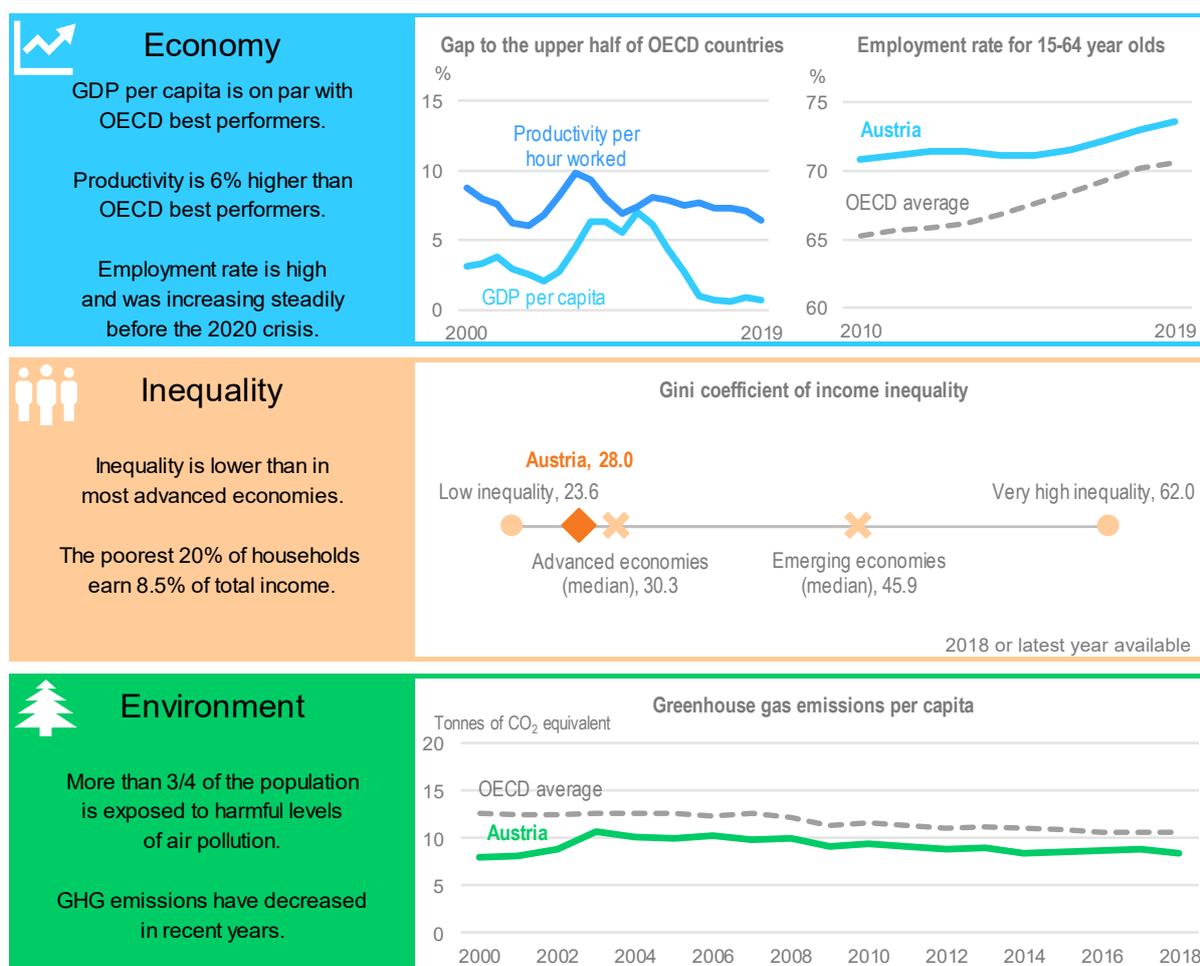


Austria

COVID-19 risks reinforcing long-standing vulnerabilities in the labour market such as digital skill gaps, diverging career trajectories between men and women, an elevated rate of long-term unemployed and subpar integration of migrants. Addressing these issues is crucial for a more inclusive recovery, facing demographic change and the sustainability of social security systems.

Performance prior to the COVID-19 crisis



Economy: Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2015 PPPs).

