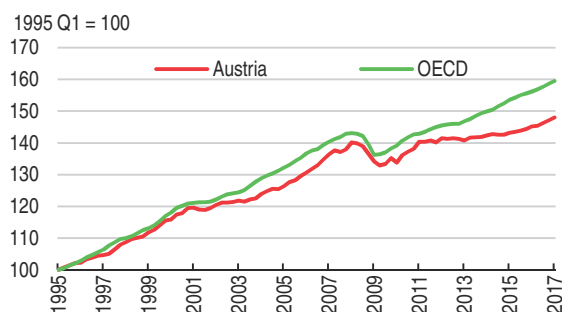


## Executive summary

- *Growth has picked up but fundamentals should be strengthened*
- *Austria's transition towards digitalisation has been lagging*
- *Changing demand for skills affects equality of opportunity*

## Growth has picked up but fundamentals should be strengthened

### Growth is regaining momentum



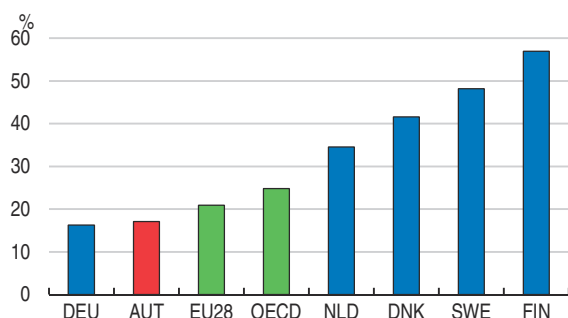
Source: OECD Economic Outlook 101 database.

StatLink <http://dx.doi.org/10.1787/888933537102>

Austria is a stable and wealthy economy and growth has picked up following the 2016 tax reform and the recovery of export demand. However, like in most OECD countries, trend output growth has declined since the 1990s. Labour supply has expanded, driven by rising participation of women and elderly and an increase in immigration, but hours worked per worker have declined. Productivity has slowed and Austria has lost market shares within regional value chains. Investment has recently accelerated, yet enterprise churn, start-up rates and the renewal of business models are weaker than in comparable countries. Reinvigorating business dynamism would improve competitiveness and labour demand, and spur both growth and social cohesion.

## Austria's transition towards digitalisation has been lagging

### Share of firms using cloud computing, 2016



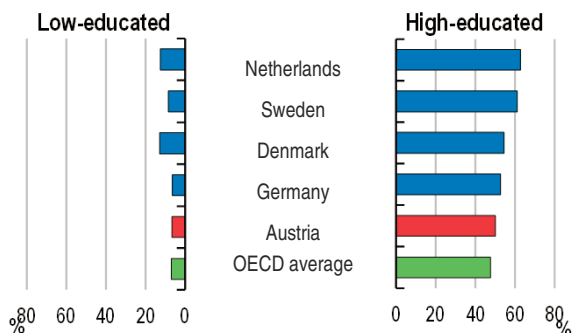
Source: Eurostat and OECD Digital Economy Outlook 2017 (forthcoming).

StatLink <http://dx.doi.org/10.1787/888933537121>

The business sector is adapting to the global digital revolution, albeit at a slower pace than in the most advanced countries, especially among smaller firms. The adoption of information and communication technology (ICT) applications by households is also uneven: while the young and highly educated align swiftly with global trends, older generations and those with lower educational level and immigrants seem to lag behind. Fostering broad-based diffusion of state-of-the-art technologies and digital innovations would help renew business models, work practices and lifestyles throughout Austria, and foster productivity growth, welfare and social cohesion.

## Changing demand for skills affects equality of opportunity

### Adults with advanced digital proficiency



Source: Survey of Adult Skills (PIAAC) (2012, 2015).

