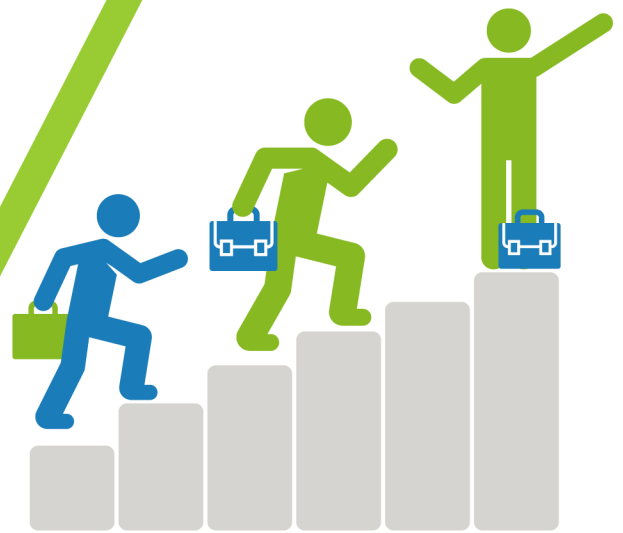


OECD Skills Strategy
Diagnostic Report
Executive Summary
Austria
2014



OECD Skills Strategy

Building the right skills can help countries improve economic prosperity and social cohesion



In what way?

By contributing to social outcomes such as health, civil and social engagement.

By supporting improvement in productivity and growth.

By supporting high levels of employment in good quality jobs.



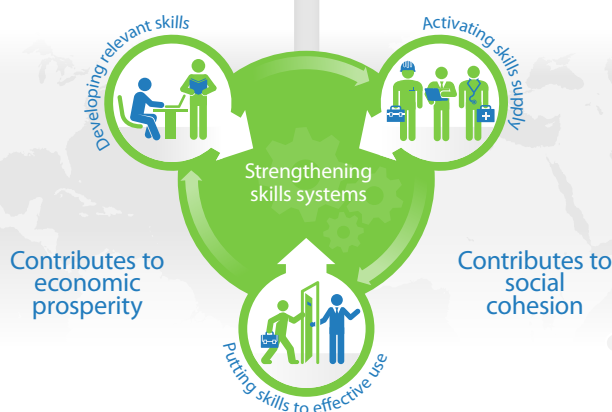
How is this achieved?

By strengthening skills systems

Designing and implementing an evidence-based national skills strategy.

Funding skills through public and private sources and designing effective incentives for employers and individuals.

Providing good information for the public, businesses and policy makers.



OECD SKILLS STRATEGY DIAGNOSTIC REPORT AUSTRIA 2014

EXECUTIVE SUMMARY

Why a Skills Strategy? Better skills, better jobs, better lives

Skills have become the key driver of individual well-being and economic success in the 21st century. Without proper investment in skills, people languish on the margins of society, technological progress does not translate into growth, and countries can no longer compete in increasingly knowledge-based economies.

The OECD Skills Strategy provides countries with a framework to analyse their strengths and weaknesses as a basis for taking concrete actions according to three pillars that comprise a national skills system: 1) developing relevant skills from childhood to adulthood; 2) activating the supply of skills on the labour market, and 3) using skills effectively in the economy and society. An effective Skills Strategy ensures policy coherence across the three pillars while strengthening the enabling conditions of effective governance and financing, which underpin the skills system as a whole.



Participation of the Austrian Government and stakeholders

The OECD is working with countries to support the development of effective skills strategies at the national and local level. Putting the OECD Skills Strategy's integrated paradigm into practice requires whole-of-government collaboration across ministries and government levels, as well as co-operation with and among stakeholders, such as education institutions, social partners and civil society.

