

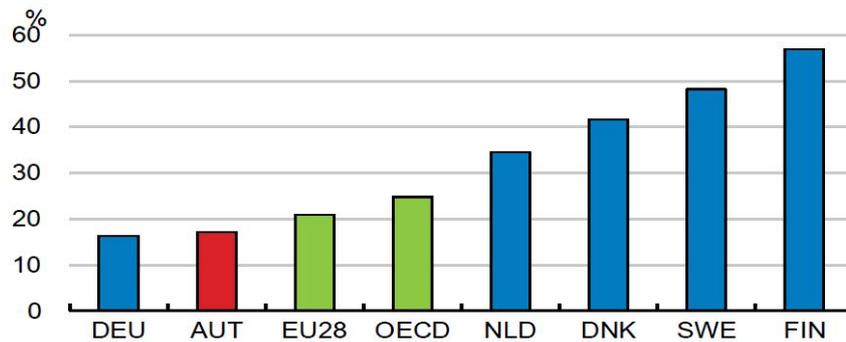
# Embracing digitalisation to boost Austria's growth potential

by Rauf Gonenc and Volker Ziemann, Austria Desk, OECD Economics Department.

Digitalisation will redesign production processes and alter relationships between work and leisure, capital and labour, the rich and the poor, the skilled and the unskilled. It creates opportunities to boost inclusive growth and well-being by raising productivity, enhancing private and public services, and democratising information. However, digitalisation is inherently disruptive and raises concerns about a division of societies into winners and losers. Two questions arise for policy makers: how to ensure equality of opportunities in the race with technology and how to find the appropriate level of redistribution of the gains associated with digitalisation to preserve social cohesion.

Austria's business sector is adapting to the global digital revolution, albeit at a slower pace than in the most advanced countries, especially among smaller firms (see Figure below). The adoption of information and communication technology applications by households is also uneven: while the young and highly educated swiftly follow global trends, older generations, individuals with lower education and immigrants lag behind. The authorities recognise the importance of helping people and firms to embrace digitalisation and have designed a "[Digital Roadmap](#)" around 12 guiding principles. Achieving the set objectives will require a transparent monitoring system with clear timelines and quantitative targets.

Share of firms using cloud computing, 2016



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

The ability of firm owners to fully embrace digitalisation and renew their business models should be further enhanced through awareness-raising and skills initiatives. On another front, stronger incentives, including financial ones, may be needed to encourage households to adopt e-government solutions. More generally, raising awareness for benefits arising from digitalisation and addressing potential challenges including by fostering trust and consumer protection are key ingredients for a successful and inclusive transition to the digital economy.

Many occupations may be automated in the near future. Others will see their tasks radically transformed. Researchers at the OECD and elsewhere have identified skills and tasks that are less likely to be affected and more likely to be complementary to digital technological change, notably activities requiring creative and social intelligence. Compared to the most digitised countries, such tasks seem to be less prevalent in Austria. Therefore, Austria should further develop basic digital skills and raise awareness of digital gaps. A wide-ranging education reform addresses these challenges and ought to be implemented swiftly. Finally, life-long learning solutions need to be developed further to upgrade skills of middle-aged and older workers.

**Find out more:**

# Growth is picking up in Austria but fundamentals need to be strengthened

by Rauf Gonenc and Volker Ziemann, Austria Desk, OECD Economics Department

After several years of subdued growth, economic output accelerated in 2016 supported by a tax reform that entered into force in 2015-16, and more recently a pick-up in international trade. The upturn has improved fiscal balances, and the public debt ratio, though still high, is on a downward path. The improvement in the macroeconomic situation has strengthened business and household confidence and the short-term outlook is favourable.

