

Ensuring the continuing success of the Austrian economy in the face of the ageing challenge

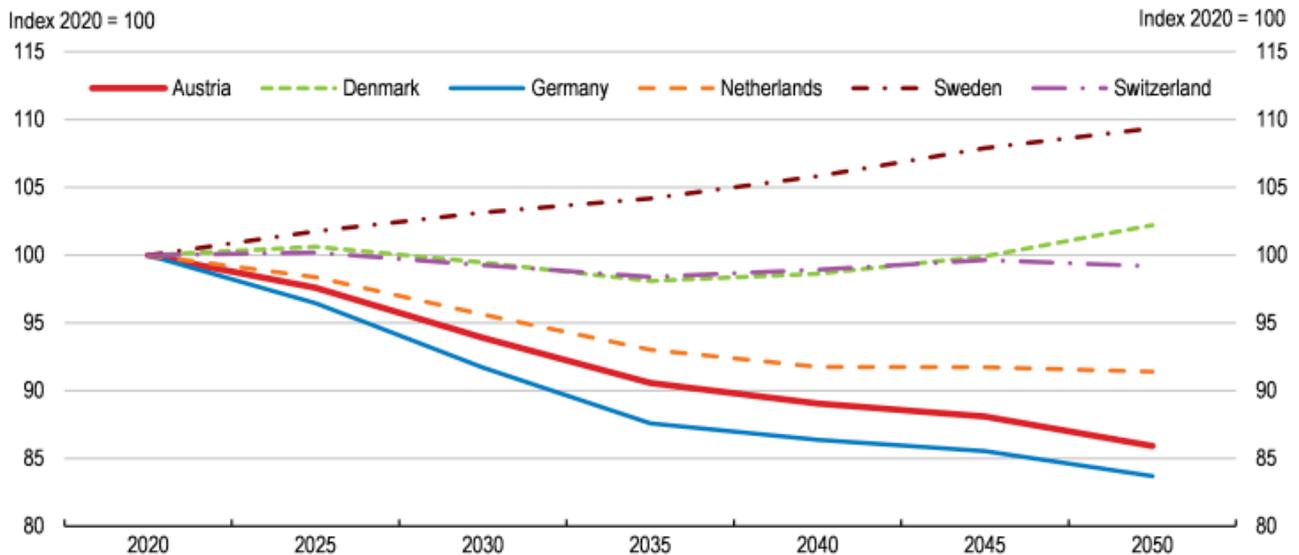
by Dennis Dlugosch and Rauf Gönenç, Austria Desk, OECD Economics Department

Austria is a highly successful OECD economy. It has combined strong economic growth and social cohesion across all its regions over the past two decades. GDP per capita is now the 6th highest in the EU and the 11th highest in OECD, slightly above Germany, Finland and Denmark. Myriad competitive small-and-medium firms across regions provide generally well-paying jobs to workers with good vocational qualifications. The welfare system supported by well-organised social partnership secures an effective social safety net.

Our latest Economic Survey of Austria emphasises that the three global megatrends demographics, digitalisation and increased fragmentation of goods and services across firms and countries raise particularly important challenges for Austria. Among these megatrends, the changing demographics is particularly salient, given that the working age population in Austria is projected to fall by 14% until 2050 (Figure 1).

Figure 1. Demographic change reduces the size of Austria's talent pool

Projected change in working age population (15-64 year-olds), 2020-2050



Source : United Nations (2018), World Population Prospects.

The ageing of the population raises three distinct pressures: first, despite welcome recent parametric changes, the long-term balances of the generous (high-contribution/high-benefit) pension system is exposed to substantial risks. The effective retirement age for both men and women are below their official retirement age and stay well below comparable countries. Austria has opted for periodic legislative amendments rather than automatic changes in the retirement age and contribution and benefit rates – a method exposed to high political uncertainties. The Survey recommends firmer links between demographic changes and parametric adjustments. More effective life-long learning programmes and more supportive work organisations should also help older workers to stay longer in the labour force.

Second, more than eight out of ten Austrian SMEs consider already today the lack of talent a major impediment to upscaling through investment (EIB, 2018). Ageing will further aggravate this skill constraint. The Survey proposes to alleviate the pressure from demographics by activating the untapped skills potentials of so far disadvantaged groups, in particular that of women and migrants. Authorities should ensure high quality child-care and full-day schooling across

the country to further boost labour force participation by women, continue to attract high-skilled foreign workers and strengthen the German language learning opportunities and labour force participation potential of migrants and refugees and their families.

The third challenge from ageing concerns ownership and management transitions. As the current owner-manager cohorts hit retirement age, transmissions within or outside current owner families will arise in about one third of the 300 000 SMEs, which will affect around 5-10% of total employment in Austria. Successful transmissions will be key for the future performance of the Austrian economy, in particular for its regional balances. The Survey recommends to enhance the evidence base on business transfers, and to help disseminate good practices in legal, financial and other dimensions of successful ownership transmissions. The re-assessment of the rules concerning the operation of family trusts ("Stiftungsgesetz") will be necessary.

Bibliography

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