



## Austria

### Macroeconomic outlook and forecasts

The impact of the COVID-19 crisis led to a GDP contraction of 6.7 % (y-y change) in 2020, as shown in Table 1. In the first and second quarters of 2020, GDP decreased by 3 % and 10.7 % (q-q change) respectively, followed by a robust rebound of 11.8 % in the third quarter. However, following the second wave of infections, GDP again mildly contracted by 2.7 % in the fourth quarter of 2020 and in the first quarter of 2021 (-0.5 %). The second quarter of 2021 showed a slight recovery (+4 %), mainly due to the easing of travel restrictions and an increase in tourism activity. The volume of output returned to its pre-crisis level (2019-Q4) at the end of 2021.

To cushion the effects of the crisis, automatic stabilisers and fiscal measures were put in place by the government. Overall, the COVID-19 fiscal package amounted to 15.2 % of GDP. Fiscal measures were primarily targeted at supporting employment (2 % of GDP) and the healthcare sector (1 % of GDP). Thanks to the introduction of short-time work schemes, the impact on the unemployment rate was cushioned, only showing close to a 1 percentage point increase from 4.5 % in 2019 to 5.4 % in 2020. The employment rate dropped in 2020 by 1.6 % in turn and, according to the latest autumn 2021 AMECO forecast, was expected to fully recover by the end of 2021. In addition to expenditure measures, discretionary revenue measures were adopted for an amount equal to 4.7 % of GDP. In addition, the government put in place guarantees for an amount equal to 2.5 % of GDP.

Pandemic-related measures had a significant impact on the annual public deficit. From a small surplus of 0.6 % of GDP in 2019, the budget balance of Austria deteriorated drastically, turning into an 8.3 % deficit of GDP in 2020 and 5.9 % in 2021, and is projected to remain negative until 2023 (1.3 %). The debt-to-GDP ratio has increased considerably due to the shock of the pandemic. It increased from 70.6 % in 2019 to 83.2 % in 2020 at its peak. It remained relatively stable at around 83 % in 2021 and is expected to decrease to 77.6 % in 2023.

All in all, Austria is expected to face low fiscal sustainability risks in the short term, and medium risks in the medium term, according to the Debt Sustainability Monitor (2021). Minor concerns in terms of fiscal sustainability emerge due to the share of non-performing loans. However, this risk is mitigated by the high sovereign ratings' ranking and the projected low perception of sovereign risk by market agents, as well as the low borrowing costs and the favourable profile of debt maturities.

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Table 1. Macroeconomic development and forecast Austria

Macroeconomic developments and forecasts	2019	2020	2021	2022	2023	2024
GDP Growth (y-y % change)	1.5	-6.7	4.7	4.3	1.9	1.8*
Employment ( % change)	1.1	-1.6	1.7	1.9	0.6	0.6*
Unemployment rate ( %)	4.5	5.4	5	4.6	4.5	4.5*
HICP inflation ( % change)	1.5	1.4	2.8	3.3	2.2	1.7*
Gov balance ( % GDP)	0.6	-8.3	-5.9	-2.3	-1.3	-2.5*
Debt to GDP ( % GDP)	70.6	83.2	82.9	79.4	77.6	87.6*

Source: Own elaboration, based on [autumn 2021](#) and [winter 2022](#) AMECO Forecasts (until 2023) and Austrian recovery and resilience plan (for 2024).

### Austrian structural challenges before Covid-19

At the start of the COVID-19 pandemic Austria was already experiencing a deterioration of economic sentiment and its industry was weakening. A review of the main challenges facing the country reveals the need to address weaknesses in the labour market, in education, product markets regulation and the functioning of capital markets. The list below presents a summary of the challenges outlined in the Austrian NRRP and other reports which are important for the recovery and resilience process.