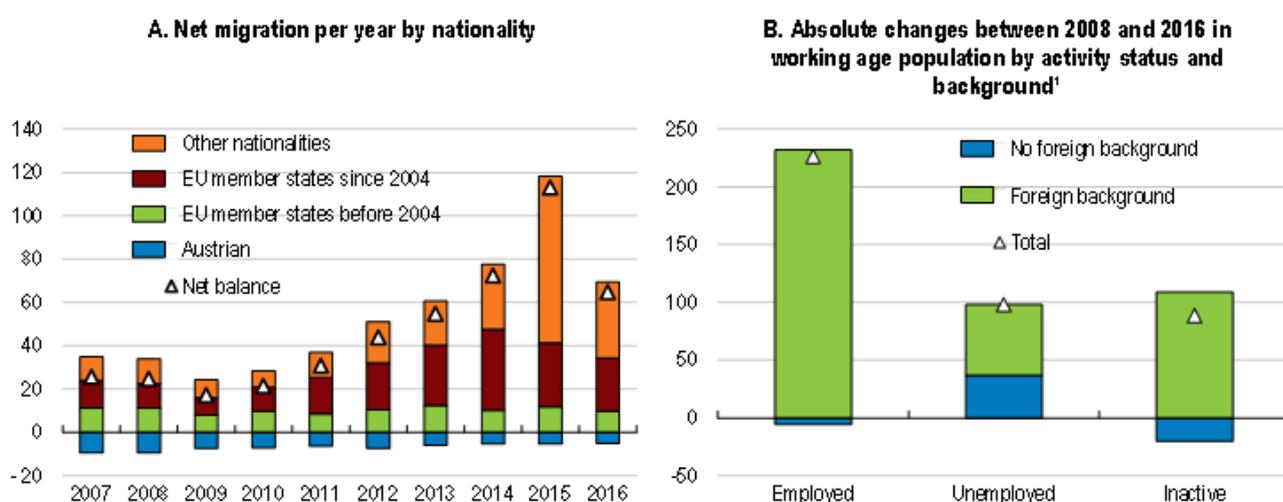
Nonetheless, the [OECD 2017 Economic Survey of Austria](#) suggests that Austria may be adapting too slowly in a rapidly changing environment, including with respect to digitalisation. Austria's strong position in regional value chains has suffered somewhat since 2012 amid intense competition with catching-up Eastern European countries notably in supplying traditional key partners such as Germany or Italy. On the other hand, Austria has managed to gain export market shares in countries like the United States, China, India or Japan which, together with vibrant tourism, has kept the current account in positive territory.

Austria's labour force and employment have expanded strongly

in recent years largely driven by migration from new EU member states and, especially in 2015, by refugee inflows (see Figure below). Pension reforms limiting pathways to early retirement have induced a strong increase in employment of older workers albeit from very low levels in international comparison. Labour participation of women has also improved, though mainly through part-time work reflecting prevailing gender-inequalities, which were analysed in detail in the OECD [2015 Economic Survey of Austria](#).

### Migration inflows have fostered labour supply

Thousand persons



1. Foreign background means that both parents are born abroad.

Source: Statistics Austria.

The resulting decline in average hours worked per person contributed to the decline in trend growth observed since the beginning of the 2000s, alongside the slowdown of both the capital stock and total factor productivity. While Austria shares these trends with most, if not all, other advanced OECD countries, some specific weaknesses emerge. Geographical mobility is low and the labour tax wedge remains high. OECD indicators further suggest that, despite some progress, retail and professional services are over-regulated. Enterprise churn rates are lower than in comparable countries which may be partly driven by restricted financing options. Austria has recently launched a crowd-financing initiative, but external financing of start-up and small firms remains overly reliant

on bank credit and venture capital is scarce. The government's January 2017 policy package will help reduce some of these bottlenecks provided that the political process surrounding the October 2017 snap elections does not undermine its implementation.

**Find out more:**

OECD (2015), [\*OECD Economic Surveys: Austria 2015\*](#), OECD Publishing, Paris.

OECD (2017), [\*OECD Economic Surveys: Austria 2017\*](#), OECD Publishing, Paris.