StatLink <http://dx.doi.org/10.1787/888933537140>

The digital transformation is redesigning production processes and altering the relationships between work and leisure, capital and labour, skilled and unskilled, wealthy and less-wealthy. To preserve social cohesion, a comprehensive policy approach is needed for ensuring equality of opportunity in the face of technological change and appropriate redistribution of the gains stemming from digitalisation. Schools need to provide digital skills in addition to the traditional ones. Workers having left school will need to catch up via life-long learning solutions. Co-ordination across the many stakeholders of the education system needs to improve so that learning tracks better fit changing labour market requirements.

MAIN FINDINGS	KEY RECOMMENDATIONS
<b>Building on the cyclical upturn</b>	
Fiscal balances and the public debt ratio have improved but the foreseeable costs of ageing remain very high.	Take measures to ensure that the debt ratio declines as targeted. In particular rapidly increase effective retirement ages.
There are inefficiencies in education, health, care and public administration. Funding and management responsibilities are too fragmented across government layers.	Undertake an in-depth spending review in education, health, care and public administration; align taxing and spending responsibilities across government layers.
Bank balance sheet cleaning has made headway but operating costs remain high and bank profitability and capital adequacy weak.	Facilitate digitalisation, restructuring and cost reduction in the banking sector. Rigorously supervise large as well as small banks.
<b>Boosting potential growth</b>	
The external financing of start-ups and small firms is overly reliant on bank credit.	Continue to support venture capital investment and reduce tax and other disincentives for equity investments.
The insolvency framework may discourage risk-taking and firm creation.	Review the insolvency framework benchmarking it against international best practice.
Retail and professional services are over-regulated and entry barriers are high.	Streamline the licence system for retailers and reduce the number of exclusive rights in professional services.
Labour utilisation remains low. The employment rate has improved mainly through increases in part-time work and hours worked per employee declined.	Minimise the tax distortions that penalise transition from part-time to full-time work, subsidise overtime and hold back demand for low-skilled labour.
Work and child-caring remain hard to reconcile.	Introduce legal entitlements for full-day schooling and childcare; further increase capacity for such facilities in the whole country.
<b>Fostering a faster transition to digitalisation</b>	
A 2017 “Digital Roadmap” mainstreams efforts to foster digitalisation and tackle adjustment challenges.	Set up a transparent monitoring system for the implementation of the Digital Roadmap, with timelines and quantitative targets.
Austrian firms, especially SMEs, are relatively slow in adopting ICT innovations. Gaps relative to the global frontier have widened.	Integrate a Digital Skills Plan in the Roadmap, including for small firm owners and managers. Establish targets for ICT-generic, ICT-specialist and ICT-complementary skills.
Enterprises and households use fast broadband less than in comparable countries.	Facilitate new entries and stimulate competition in broadband services in the context of the Broadband Plan 2020.
Digitalisation creates risks of closure, collusion and monopolisation in several market areas.	Ensure that competition policy responds to changing threats to competition in digital markets, including through international co-operation.
Improving trust in digital applications is crucial to reduce transaction costs and facilitate the adoption of digital innovations, requiring addressing key data privacy, consumer protection and security issues.	Promote more effective data protection, cyber security and consumer protection. Improve public awareness that responsibility for risk management remains partly with firms and consumers themselves.
<b>Ensuring inclusive labour markets in the digital era</b>	
New forms of work blur the lines between dependent and independent work. Platform workers often operate outside the scope of standard law and social protection.	Adapt labour law and social institutions to enhance representation and protection of platform workers on the basis of ongoing consultations with social partners. Ensure the portability of ratings for platform workers.
Austrian 15-year-olds lag behind in digital skills, partly owing to outdated teaching practices.	Continue to modernise ICT-related curricula and teaching methods in schools.
Labour market demands related to digital skills change continuously.	Ensure that vocational education and training as well as tertiary education systems adjust to changing needs through both decentralised innovation and professional co-operation.
Available apprenticeships in professions most affected by digitalisation fall short of demand.	Enhance incentives for businesses to offer apprenticeship positions, in particular in professions affected by digitalisation.
Older persons and low-skilled lack basic digital skills.	Further develop special life-long learning schemes focussing on digital skills.



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