With respect to the labour market, regional disparities remain a big challenge. The OECD Economic survey ([2019](#)) points to the excess in labour supply in Vienna compared to the remaining regions. Carinthia and Styria are the most affected regions in terms of working-age population decline, and regional heterogeneities with respect to skills are significant (OECD Economic survey, [2019](#)). The increasing mismatch between supply and demand of labour, especially in the construction and services sectors, along with the demographic and structural changes within the population, define the need for a higher participation of female and migrant labour force. The employment gender gap is still far from being closed: according to the International Labour Organization (ILO), the 2019 male employment rate was 81.9 %, as compared to a 72.3 % female employment rate. Another gap which has not been breached yet is the one between native-born and foreign-born workers: ILO reports a difference of 5 % in terms of labour force participation rates between the two groups in 2019. This gap is reflected even with respect to in-work poverty. Another challenge consists in increasing the labour participation of older people: compared to the 50-54 age group rate (87.9 %), the 55-59 age group is underrepresented (76.5 %).

Regarding education and skills, according to the Better Life Index ([2021](#)) social inequality indicator (obtained by comparing students' PISA average score in reading, mathematics and science between the top and bottom quartiles of the PISA index of economic, social and cultural status), there is still an important gap between rich and poor students (ranking 29th out of 40 countries). That is confirmed even by PISA 2018 results: the average gap between students with different socio-economic backgrounds in reading performance (defined by the OECD as 'the capacity to understand, use and reflect on written texts in order to achieve goals, develop knowledge and potential, and participate in society') is 93 points, which is above the OECD average (89 points). According to the Education and Training Monitor ([2019](#)) and OECD ([2016](#)), the division of teacher employment between federal (37 %) and regional (63 %) levels creates rigidities in managing recruitment and is a possible risk of resource misallocation. The number of students differs significantly between regions: while some of them, like Vienna, report an increase in the number of pupils and a shortage of teachers, others face a decline in the number of students (OECD, [2016](#)). In terms of tertiary attainment, the Education and Training Monitor ([2019](#)) underlines the presence of disparities not only between regions (43.7 % of eastern



Austria as compared to 38.1 % of both south and west Austria), but even between native-born (42.3 %) and foreign-born (36.8 %) citizens in 2018.

In terms of research and innovation, according to the European Innovation Scoreboards (2019) Austria is included in the group of seven EU Members considered as ‘strong innovators’. Nevertheless, regional- and gender-based disparities can be improved. With respect to regional disparities, according to Eurostat, gross expenditure for R&D ranges from 1.7 % of GDP in Salzburg to 5.15 % of GDP in Styria in 2019. In the same year, OECD reports underrepresentation of female researchers, with the share of female researchers standing at 30.4 %, which is slightly below the EU average of 32.9 %.

On the administrative side, the European Commission’s public administration and governance assessment claims that Austria has still to improve in terms of reducing its administrative burden, in particular in relation to services to business, and progress towards deregulation and simplification (European Commission, 2020) of red tape.

The taxation system reports several shortcomings. According to the Sustainable Governance Indicators (SGI) Taxes Report (2020), Austrian tax policy is unbalanced in terms of equity due to the lack of property and inheritance taxation, and it is biased since tax revenues are mainly collected through a relatively heavy income tax compared to the OECD average. Moreover, its tax system has a relatively marginal redistribution effect, while the national social system is heavily dependent on welfare transfers (SGI, 2020). Regarding energy taxes, the OECD Economic survey (2019) reports that industrial sector emission prices are unevenly distributed, and coal use is taxed at low rates (OECD, 2018). In addition, Austria presents larger differences with respect to comparable countries (Denmark, Germany and Netherlands) relative to the overlap between the EU emission trading scheme (ETS) and national energy taxes.

Based on the 2018 Product Market Regulatory Index (2018), the regulatory framework is overly complex, in particular in relation to its entry requirements and procedures. Furthermore, there is a lack of rules regulating the interaction between public officials and groups of interest. All these factors explain the extremely low rank (127th out of 133 countries) in the ‘Starting a Business’ category of the Doing Business Report (2020). Another significant weakness is the difficulty for companies of funding themselves through the equity market: as measured by the ‘Getting Credit’ category of the Doing Business Report (2020), Austria ranks 94th, with a score of 55 out of 100. This is mainly explained by the poor level of protection for borrowers and lenders ensured by the law on collateral and bankruptcy, as well as by the low number of individuals and companies listed in a credit registry’s database.

