Such fees should be accompanied by a comprehensive grant and income-contingent student loan system to avoid socio-economic segregation.

**Reform areas no longer considered a priority in Going for Growth**

For Austria, all priority areas from the 2013 issue of *Going for Growth* are maintained.

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## Beyond GDP per capita: Other policy objectives



1. Total GHG emissions including LULUCF in CO<sub>2</sub> equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data.
3. Household income across the distribution is measured by income standards with varying emphasis on different points of the distribution – from the low to the top-end of the distribution. See methodological notes at the end of the chapter for the computation of household income across the distribution.

Source: Panel A: OECD, *National Accounts and Energy (IEA) Databases*; and *United Nations Framework Convention on Climate Change (UNFCCC) Database*. Panel B: OECD, *National Accounts and Income Distribution Databases*.

StatLink  <http://dx.doi.org/10.1787/888933178550>