Executive summary

During the period between January 2005 and March 2007, Austria experienced two contrasting political shifts. On the one hand, the second period in office of the center-right coalition of the Austrian People’s Party (ÖVP) and the Freedom Party of Austria (FPÖ) allowed them to continue toward their long-term goal of the “de-Austrification” of the political system. On the other hand, however, the elections of October 2006 led to the reemergence of the “grand coalition” and a reversion back to the political power sharing that had existed for decades between the two main political parties, the Social Democrats (SPÖ) and the Austrian People’s Party (ÖVP).

The process of “de-Austrification” reached its culmination during the center-right government’s period in office between 2000 and 2006/2007, which resulted in a marked decrease in the Austrian political idiosyncrasies that had manifested themselves during the 1980s and continued to develop after the country entered the European Union in 1995. One of the main features of the Austrian political system – its orientation toward consensus – was replaced by party-political competition. As a result, the consensus-based power-sharing arrangements between the conservative Catholics and socialists as well as their combined efforts to reach stability came to an end. Furthermore, the cohesion and loyalty enjoyed by the two major parties significantly eroded. At the same time, the influence of Austro-corporatism, in which social partnerships between employers and trade unions play a central role, also experienced a noticeable decline.

The center-right government began its period in office with an ambitious reform agenda, implementing wide-reaching structural reforms that primarily followed neo-liberal and conservative paths. Reforms of the pension and social-security systems met with strong parliamentary opposition as well as resistance from trade unions and members of civil society to an extent previously unseen in the country.

The public displeasure regarding reforms and intra-party conflicts within the Freedom Party of Austria (FPÖ) led to a marked decrease in the center-right government’s drive for reform during its second period in office (2003–2007).
As a result, the majority of the center-right government’s substantial reforms were initiated before 2005. In the period thereafter, the government reorganized the federal railway company and the public broadcasting company in addition to privatizing a number of state-owned companies. Several other reforms were also implemented, such as the fusion of the police and constabulary forces and the creation of new, more-restrictive immigration laws.

In comparison, the tax reform of 2005 brought about relatively few changes, and some believe that it has only been the introduction of lower corporate tax rates that has succeeded in attracting more inbound foreign direct investment (FDI). Government proposals for administrative reform completely collapsed, and potential change within the Austrian education system failed to materialize, as the Austrian People’s Party (ÖVP) was not prepared to alter the existing policy. As a result, there were no substantial reforms between January 2005 and March 2007.

Austria’s political system underwent a significant transformation as a result of the elections in October 2006, which saw a large decrease in the power of the ÖVP and resulted in the formation of a left-right coalition. Many argue that the revival of the “grand coalition” has revitalized Austria’s social partners. In many central fields, such as education and labor-market policies, the governmental parties have taken conflicting positions, which might result in the implementation of only a few reforms in the coming years.

**Strategic Outlook**

Austria’s political elite have succeeded in developing and implementing successful strategies in several policy areas. The country’s political system also has a comparatively high reform capacity owing to the low number of veto possibilities afforded to its players. Nevertheless, the existing need for reform in a number of policy areas makes strategic reorientation a necessity.

For one thing, there needs to be a fundamental change in the orientation of Austria’s political elite and general population relating to the continuing process of “de-Austrification,” the term used to describe the reduction in the traditional features of Austria’s political system. This is caused, for example, by the weakening of the country’s consensus-based political composition, the reduced influence of the main political parties and social partners, and the
reduction in opportunities for the state to shape the economy. For these reasons, a change in the approach of all involved parties seems necessary. The normalization of Austria in terms of its adapting to western European standards and integrating itself into the Europeanization process means that the country’s strategic orientation is in need of realignment.

A change in Austria’s migration policy also seems necessary, and the country’s politicians should do something to change Austria’s image of being a non-immigration country. This is because one must first deal openly with the idea of immigration and its associated implications in order to create the prerequisites for a clear and proactive immigration agenda. Inextricably linked to this issue is the field of integration policy, in which Austria has also taken a very restrictive stance. At present, the policy concerning long-term foreign residents is in real need of reform in order to prevent the emergence of parallel societies and xenophobic tendencies.