With respect to social policies, the ageing of the population represents a growing burden in terms of fiscal budget sustainability. According to the European Commission, the measures adopted in the Pension Adjustment Act (adopted in September 2019) undermine the efforts previously made (European Commission, 2020). In particular, the undiscounted pension after 45 contribution years weakens previous attempts to increase the effective pensionable age and raises intergenerational fairness issues (European Commission, 2020). Similarly, the increase of public expenditure devoted to long-term care due to the withdrawal of the recourse to assets (*Pflegeregress*) remains fiscally unsustainable. According to indicators of the Austrian National Bank, house prices are overvalued by more than 10 %, and a similar trend can be seen even in the rent market, suggesting affordability of housing is negatively affected. The rate of children (aged 0-17) at risk of poverty or social exclusion is still high (20.1 % in 2019 according to Eurostat) when compared to the other age groups. The same reasoning can be inferred when looking at the rate of single-parent households (45.1 %).



Table 2. Country specific challenges before COVID-19

Policy area	Challenges
Labour market	Pronounced regional differences
	Emerging labour shortages because of the growing number of vacancies
	Low employment rate for females and people with migrant background
	High in-work poverty and over-qualification of foreign-born workers
	Low labour participation rates of older workers
Education and skills	Educational attainment of 15-year-olds influence by socio-economic background
	Teacher shortages
	Regional disparities on the participation in tertiary education
Justice	-
Research and innovation	Regional disparities on cooperation and public-private dialogue on innovation
Public administration	High administrative burden for the service sector
Taxation	Significant disincentives for labour demand and supply due to high labour tax burden
	High disincentives to work longer hours to low-income earners
	Insufficient use of taxes on tobacco, alcohol and of environmental taxes
	Need to increase the level and efficiency of energy taxes
Product market/Business environment	Restricted companies' access to non-bank financing
	Low availability of equity capital, including venture capital
	Low entry rates for new firms, large productivity gap between small and large firms, and lack of digital skills
Social policies	Sustainability risks in the pension and healthcare system
	Staffing challenges in the long-term care system
	Overvalued house prices
	High risk of poverty or social exclusion for certain vulnerable groups
	Variations of the social situation across regions

Source: Own elaboration, based on the Country Report for Austria (2020)

In addition to structural challenges, Austria faces potential consequences related to the fulfilment of green and digital transition targets (namely, the EU's intermediate objective of reducing net greenhouse gas emissions by at least 55 % by 2030, compared to 1990 levels, the 2050 climate neutrality objective, and the four cardinal points of the Digital Compass for the EU's digital decade by 2030). Per capita greenhouse gas emissions are above the 2019 EU average and not on track to achieve the 2030 total GHG emissions target, especially due to the rising emissions share of the transport (from 18 % in 1990 to 30 % in 2019) and the building sectors (European Commission, 2021). Austria's objective to become climate-neutral by 2040 is unlikely to be attained, unless significant private and public investment over a sustained period is carried out (European Commission, 2021). As for the digital transition, the lack of basic digital skills of the population (34 % of the Austrian population between 16 and 74 years do not have basic digital skills in 2021, according to Eurostat), the integration of digital technologies in the business sector (the country performs below the EU average, as stressed by the European Commission, 2021) and the low coverage of fixed very high-capacity networks (39 % of households were covered in 2020, as compared to the EU average of 59 %) are the main challenges to be faced.