Inequality: The Gini coefficient for disposable income measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.

Environment: Greenhouse gas (GHG) emissions include emissions or removals from land-use, land-use change and forestry (LULUCF). A high exposure to air pollution refers to above 10 µg/m³ of PM_{2.5}.

Source: Economy: OECD, National Accounts, Productivity and Labour Force Statistics Databases; Inequality: OECD, Income Distribution Database and World Bank, World Development Indicators Database; Environment: OECD, Environment Database and United Nations Framework Convention on Climate Change (UNFCCC) Database.

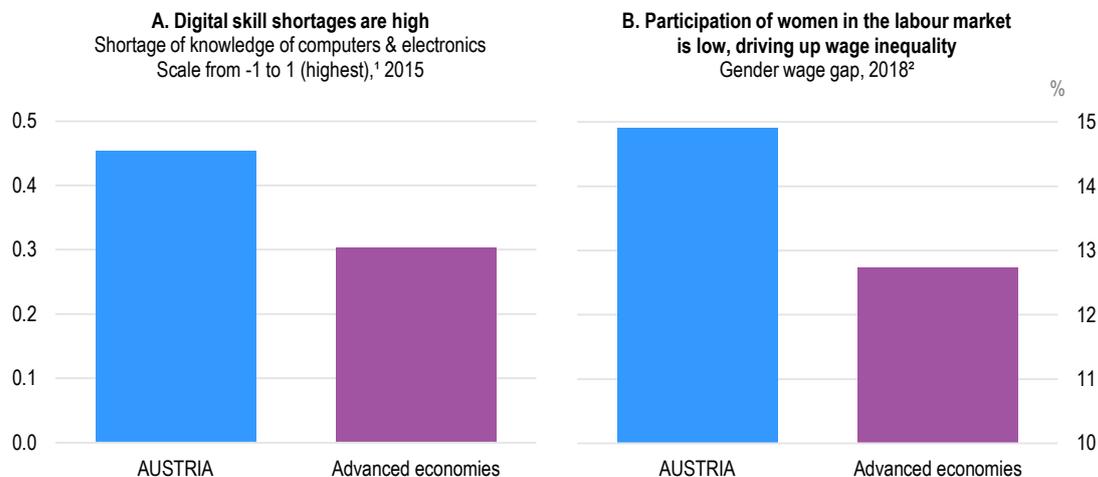
Growth needs to better rely on skills across the population

Austria is adapting to the global digitalisation frontier at a slower pace than in comparable countries (Panel A). **Upskilling the population across all ages in digital technologies and a better provision of ultra-high speed internet should be key priorities to boost adoption rates.** This requires raising the quantity and quality of life-long learning programmes, for example by involving employer organisations more directly in the design and administration. Targeted government support for the low-skilled and elderly workers would help to address their relatively low participation in further education and training. In addition, reducing remaining barriers to digital trade and investment while fostering the provision of private venture and equity capital would accelerate the diffusion of ICT technologies.

With a projected decline in the working-age population, Austria needs to make most of the existing talent pool. **Facilitating full-time labour force participation of both parents,** for example by granting a legal entitlement for high-quality child care and full-day schooling in the entire country, would help to address gender inequalities in the labour market (Panel B). It would also contribute to counteracting the shrinking of the working-age population. Reducing the implicit taxation of shifting from part-time to full-time employment would further boost female full-time employment.

The integration of migrants, including their families and children, lags behind countries with similar migrant inflows and has likely been further set-back by the pandemic. **Educational outcomes need improving and delinking from socio-economic backgrounds.** To this end, German language learning needs much stronger emphasis, and integration policies need better coordination between the federal, Länder and municipal governments.

Vulnerabilities and areas for reform



1. Positive values indicate skill shortage (while negative values point to skill surplus).

2. 2018 or latest year available. The gender wage gap is unadjusted and is defined as the difference between median earnings of men and women relative to median earnings of men. Data refer to full-time employees and to self-employed.

Source: Panel A: OECD, Skills for Jobs Database; Panel B: OECD, Gender Database.