Such reforms would allow immigrants easier access to the labor market and reduce the amount of illegal employment as well as its negative effects on the development of wage increases. Doing so would also help strengthen the welfare system’s financial base. Moreover, Austria should closely combine its reform efforts in this area with the development of a common European migration and integration policy.

In terms of Austria’s education policy, there also appears to be a need for increased reform efforts aimed at giving better access to education to children with migration backgrounds or from underprivileged and socially weak backgrounds. Many experts believe that the existing need for reform, which was only further underlined by Austria’s poor performance in the 2001 PISA test, can be tackled best by introducing comprehensive schools for children between 10 and 14 years old. This would help to prevent an early separation and allow more equitable access to higher education.

In the field of family policy, experts believe that a move away from the traditional approach is necessary in order to combat the small proportion of women in the labor market, their limited career opportunities and the low birth rate. In order to be able to combine both family and career, a notable increase in child-care facilities is needed – and particularly preschool child care. Furthermore, it must be made easier for women to return to work after having children, and this option must be made more attractive to employers as well.
The Austrian tax system is based on income tax, which some believe results in a taxation of assets and capital that is generally too lenient. The rapid rise in capital as compared to personal income further increases equity problems. For this reason, a number of scholars are pressing for increased taxation on assets and the introduction of inheritance tax as developments that are needed in order to bring the Austrian tax system into conformity with the practice of other OECD states.

Finally, in the field of education policy, Austria’s political leadership faces a double challenge. On the one hand, Austria must further increase its attractiveness for inbound foreign investment so that it can take advantage of its central position in Europe. On the other hand, Austrian industries themselves must be given more incentives to make their business practices more innovative and competitive. This would allow the Austrian economy to compete more effectively on the European and global markets. Particular features of the Austrian business landscape are its numerous small industries with a medium level of technology. The furtherance of beneficial business collaboration and private-public partnership is therefore necessary.

Reform is needed in all of the above-mentioned areas so as to ensure the continuing competitiveness of Austria’s economy by promoting an increase in opportunities for women, better possibilities for immigrants to integrate, and improvements in schooling, vocational education and research.
Status Index

I. Status of democracy

Electoral process

The Austrian election system provides for a fair electoral process. In general, founding political parties and nominating candidates for elections are not subject to any restrictions. According to the Party Law of 1975, political parties must have a party statute and submit it to the Ministry of the Interior so that it can be published in a periodical brochure. Every Austrian citizen of legal age (18) can run for office. The only restriction on founding and registering parties and candidates, as is laid down in the State Treaty of Vienna (1955), is that the creation of fascist and national socialist organizations is forbidden. Additionally, an individual’s passive voting right can be denied following a prison sentence of more than one year.

During the electoral campaign, for the most part, candidates and parties have equal opportunities of access to the media. The national public broadcasting corporation (ORF), which is considered to be the primary source for political information and the most important campaign channel, provides fair and balanced coverage of different political positions. During interviews and TV debates, the top candidates of all parties represented in the Federal Assembly, Austria’s bicameral parliament, have the opportunity to address the voters before general elections. In 2006, even the candidates of three smaller parties were invited to participate in these TV events, which provided them with disproportionately good opportunities for campaigning. Likewise, the political coverage of print media is regarded as being fairly balanced and as clearly privileging no particular party.

However, the level of fairness of electoral campaigning can be lowered by the lack of an efficient control on campaign financing. Indeed, financing rules are
very general and therefore difficult to enforce, which is sometimes helped by voluntary agreements between various campaigning parties.

All Austrian citizens can participate in national elections. The active voting right is granted at age 16. All eligible voters are listed in a “voter evidence,” for which special registration is not necessary. Austrian citizenship is a major aspect of exclusion in the electoral process, since the number of persons living legally in Austria who do not enjoy Austrian citizenship has increased significantly. Citizens of other EU member states with permanent residence in Austria, however, are entitled to vote in elections for the European Parliament and for local parliaments.