#### The Austrian NRRP: key numbers and timeline

The Austrian plan was presented at the beginning of May 2021 and was given a positive assessment by the European Commission on 6 June 2021. The Council subsequently approved, on 13 July 2021, the implementing decision based on the assessment of the European Commission, thus paving the way to start the disbursement of the financial support. The plan includes 32 investments for a total amount of EUR 4.5 billion, consisting entirely of grants, although the plan indicates that it may apply for loans by 2023. In addition, the NRRP includes 27 reforms aimed to address the structural problems of the Austrian economy. Austria frontloads reforms, which are indeed largely concentrated during the year



2022, while the completion of the investment projects will come later, especially in 2025 and 2026 (see Table 3).

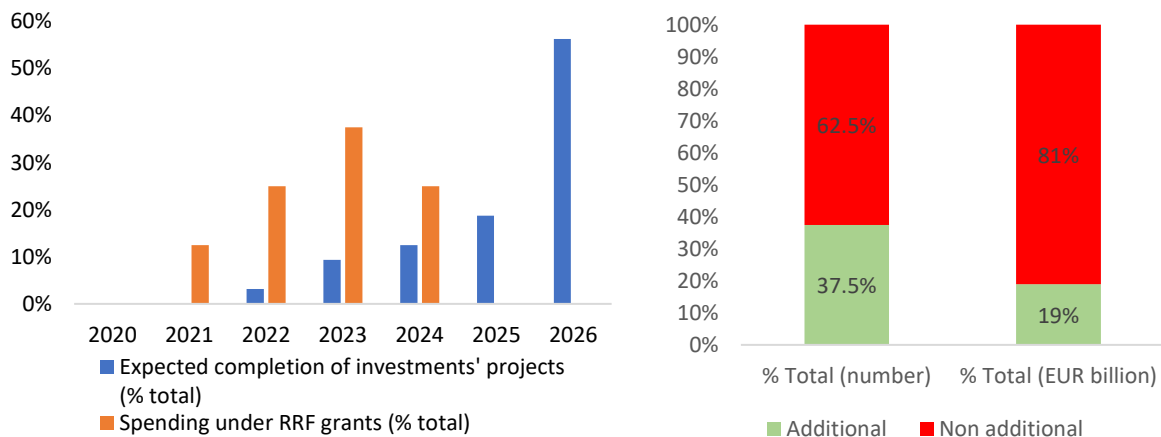
Table 3. Timeline for completion of reforms and investments under Austrian NRRP, by year ( % total)

	2021	2022	2023	2024	2025	2026	TOT
RRF Investments [number]	0	1	3	4	6	18	32
RRF Investments ( % total)	0 %	3 %	9 %	13 %	19 %	56 %	100 %
RRF Reforms [number]	2	13	3	1	6	2	27
RRF Reforms ( % total)	7 %	48 %	11 %	4 %	22 %	7 %	100 %

Source: Own elaboration, based on Austrian NRRP.

Like other countries, Austria planned expenditure under RRF in Austria is expected to start well before 2025 and 2026. As showed in Table 3, 75 % of the planned recovery spending under the RRF will take place by 2023. The difference in timing between planned expenditure and completion of investments may reflect the necessary period that new investment projects require to be implemented. At the same time, Austria invests the RRF grants in projects that were in large part either already planned or are simply an extension and continuation of existing ones. As shown below in Figure 1, the additionality of the Austrian public investments under RRF is low, which is also reflected in a lower macro-impact of the RRF grants transfer on the expected increase in gross fixed capital formation, compared to pre-Covid forecasts (+12 % in 2022, equal to 0.4 % GDP).

Figure 1. Planned Austrian expenditure financed under RRF grants and expected completion of investments' projects (left panel) and additionality of public investments (right panel)



Source: Own elaboration, based on Commission National Reform Programmes and Stability/Convergence Programmes statistical annex (2021, p. 164) and Austrian NRRP (2021).