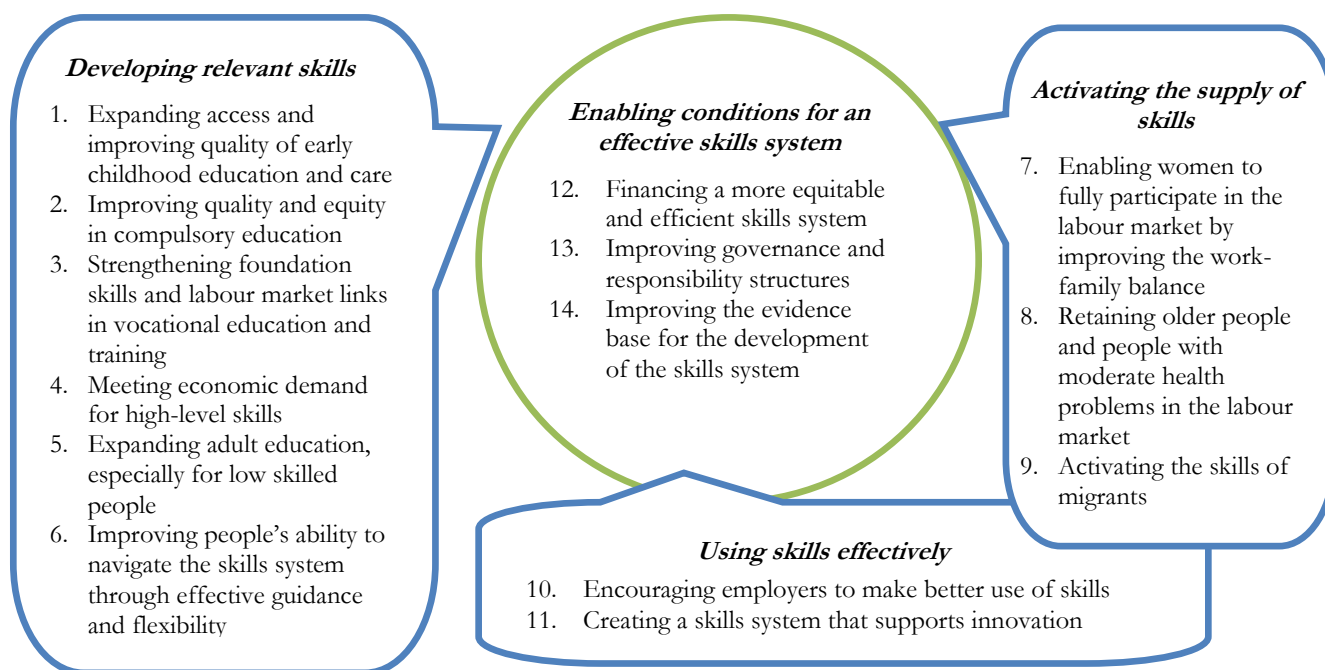
The project on "Building an effective Skills Strategy for Austria" involves an inter-ministerial project team coordinated by the Federal Chancellery (BKA) with the Ministry of Education and Women (BMBF), the Ministry of Labour, Social Affairs and Consumer Protection (BMASK) and the Ministry of Science, Research and Economy (BMWFW). Stakeholders were involved in national diagnostic workshops held in April and June 2013 in Vienna. Participants were drawn from the Federal Chancellery, nine federal ministries (responsible for: education, labour, economy, finance, health, research and science, transport, integration and women), representatives from the *Bundesländer*, the Economic Chamber, the Chamber of Labour, firms, and researchers.

Austria's skills challenges in a comparative perspective

This diagnostic report identifies 14 skills challenges for Austria. The project and this report build on both the insights from workshops as well as latest international comparative analysis from OECD and national sources. The report provides cases illustrating how other countries have tackled similar challenges, which can be used as input to potential policy options on how to tackle these challenges. This report presents the results of the "diagnosis" phase, rather than offering concrete recommendations for Austria. Yet it represents a solid basis for a future "action" phase which would involve Austrian stakeholders. The challenges are described under each of the main pillars of the OECD Skills Strategy. The first 11 challenges refer to specific outcomes across the three pillars of developing, activating and using skills. The next three challenges refer to the "enabling" conditions which strengthen the overall skills system. Success in tackling these skills challenges will boost performance across the whole skills system.

All of these challenges are strongly interlinked. The interlinkages are identified throughout the report at the end of each challenge. Failure to look beyond policy silos will have implications especially for specific groups in Austria. For example, if young people fail to acquire strong foundation skills (Challenges 2 and 3), they run the risk of being trapped in lower educational and employment pathways (Challenge 5, 6 and 8), or facing difficult labour market transitions (Challenge 6), and difficulties in using their potential effectively in the workplace (Challenge 10). Low skills levels are not only associated with weak labour market outcomes but also with a higher likelihood of facing health problems, relying on social benefits and becoming inactive (Challenges 7-9). Overall, the more people who are trapped in this vicious cycle the greater the negative impact on both economy and society with consequences for Austria's ability to embark effectively on new areas of growth and innovation (Challenge 11).