StatLink  <https://stat.link/nba758>

High share of long-term unemployed and low average effective retirement age risk being amplified as a result of COVID-19. Pension benefits remain generous in international comparison. **Reducing incentives to leaving early from the labour force** is crucial, and should be done by prompt adjustments of relevant parameters for the calculation of pension benefits and contributions, in line with demographic and other structural developments.

To enhance competition, productivity growth and job creation in the recovery **barriers to competition in professional services and retail trade should be reduced.**

Austria: Summary of *Going for Growth* priorities and recommendations

2019-2020 Reforms	Recommendations
Education: Improve digital skills across all layers of education and boost access to digital infrastructure	
<ul style="list-style-type: none"> <input checked="" type="checkbox"/> The Ministry for Digital and Economic Affairs launched new apprenticeships targeted to improve digital skills. <input checked="" type="checkbox"/> The “Digital Pro Bootcamps” supports the up-skilling of specialists in SMEs in cooperation with universities. <input checked="" type="checkbox"/> The Ministry of Education, Science and Research launched a major digitalisation initiative in school education. 	<ul style="list-style-type: none"> <input type="checkbox"/> Involve employer and employee organisations more closely in the design and management of lifelong learning programmes to improve quantity and quality of life-long learning programmes. <input type="checkbox"/> Target government support at the low-skilled and elderly workers would help to address their relatively low participation in further education and training. <input type="checkbox"/> Reduce the remaining barriers to digital trade and investment. <input type="checkbox"/> Foster the provision of private venture and equity capital to accelerate the adoption of key ICT technology.
Labour market: Facilitate full-time labour force participation of both parents throughout the country	
<ul style="list-style-type: none"> <input checked="" type="checkbox"/> The existing childcare allowance is being evaluated. Results are expected in early 2021. The implementation of the EU Directive on work-life balance is underway. <input checked="" type="checkbox"/> Following the 15a agreement with the Lander, the availability of all-day-child-care and the enrolment rate of children aged 0-6 will be further increased. 	<ul style="list-style-type: none"> <input type="checkbox"/> Make high quality child care and full-day schooling a legal entitlement in the entire country. <input type="checkbox"/> Reduce the progressivity of the personal income tax system.
Labour market: Reduce incentives to exit early from the labour force	
<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Parametric reforms adjusted the benefit accrual rate and increased women’s retirement age – albeit gradually – with convergence to men’s retirement age scheduled for 2024-2033. <input checked="" type="checkbox"/> The 2020 Pension Adjustment Act has raised pensions for low-income earners, but has also increased risks to the long-term sustainability of the pension system. 	<ul style="list-style-type: none"> <input type="checkbox"/> Closely monitor demographic and other structural developments and, accordingly, increase the effective retirement age or adopt equivalent measures and support the participation in the labour market.
Education: Make educational outcomes less dependent on socio-economic background	
<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Intermediary apprenticeships qualifications have been created to facilitate integration of children from disadvantaged backgrounds. <input checked="" type="checkbox"/> The 15a agreement with the Lander provides more support for children in need of improving their language skills. 	<ul style="list-style-type: none"> <input type="checkbox"/> Strengthen the German language learning opportunities of migrants. <input type="checkbox"/> Improve coordination of integration policies between the federal, Länder and municipal governments.

2019-2020 Reforms	Recommendations
Competition and regulation: Streamline regulations in professional and business services to boost productivity growth	
<p>The National Competition Authority's power of inspection on electronic files were increased in 2019.</p> <p><input checked="" type="checkbox"/> Over the last two years, Austrian authorities implemented the 4th railway package to open up the market for domestic passenger transport services by rail.</p>	<p><input type="checkbox"/> Make the licensing system more open to competition without undermining the quality of services and the training and skill standard of workers.</p> <p><input type="checkbox"/> Liberalise market entry in rail transportation and, road freight and the distribution of pharmaceuticals.</p>

Recent progress on structural reforms

There has been some progress in personal income taxes and digitalisation. In terms of equality of opportunities and the pension system, progress has been weak. The government streamlined digital skills across all layers of education and advanced a number of other reforms pertaining to digitalisation. A reform of the income tax system addressing high labour tax wedges is scheduled to continue in 2021 and 2022. The COVID-19 pandemic may give the necessary momentum to tackle low development of financial markets for risk capital and regulatory barriers in the services sector.