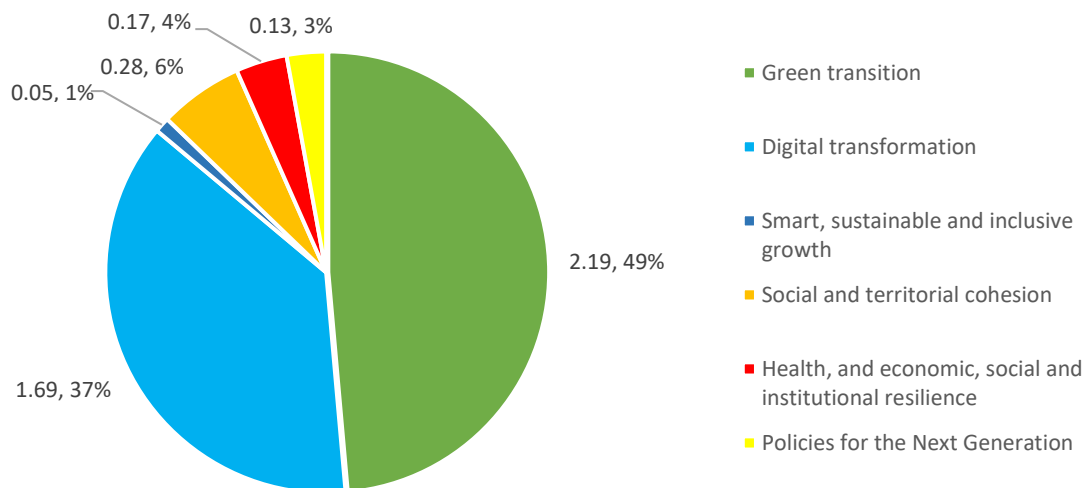
With respect to the governance of the plan (European Parliament, 2021), the Ministry of Finance coordinates the implementation, monitoring and control processes, whose tasks are delegated to individual Ministries, and guarantees that all the requirements are accomplished. Ministries' operations are scrutinized by their internal audit units and by the national Court of Auditors. The plan defines mechanisms to ensure the traceability of their actions. National monitoring and control mechanisms, as well as the related reporting requirements, are applied when possible. Moreover, funds' disbursement is enforced following the legal basis of general funding guidelines (*Förderrichtlinien*). Lastly, the plan provides information of the funding documentation scheme to be followed in a transparency dataset, whose aim is to prevent conflict of interest, fraud, corruption, and double funding.



### Investments in the Austrian RRF

In line with the RRF regulation, Austria focuses 86 % of its investments on the *green transition* (49 %) and *digital transformation* (37 %) pillars of the RRF. The remaining 14 % are allocated respectively to *social and territorial cohesion* (6 %), *health and economic, social, and institutional resilience* (4 %), *policies for the next generation* (3 %) and *smart, sustainable, and inclusive growth* (1 %) pillars. With respect to the distribution of the funding across economic activities, the Austrian plan distributes the largest share of resources to information and communication (25 %), electricity, gas, steam and air conditioning supply (21 %), transportation and storage (19 %) and education (13 %).

Figure 2. Austrian investments by 6 RRF pillars (EUR billion; % total)



Source: Own elaboration, based on Austrian NRRP.

Under the *green transition* pillar, the programme includes various interventions aimed at triggering a sustainable recovery. In this regard, the most relevant projects are investments devoted to build new railways and to electrify regional ones (EUR 0.54 billion), increase the energy efficiency of enterprises (EUR 0.5 billion), introduce buses equipped with zero carbon-emitting technologies (EUR 0.26 billion), create incentives for individuals to replace oil and gas heating system (EUR 0.16 billion) and introduce a bonus system to encourage the repair of electrical and electronic equipment (EUR 0.13 billion).

Under the *digital transformation* pillar, two main projects are financed: EUR 0.89 billion of investments for a widespread availability of Gigabit-capable access networks and the introduction of new symmetric Gigabit connections and EUR 0.16 billion for the public administration digitalisation fund.

Under the *smart, sustainable, and inclusive growth* pillar, Austria includes various projects aimed at strengthening the national knowledge economy. Of particular relevance is the project funding the re-skilling and up-skilling measures for workers (EUR 0.28 billion), as well as the financing of projects in the areas of microelectronics and connectivity (EUR 0.13 billion).