14 skills challenges for Austria



Developing relevant skills:

- 1. Expanding access and improving quality of early childhood education and care (ECEC):** Despite the rise in participation from less than 8% in 2000 to more than 20% in 2012, enrolment of 2 year-olds remains low in Austria compared to an OECD average of 33% in 2010. Limited hours of services also contribute to low levels of participation. Higher levels of enrolment would be especially helpful for children with migrant backgrounds, or language problems, to improve transitions to primary schooling. Austria is making progress towards ensuring high nationwide quality standards yet more needs to be done to help ECEC staff develop the skills needed to implement the new quality framework, such as providing language support.
- 2. Improving quality and equity in compulsory education:** 15-year-old students in Austria perform below OECD average in reading, around average in science and above average in mathematics. Austria needs to do more to strengthen equity in education. Low performance is strongly related to students' socioeconomic status and migrant background, more so than in other OECD countries. Only 6% of students with low socio-economic status belong to the top quarter of students from all countries, compared to 13% of the student population in the best performing countries.

3. ***Strengthening foundation skills and labour market links in vocational education and training:*** According to the Survey of Adult Skills, about a third of VET-graduates aged 16–29 year-olds score below the international average for VET graduates, at about level 2 (out of 5) on the literacy scale. In practice, this means that they were not able to understand dense and lengthy texts. Low results were found among graduates from apprenticeships, mediocre results among graduates from VET schools (BMS) while good results were found among graduates from VET colleges (BHS). Graduates with low-level foundation skills are less prepared to acquire new skills and adapt to changing skills demand. Austria's VET system can build upon its strengths to provide more advanced skills and respond better to skills trends, such as the need for solid ICT-skills in all occupations.
4. ***Meeting economic demand for high-level skills:*** Austria's tertiary graduation rate (tertiary-type A) has increased from 10% in 1995 to 35% in 2011 but is still below the OECD average of 39%. Yet the supply of tertiary-educated people is lower, as international students comprise 15% of all enrolments but only a sixth of them stay in Austria after graduation. Supply may fall short especially for graduates in science, who are in high demand. Ten percent of new entrants choose to study sciences in Austria, which is OECD average, but may be low considering the relatively scarce overall tertiary supply. In addition, national studies suggest that the quality of higher education needs to be improved as there are substantial shortcomings in student satisfaction with the learning environment, especially at academic universities, which also see high dropout rates (35% compared to 30% OECD average in 2011).
5. ***Expanding adult education, especially for low-skilled people:*** According to the Survey for Adult Skills, the foundation skills levels of adults in Austria are below average in literacy, above average in numeracy and around average in problem solving in technology-rich environments. People with high levels of foundation skills are found to participate most in both job-related and non-job related adult education, while participation rates are lowest for people with low-level foundation skills.
6. ***Improving people's ability to navigate the skills system through effective guidance and flexibility:*** Austria offers many educational pathways, but lacks a comprehensive lifelong learning guidance system that can draw upon up-to-date labour market information. Gaps in the provision of career guidance and low upward-mobility have a particularly negative impact on the educational and employment careers of disadvantaged people, such as those with a migrant background and low socioeconomic status.

Activating skills supply:

7. ***Enabling women to fully participate in the labour market by improving the work-family balance:*** In Austria, motherhood makes inactivity and part-time work more likely than in most other OECD countries. Prolonged durations of part-time work are associated with lower career prospects, lower earnings, and fewer opportunities to participate in training. Women's part-time rate is lower in those Austrian *Bundesländer* with better access to early childhood education and care, especially for under 3-year-olds. Yet even when childcare options are available, Austria's employment policies and the tax system encourage women to work part-time instead of full-time.
8. ***Retaining older people and those with moderate health problems in the labour market:*** Austria still has the second-lowest effective retirement age in the entire OECD, for both men (58.5 years) and women (58 years). Recent reforms of the invalidity pension could lead to rapidly rising unemployment of older people with partial work capacity. In order to better retain older workers and to stop the outflow of their skills in the future, efforts will be needed to better integrate older (unemployed) people and people with partial work capacity into the labour market.

- 9. *Activating the skills of migrants:*** International migration accounts for a third of new entrants into Austria's working-age population. But migrants have far lower labour market outcomes than native-born Austrians. The children of immigrants aged 20-29 are four times more likely to be both low-educated and neither in employment nor in education and training (NEET) than their native-born counter-parts. At all ages, highly educated first- and second-generation immigrants are penalised most in terms of whether they are skills-adequate employment. Only 55% of highly-educated immigrants are employed in high-skilled jobs compared to 70% of their highly-educated native-born peers.