**Access to information**

According to the charter of fundamental laws, the media are to be free of government influence. Nevertheless, the national public broadcasting corporation (ORF), which is the country’s primary source for political information, remains highly politicized. By electing the majority of the members of ORF’s supervisory board, the incumbent government has the opportunity to influence television and radio news. In 2001, when they were the governing parties, the Austrian People’s Party (ÖVP) and the Freedom Party of Austria (FPÖ) seated a directorate with clear sympathies for them. Until it was replaced in 2006, this directorate was highly criticized for having a pro-government bias by opposition parties as well as by leading ORF journalists.

Regarding privately owned print media, government influence is very limited. There is no censorship, and a specific law defines the limits of media freedom due to conflicting principles (e.g., the protection of privacy).

Austria has a concentrated media system, with neither the electronic nor the print media sectors having a diversified ownership structure. While media pluralism characterized by a broad variety of opinions and interests does exist, this concentration has caused a certain uneasiness.

In print media, the market is dominated by the “Neue Kronen Zeitung,” which was read by 43.8 percent of all newspaper readers in 2006. The paper is partly owned by Mediaprint, which controls most daily papers and also holds a monopoly in the political magazines sector.

In electronic media, the state monopolies regarding radio and television broadcasting were lifted in 1998 and 2001, respectively. Despite its loss of its former terrestrial-broadcast monopoly, the national public broadcasting corporation (ORF) still dominates the market and, consequently, political
information. This dominant position, however, is starting to be challenged, especially by German TV stations, since the liberalization of the electronic market has led to greater access to foreign programs.

Access to government information
Score: 8

According to the Austrian constitution and other laws at both the federal and state level, public authorities are obliged to provide citizens with information concerning all matters within their realm of responsibility. Access to information is only limited by secrecy provisions related to public security, defense, international relations and the economic or financial interests of the government. Inquiries must be answered within eight weeks, and citizens can appeal against a denied request.

Civil rights

The Austrian constitution codifies extensive civil rights that apply to all state institutions at all levels. These rights are protected by the Constitutional Court. This protection of civil rights is further complemented by the European framework formed by the European Court of Justice and the European Court on Human Rights, both of which are effectively empowered to override legislation at the national level.

Both the Constitutional Court and the European Court on Human Rights have been appealed to regarding immigration policy in cases in which certain restrictive policies toward non-citizens have conflicted with civil liberties and were consequently declared illegal.

The Austrian constitution prohibits any form of legal and administrative racial discrimination. It has also been supplemented by EU regulations on non-discrimination.

In Austria, three public institutions serve to prevent discrimination: The Ombudsperson for the Equal Treatment of Men and Women in the Private Sector; the Ombudsperson for Equal Treatment Regardless of Ethnicity, Religion or Beliefs, Age or Sexual Orientation in the Private Sector; and the Ombudsperson for Equal Treatment Regardless of Ethnicity in Other Areas. These three offices, which can be approached by any citizen, report annually to the National Council, the lower house of the parliament.

The Austrian State Treaty includes special rights for the Slovenian and Croatian minorities in the states of Carinthia, Styria and Burgenland. The treatment of non-EU-citizens is described by some experts as being legalized discrimination, and there is also frequent discrimination against foreigners, especially black or Muslim immigrants. Incidents of discriminatory behavior by police officers have also been reported.
Rule of law

Legal certainty
Score: 8

In principle, legal certainty is guaranteed by the Austrian constitution’s specific understanding of legality, which is dictated by the legal gradation ("Stufenbau des Rechts"). According to this principle, any administrative act has to be based on law, and any law has to be based on the constitution. According to Article 18 of the Austrian constitution, any administrative act must be based on a specific legal authorization, which has to be “sufficiently determined.” This definition leaves a certain degree of discretion to the government and administration. Claims against arbitrariness in action or law can filed with the Constitutional Court and the Administrative Court.

In recent years, the Constitutional Court has nullified a number of newly adopted laws owing to their perceived lack of clarity and transparency. In general, however, legal certainty is provided for extensively, with Austria ranking seventh among the OECD’s 30 countries in the World Bank Governance Indicator for the rule of law.