Under the *policies for the next generation* pillar, the plan includes investments to strengthen education services. Among them, the most relevant is relative to the provision of digital devices to students (EUR 0.17 billion).





Under the *social and territorial cohesion* pillar, investments are focused mainly on climate-friendly projects, in both the areas of town centre renovations (EUR 0.05 billion) and cultural businesses (EUR 0.02 billion).

Under the *health and economic, social, and institutional resilience* pillar, the main investment is related to the funding of primary healthcare projects (EUR 0.1 billion).

A more detailed analysis of the breakdown of investment projects is provided in Table 4 below.

Table 4. Austrian strategic projects financed by the RRF

Projects	€ bn	Description	Timeline
Widespread availability of Gigabit-capable access networks and creation of new symmetric Gigabit connections	0.89	Two funding directives, Access and OpenNet, of the Austria Broadband Programme 2030. Both funding directives have the objective to improve broadband availability in those areas of Austria, which, due to what is considered a market failure, are not, or are insufficiently developed by the private sector.	Q32026
Construction of new railways and electrification of regional railway	0.54	Constructing a new railway line (Koralmbahn) between Styria and Carinthia. This new railway line will create a link and additional capacity in rail transport. It also comprises the electrification of existing regional railway lines in the area of Carinthia, which are along the new railway line.	Q42025
Green investments in enterprises	0.50	A 14 % investment premium granted to companies for investments in the priority areas of green transition, such as thermal renovations of buildings, heating optimisation and other energy saving measures, production of renewable energy, photovoltaic and electricity storage systems, zero-emission vehicles, charging stations.	Q12025
Promoting re-skilling and up-skilling	0.28	Funding of re-skilling and up-skilling measures related to basic qualifications, electronics and digital technologies, nursing, social and caregiver professions, environment / sustainability, project oriented transitional workplaces as well as youth coaching. The funding will also concentrate on offering flexible training methods and focuses on supporting women.	Q42024
Zero-emission buses	0.26	Providing funding to switch to buses which will be equipped with zero carbon-emitting technologies. This will be accompanied by the development of the necessary infrastructure for operating the buses in public transportation, including recharging and refuelling points.	Q22026
Provision of digital end user devices to pupils	0.17	The measure consists of a step-by-step rollout of the digital equipment. A programme to provide digital devices to all schoolchildren has started in this 2021/22 school year. This is expected to benefit at least 80 000 pupils per year.	Q42024
Digitalisation of the public administration	0.16	Funding for projects submitted by federal departments and selected by a dedicated task force to improve public IT services. Half of the funds will be allocated to the development of citizen and business services and to accelerate and improve the efficiency of procedures. Examples of possible projects include the electronic identity (e-ID), introduction of a Single Digital Gateway, development of a Business Service Portal and the implementation of the Once Only principle.	Q42023
Replacing oil and gas heating systems	0.16	Support scheme for private individuals to replace fossil fuel heating systems with biomass-based heaters, heat pumps or connectors to a district heating.	Q22026



Promotion of the right to repair electrical and electronic equipment (repair bonus)	0.13	Creating a support programme to incentivise the repair of electrical and electronic equipment. The repair bonus system will provide funding for households in the form of vouchers, which will cover a part of the costs for repairing or renewing electrical and electronic equipment.	Q12026
Microelectronics and Connectivity	0.13	Funding of the projects selected, following a call for expression of interest, in the areas of microelectronics and connectivity. This is part of the IPCEI (Important Projects of Common European Interest).	Q32026

Source: Own elaboration.

### Austrian key structural reforms

Reforms included in the national plan aim to address some of the key challenges affecting the economy and society. They are focused mainly in the areas of education and skills, public administration, taxation, product market and social policies.