Using skills effectively:

- 10. *Encouraging employers to make better use of skills:*** In Austria, people reported below average use of numeracy, problem solving and computer use at work (Survey of Adult Skills 2013). This raises the question whether workplaces in Austria are prepared for the digitalisation of the economy. In addition, Austrians encounter severe skills mismatches on the job with respect to both the use of information-processing skills and skills related to their field of study. The skills of women, older workers and people with a migrant background are used least effectively on the job.
- 11. *Creating a skills system that supports innovation:*** Looking ahead to 2020, Austria's economic strength is projected to continue to be rooted in vocationally oriented medium-level skills. However, growth rates for occupations that currently require tertiary degrees are projected to accelerate especially in areas of science and technology. Areas of high potential include ICT intensive sectors, green innovation and health.

Strengthening the governance of Austria's skills system:

- 12. *Financing a more equitable and efficient skills system:*** In Austria, the complex fiscal equalisation system, which distributes public funding across government levels, hinders the capacity of policy makers and civil servants to steer the skills system. Austria faces challenges in how to better allocate funding to underdeveloped areas of the skills system. For example, adult education is largely financed and provided by the public employment service (PES), which only reaches the unemployed. Yet only 5% of the low-skilled are unemployed, while most are in employment (62%) or inactive (33%) and cannot be reached by the PES. Employers' investments in training largely benefit high-skilled members of the population.
- 13. *Improving governance and responsibility structures:*** Austria has a highly complex skills governance system, with shared responsibility between various ministries and agencies as well as levels of government, characterised by strong social partner involvement. This has generated a relatively inclusive and stable policy process with a high degree of ownership among social partners. However, the system is fragmented and inflexible, and strategic steering measures, which involve all relevant actors to improve coordination and deliver better skills outcomes, are lacking.
- 14. *Improving the evidence base for the development of the skills system:*** Austria faces the challenge of generating and using data to evaluate the effectiveness and efficiency of its skills policies. While most federally-funded programmes are regularly evaluated, programmes of the *Bundesländer* have received far less scrutiny. Tackling local skills challenges and evaluating pilot projects, requires disaggregated data coupled with capacity building at the regional and institutional level.

How this diagnostic report can be used

This report represents both an output of the diagnostic phase and an input to the broad policy area of skills development and deployment. Of equal importance are the ‘intangible’ assets generated through inter-ministerial cooperation and the process of stakeholder engagement. There are many possible ways to use the results of this project, including raising public awareness by encouraging the social partners and government to use this diagnostic report to foster a broader public debate about the skills challenges facing Austria today.

No country could be expected to tackle all challenges simultaneously. A possible next step could be to decide which challenges should be tackled first. The ultimate aim would be to go beyond diagnosis to develop concrete plans for action. Ideally, this process would continue to include all relevant skills actors.

This diagnostic report will have served its purpose if it contributes to fostering a common understanding of the challenges ahead. It will have accomplished an even greater goal if it stimulates readers to go from analysis to action. For only by investing in strengthening Austria’s skills system today, will we be able to deliver better skills outcomes for all people in the future. The OECD stands ready to help in this endeavour.

This paper is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

OECD Skills Strategy

Diagnostic Report Executive Summary

Austria

Better skills policies help build economic resilience, boost employment and reinforce social cohesion. The OECD Skills Strategy provides countries with a framework to analyse their skills strengths and challenges. Each OECD Skills Strategy diagnostic report reflects a set of skills challenges identified by broad stakeholder engagement and OECD comparative evidence while offering concrete examples of how other countries have tackled similar skills challenges.

These reports tackle questions such as: How can countries maximise their skills potential? How can they improve their performance in developing relevant skills, activating skills supply and using skills effectively? What is the benefit of a whole-of-government approach to skills? How can governments build stronger partnerships with employers, trade unions, teachers and students to deliver better skills outcomes? OECD Skills Strategy diagnostic reports provide new insights into these questions and help identify the core components of successful skills strategies.

This report is part of the OECD's ongoing work on building effective national and local skills strategies.

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- skills.oecd.org/ for OECD work on skills.

Further reading

OECD (2012), *Better Skills, Better Jobs, Better Lives: A Strategic Approach to Skills Policies*, OECD Publishing.
OECD (2013), *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills*, OECD Publishing.