Austria’s civil laws allow sovereign public bodies to act as civil entities on matters for which they do not exercise sovereignty.

Judicial review
Score: 9

The Austrian judiciary exercises independent and effective control of governmental and administrative actions. Two courts of last resort ensure an effective review of executive action. The Constitutional Court reviews decisions by the legislature and is entitled to nullify laws when they do not agree with provisions in the Austrian constitution. The Constitutional Court can be appealed to by other courts, by the administration, by members of parliament and by private individuals. The Administrative Court has jurisdiction over the executive branch of government and is authorized to nullify any administrative action not in conformity with the law.

The constitution makes the judiciary independent from the executive branch, and all judges enjoy the constitutional privileges of freedom from instruction, relocation and dismissal.

Austria does not have a significantly high level of corruption. Its extensive patronage system, which was closely associated with its strong tradition of being a party state, has been weakened as a result of the privatization of most former nationalized industries and of the EU regime for public contracts.

Although their efficacy is limited, there are control mechanisms against corruption. The Party Law lacks strict rules regarding the transparency of income, and parties are not obliged to declare donations to associations under their control. Members of parliament only have to declare additional sources of income if the earnings from those sources exceed 14 percent of their
parliamentary income. Furthermore, they do not have to specify the amount of those earning, and income from “private activity” is exempted from this obligation. Moreover, even public prosecutors at the highest level are obliged to obey the instructions of their superiors.

With the establishment of a special public prosecutor’s office against corruption and white-collar crime (KStA), however, a new prosecutorial body has entered into operation, and its prosecutors are not bound by directives.

II. Economic and policy-specific performance

<table>
<thead>
<tr>
<th>Basic socioeconomic parameters</th>
<th>score</th>
<th>value</th>
<th>year</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP p.c.</td>
<td>0</td>
<td>34393 $</td>
<td>2005</td>
</tr>
<tr>
<td>Potential growth</td>
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<td>2008</td>
</tr>
<tr>
<td>Unemployment rate</td>
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<td>2006</td>
</tr>
<tr>
<td>Labor force growth</td>
<td>0</td>
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<td>2007-2008</td>
</tr>
<tr>
<td>Gini coefficient</td>
<td>0</td>
<td>0.257</td>
<td>2000</td>
</tr>
<tr>
<td>Foreign trade</td>
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<td>1.27</td>
<td>2005</td>
</tr>
<tr>
<td>Inflation rate</td>
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<td>2.1 %</td>
<td>2007</td>
</tr>
<tr>
<td>Real interest rates</td>
<td>0</td>
<td>2.1 %</td>
<td>2007</td>
</tr>
</tbody>
</table>

A. Economy and employment

Labor market policy

The traditional Austro-Keynesianism policy, which has been pursued by the government in cooperation with its social partners, has proven less and less effective owing to the increased effects of globalization and the impact of the EU’s single market policy. Nevertheless, social partners still make agreements on such things as minimum wages in collective agreements.

Austria’s unemployment rate is below the OECD average. In general, Austrian labor-market policy aims to promote increased flexibility in the labor market
force, particularly by limiting the benefits given to unemployed persons. At the same time, however, owing to a recent rise in unemployment, the government has increased the funding it provides to promote an active labor-market policy. Regarding the relatively low employment rate of older people, the main problem of the Austrian labor market, these increases have already achieved some positive results.

Enterprise policy

Since the 1990s, the Austrian government has increased its efforts aimed at fostering innovation, entrepreneurship and economic competitiveness. Following a neo-liberal course, these measures have been characterized by a strong emphasis on privatization, liberalization and deregulation and have had the goal of securing a balanced budget. Austria’s EU membership has supported these endeavors, and Austria’s enterprise policy has also aimed to increase the benefits of the EU’s policy on eastern enlargement. To do so, the rates of corporate taxation have been lowered and a group-taxation regime has been introduced in order to raise Austria’s attractiveness as a country for inbound foreign direct investment (FDI).