In the labour market framework, the plan addresses the problems of inequality and lack of inclusivity by establishing one-stop shops. The ultimate aim is to reduce the share of inactive labour force, in particular of those who are unemployed for long time because of external barriers. With respect to the latter, an education bonus has been set up in order to reduce their risk of unemployment via organised training or qualification sessions.

Relative to the area of education and skills, the objective of the plan is twofold: to improve the digital competences of students on an equal and fair basis and to bridge the skills gap between advantaged and disadvantaged social groups. By ensuring equal opportunities in education, the government expects to increase the rate of pupils completing lower secondary education. Moreover, the plan underlines the need to draw up a national financial education strategy.

In the area of research and innovation, the plan includes a project aimed at strengthening Austria's positioning and become an international innovation leader in the coming 10 years.

With respect to public administration, reforms are intended to digitalise procedures and improve their efficiency, in particular by reducing red tape multiple reporting and introducing actions to implement the 'Once Only' principle. Furthermore, in order to achieve better coordination between stakeholders, the plan seeks to establish a platform which would further simplify procedures.

In the area of public finance, the focus is on climate-related, digital and social spending, supporting investments for climate-friendly technologies and expansion of the circular economy. It also includes spending reviews centred on expenditures in the green and digital transition. In addition, the plan includes an agenda for sustainable finance, whose main objective is to redirect capital towards green investments, manage climate-related risks and define a uniform methodology.

Regarding the product market and business environment, the plan contains several projects, aimed at reducing high entry barriers and burdensome regulatory requirements, as well as improving the access to capital financing. The main interventions comprise the introduction of a new start-up legal framework, the conversion of COVID-19 government loans into equity-instruments as a new form of firms' financing, the creation of investment company holdings and the liberalisation of business regulations. Furthermore, amongst the list of significant projects in the product markets are the establishment of a legal framework for the reuse of plastic products and for a reform of the renewable resources support scheme.





In relation to the area of social policy, the NRRP addresses problems related to social inclusion, health and the pension system. Projects range from the creation of a national plan for primary healthcare, to the improvement of the long-term care system. With respect to pension reform, the plan aims to raise the retirement age by lowering incentives for early retirement, and to implement pension splitting in a two-step process (first automatically for some specific categories, then voluntarily). The objective is to reduce unsustainable spending.

Table 5: Key structural reforms

Area	Measure	Description	Timeline
Labour market	Labour market: one-stop shop	Establishment of one-stop shops for the long-term unemployed facing multiple barriers to placement and inclusion in the labour market.	Q12022
Education and skills	Fair and equal access of pupils to basic digital competence	Supporting actions facilitating digitalisation in schools in a comprehensive manner. Different activities to ensure that teachers are provided with sufficient in-service training course opportunities to improve their digital skills and broaden their knowledge concerning digital means.	Q22025
	National Financial Education Strategy	Establish a national financial education strategy.	Q42022
Justice	-	-	
Research and innovation	Research, Innovation and Technology Strategy 2030 (RTI Strategy 2030)	Design an overarching framework for the research, innovation and technology policy in Austria in the next 10 years.	Q42025
Public administration	Set-up of Platform Internet-infrastructure Austria (PIA) 2030	Creation of the Platform Internet-infrastructure Austria.	Q42023
	Proposed legislation for Once Only: Amendment of the Business Service Portal Act	Amendment of the Business Service Portal Act (Unternehmensserviceportalgesetz) and further relevant legislative measures.	Q42023
Public finance and taxation	Spending review focusing on green and digital transformation	The implementation would follow two steps and aims to improve the orientation of the federal budget. Initially, it is planned to carry out spending reviews for public spending related to the green transition. In a second stage, after the measures of the public administration digitalisation fund have been rolled out, a new spending review for the digital transition would be set up.	Q42025
	Eco-social tax reform	Contribute to the achievement of European and national climate targets. In the first stage, additional incentives for climate-friendly consumer behaviour are necessary. The second stage is an important complement to investment incentives for climate-friendly technologies and support to expand the circular economy by providing preferential tax treatment of low- or zero-emission technologies and products. The measure will introduce a pricing for CO <sub>2</sub> emissions.	Q12022
Product market	Start-up package	New legal form (working title 'Austria Limited').	Q12022
	Strengthening equity capital	Evaluate the equity position of Austrian companies. This consists of converting government-guaranteed loans into equity or equity-like instruments. In addition, a company form for investments in company holdings in the form of a SICAV, a collective investment scheme, will be anchored in Austrian company law. It is intended to make fund shares securitisable and tradable.	Q12022