Despite these measures, there are still serious problems that hurt Austria’s competitiveness. Higher-qualification standards have been eroded, for example, and this has led to a lack of qualified employees in the service sector. In response to this deficiency, investments in research and development have been increased, but it is too early to assess their effects.

Tax policy

Due to Austria’s extensive welfare system and public sector, the rates of taxes and public expenditure are generally high. The Austrian tax system is mainly based on income tax, while property tax and other forms of taxation only play a minor role. A major reform of the taxation system in 2005 has made Austria more attractive to foreign capital, particularly that of multinational companies using Austria as a gateway to Eastern Europe.

Disputes between those favoring an income-tax regime and those behind a property-tax regime have led to the current debates on future tax reforms. One main point of criticism is the disproportionate burden that the income-tax regime imposes on middle-class taxpayers, an increasing number of whom pay the maximum tax rate of 50 percent. The government has announced a tax reform for 2010, which is expected to entail a shift away from the dominance
of income taxes.

**Budgetary policy**

*Score: 8*

Austria has generally pursued a moderate policy of budget consolidation that uses an approach derived from Keynesian economics that only allows for budget deficits in times of economic decline. In 2000, the ruling ÖVP-FPÖ coalition aimed at reaching a balanced budget, which it achieved in 2001. Since this restrictive course resulted in a slowdown in economic growth, the budget-consolidation policy was replaced with programs for stimulating economic growth, reducing taxes and increasing expenditures for labor-market policy. A balanced budget has been deferred until 2009/2010.

**B Social affairs**

**Health policy**

*Score: 9*

In Austria, almost the entire population enjoys access to basic medical treatment, and 98 percent of the population is covered by the statutory health insurance. At the same time, however, rising costs have underlined that structural reforms are needed in order to maintain the country’s high level of health care.

Structural reforms have come about in a number of areas. First, there has been a resulting trend of obtaining an additional private insurance policy, which provides its holders with access to a broader spectrum of health-care services. Second, with health care being administered primarily at the state level, a 2005 reform aimed to reduce structural redundancy. In addition, a newly created Federal Health Agency issues guidelines for health-care planning, which are then implemented by “State Health Platforms.” Since 2006, the aim of integrated planning has also been furthered by a “Structural Plan for Health Care.” Lastly, planning is underway for a Federal Institute for Quality in the Health Care System, which will monitor standards of structural, process and outcome quality.

**Social cohesion**

*Score: 8*

Austrian society has no major social tensions. Nevertheless, Austria’s reputation for being an income-balanced country where wealth is shared by all
citizens has undergone some transformations. The poverty rate is still relatively stable, and some experts estimate that about 13.2 percent of all residents live on an income below 60 percent of the median income and can, therefore, be considered poor. Neither the minimum pension nor the average compensation for unemployed people meets the EU poverty threshold. The main components of the variation in poverty rates are ethnic origin, number of children and employment qualifications. Despite these problems, measures against poverty have failed to receive high priority in recent government policies. Instead, national action plans to fight poverty and social exclusion have merely followed decisions at the EU level.

**Family policy**

*Score: 6*

While Austria ranks among the leading countries when it comes to public spending on families, its very traditional approach to family policy does not enable women to effectively combine parenting with employment. There is a significant need for additional child-care facilities. Unlike most family-benefit regimes, the law lengthening paid maternity leave for mothers does not provide an incentive for them to participate in the labor market.

The ruling grand coalition attempts to balance the traditional approach in family policy with a stronger focus on gender equality, which aims to provide women with a free choice between child care and full- or part-time employment. This attempt manifests itself in the coexistence of a both a Ministry for Health, Family and Youth and a Ministry for Women, Media and Regional Policy.

**Pension policy**

*Score: 8*

While Austria’s expenditures on the elderly achieves the highest score of all OECD nations, the percentage of old people in poverty is relatively high. This discrepancy is due to restrictions regarding entitlement to the “minimum pension.”