	Liberalisation of business regulations	Three measures: a) The removal of barriers to business transfers (Grace Period Act) containing several activities that will facilitate the transfer of businesses to new owners (such as to the next generation in a family business). b) The amendment to the Occasional Traffic Act aligning the conditions for taxis and other transport rental businesses, thus enabling the operation of innovative ride-hailing services. c) The facilitation of the authorisation process for recharging points dedicated to electric motor vehicles and photovoltaic systems as part of commercial installations.	Q12022
Social policies	Enhancing primary healthcare	Austrian plan for primary healthcare.	Q22026
	Reform to further develop care provision	Based on the Task Force Care report which proposes objectives for the improvement of the existing care system, dialogues between the federal government, states, cities and municipalities will be undertaken. These dialogues should lead to common approaches and reform projects as part of the preparation for a wider reform of long-term care provision. The key principles will be reflected in the Intergovernmental Fiscal Relations Act starting from 2024.	Q12024
	Increase in effective retirement age	Social Insurance Amendment Act 2020, introducing the 'new early starter bonus'.	Q12022
	Pension splitting	Two parts: 1) the introduction of automatic pension splitting for couples with children; 2) voluntary pension splitting will also be possible for every form of partnership and regardless of parenthood.	Q42022

Source: Own elaboration.

### Overall assessment of the Austrian plan

When the COVID-19 crisis began in Austria, its economy was performing strongly, and its resilient welfare state schemes helped cushion the effects of the economic shock relatively well. However, a series of challenges have emerged and were widened by the pandemic, such as labour market regional differences, gender and socio-economic inequalities, skills mismatch, high administrative burden, taxation system weaknesses, regulatory framework complexity, low availability of equity and venture capital, and fiscally unsustainable social benefits (see Table 2).

The Austrian plan addresses some of the structural challenges outlined. An important component of the plan is the establishment of one-stop shops and of targeted trainings for the most disadvantaged citizens to help them face labour access inequality and reduce the share of inactive labour force. Concerns regarding skills and education are mitigated by improving digital services in schools and raising financial awareness among pupils through a national financial education strategy. Public administration burden is planned to be sensibly reduced thanks to the creation of a centralised Platform Internet-infrastructure Austria (PIA).

The taxation framework will be revised, by including direct public support to green spending in the form of incentives for climate-friendly consumer behaviour and technologies, as well as a pricing system for CO<sub>2</sub> emissions. This is complemented by spending reviews aimed at fostering the green and digital transitions. Another relevant contribution of the plan, in line with the achievement of the climate targets, is the introduction of a first circular economy legal framework and a support scheme for renewables. The necessity for a stronger equity market is addressed by the simplification and liberalisation of business regulations, the conversion of certain public securities into equities and the definition of a clear start-up legal framework. Finally, social issues are faced by focusing especially on pension reform and on strengthening healthcare and long-term care systems.



However, some challenges remain unaddressed. Indeed, the Austrian plan does not include a strategy for the reduction of interregional disparities within the country, in particular with respect to the key area of research and innovation. Moreover, it lacks a proper scheme for affordable housing and the tax framework reform does not attempt to either improve the slight redistribution effects by reducing income tax, or to increase equity by introducing property and inheritance taxes.

Overall, the Austrian plan can be considered as effective and coherent, with a clear identification of the milestones and target implementation timelines and the actors involved in the governance, as well as a defined relationship between reforms and investments.