The need for pension reform was put on the political agenda owing to both the existing financial burden and changing demographic conditions, whereby the elderly constitute a growing proportion of the population, and a majority of the labor force is retiring before reaching the official pension age of 65. In 2003, an extensive reform introduced a uniform pension system for all workers that featured significant cuts in future pensions as well as incentives for prolonging the employment period. As an initial result, the average retirement age has risen. A complete reconciliation of the different pension systems, however, has
not been achieved, and privileges still exist for civil servants, the self-employed and farmers. Additionally, private pension insurance and company pension insurance have been introduced to relieve the financial burden on the public budget. Nevertheless, both new pillars play only a minor role in complementing the public pension system.

C Security and integration policy

Security policy

Since the end of the Cold War and Austria’s accession to the European Union, Austria’s security policy of permanent neutrality has lost some of its original reasons for existing. By participating in the European Union’s Common Foreign Security Policy (CFSP) as well as in NATO’s Partnership for Peace activities, Austria’s neutrality has been somewhat eroded by pragmatic politics. However, Austria still adheres to its legal status as a neutral country, and it has not become a member of NATO. The main focus of Austrian security policy is on participating in UN peacekeeping and development-aid operations. In accordance with its tradition of neutrality, Austria’s security policy follows a soft-power approach. For example, Austria contributes to diplomatic mediations in international conflicts, peacekeeping missions and emergency-aid operations. This focus is consistent with the fact that Austria’s military expenditures as a share of total federal expenditures are the lowest in the entire OECD.

Regarding its number of homicides, Austria can be characterized as being one of the safest countries in the world. In recent years, however, cuts in the police budget and a reduction in police personnel have been followed by an increased number of reported offences and a decreased detection rate. In order to respond to these problems, there has been an expansion in the police’s investigative resources. For example, since 2006, police forces have been able to gather evidence using, for example, undercover investigations and video data collection.

Internal security cooperation with other countries has been intensified, especially within the framework of EU police cooperation. Since 2005, foreign suspects of terrorism can be expelled more easily. However, there have yet to be any documented cases of individuals supporting terrorist groups.

The Austrian government pursues a set of policies aimed at protecting its citizens against new security risks. First, Austria cooperates with a number of other countries on security matters, particularly in the form of international
law-enforcement organizations. Within the framework of the European Security and Defense Policy (ESDP), Austria takes part in coordinating civil and military crisis management. It also participates in both EU and OSCE working groups aimed at fighting terrorism, organized crime, drugs, human trafficking and money laundering. Austria also contributes to the activities of NATO’s Partnership for Peace.

Furthermore, Austria supports the European Union’s efforts to establish a stable environment beyond EU borders by means of implementing fair trade and development policies. Even though Austria’s spending on development policy has tended to be comparatively low, public expenditures for development aid have recently been extended in accordance with EU decisions.

Integration policy

Austria’s integration policy is overshadowed by a restrictive immigration policy. Despite its attractiveness to immigrants, Austria does not perceive itself as being an immigration country. Due to a political backlash, Austria has increasingly restricted its immigration policy in an attempt to reduce this attractiveness. A new package of laws regulating the rights of foreigners, which was enacted in 2005 and implemented some related EU directives, deals with immigration as a security policy and, accordingly, contains primarily restrictive measures.

The degree of integration of foreigners in Austria is comparatively low. Nevertheless, attempts have been made to correct these problems by providing education, language and professional training, and labor-market integration. Most Austrian states have established departments of integration. As of now, these new policies have achieved only modest results.

D Sustainability

Environmental policy

In terms of environmental policy, Austria is a relatively progressive country with a fairly high level of environmental protection and sustainability. On average for OECD countries, Austria ranks high regarding the energy intensity of its economy, carbon dioxide emissions and the share of energy supplied by renewable sources. The connection between sustainable economic development and environmental policy was already recognized in the 1980s. Austrian companies have performed very well on the international market for
environmental technologies, renewable energy sources and ecological engineering. Nevertheless, over time, this progressive attitude toward environmental policy has changed, and the goal of economic competitiveness has overridden environmental concerns. Due to budgetary problems, public funding for renewable-energy production was drastically reduced in 2005. While Austria was a pioneer in terms of higher environmental standards in the European Union after its accession, its goals in environmental policy have become uncertain or even vague.

Research and innovation policy

Score: 7

Since 2001, both total research-and-development (R&D) spending and the ratio of R&D expenditures to GDP in Austria have remained above the EU average. Companies are the most important contributors, accounting for 46 percent of Austria’s R&D expenditures. So-called competence centers support the cooperation between private companies and academic research institutions. Nevertheless, Austria’s research-and-innovation policy suffers from structural deficits in human-resource investment. Public research institutions lack adequate funding and modern financing structures, which results in their having an insufficient pool of the most highly qualified employees. More generally, the average growth of public spending on R&D lies significantly below the OECD average, and the Austrian research sector is fragmented. Lacking a coherent technology concept, research-and-innovation policy falls within the purviews of three separate ministries (those of economics, education and transport). These overlapping purviews lead to coordination problems – and even rivalries.

Education policy

Score: 7

The Austrian educational system is plagued by one main problem: The selection of students as early as at the age of 10. Many believe that this results in a significant degree of social selection and a lack of horizontal and vertical mobility. Additionally, the Austrian school system does not provide a sufficient pool of the most-qualified employees, and the percentage of university graduates within one generation is significantly below the European average. The merits of the educational system have been a controversial issue for many years, and talks of possibly reforming the system have often led to heated debate. A Future Commission, which was formed after Austria scored poorly in the PISA tests in 2001, further emphasized the need for reform in addition to
suggesting possible solutions, but only some of its recommendations have been implemented. Many experts believe that the conservative ÖVP has played a role in blocking comprehensive education reform.
Management Index

I. Executive Capacity

<table>
<thead>
<tr>
<th>Cabinet composition</th>
<th>Prime minister</th>
<th>Parties in government</th>
<th>Type</th>
<th>Mode of termination</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wolfgang Schüssel</td>
<td>Austrian People's Party (ÖVP), Freedom Party of Austria (FPÖ), Alliance for the Future of Austria (BZÖ)</td>
<td>minimal winning coalition</td>
<td>1</td>
<td>03/03-10/06</td>
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<tr>
<td>Alfred Gusenbauer</td>
<td>Social Democratic Party of Austria (SPÖ), Austrian People's Party (ÖVP)</td>
<td>surplus coalition -</td>
<td>01/07-</td>
<td></td>
<td></td>
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* The following modes of termination should be distinguished: elections = 1; voluntary resignation of the prime minister = 2; resignation of prime minister due to health reasons = 3; dissension within cabinet (coalition breaks up) = 4; lack of parliamentary support = 5; intervention by head of state = 6; broadening of the coalition = 7.

A Steering capability: preparing and formulating policies

Strategic capacity

Strategic planning

Strategic planning in Austria has only had a modest degree of influence on
Score: 4

governmental decision-making. There is a particular division in the Federal Chancellery tasked with preparing general governmental policy-making and ensuring consistent cooperation between the federal ministries. Furthermore, coalition committees set guidelines for government policy and resolve major conflicts between various coalition partners. Due to a high degree of ministerial autonomy, however, the effective influence of such a central strategic-planning arrangement is only modest.

In each ministry, there is an “advisory cabinet” composed of personal assistants, who are usually drawn from the respective minister’s party. A lack of authority and resources limit the ability of these ministerial cabinets to serve as strategic bodies.

Annotation:
The score lies outside the range of the country experts because the lower score is justified in relation to the scores of the other countries.

Scientific advice
Score: 5

The Austrian government does not seek scientific advice in a systematic fashion. Nevertheless, the government and the line ministries are increasingly interested in obtaining such advice, especially when it regards controversial reform efforts or follows after the formation of a new ruling coalition. On a less-frequent basis, scientific institutions conduct applied research for governmental studies on a wide range of subjects. The influence of the latter, however, is limited.

The “Austria Convention,” which was convened in 2003 in order to revise the federal constitution, also included academic experts. These constitutional experts, most of whom were university professors, headed several of the convention’s subcommittees. Although the convention provided a large number of reform proposals, it ultimately failed owing to differences both between party representatives and between federal and state representatives.

Inter-ministerial coordination

GO expertise
Score: 5

The Federal Chancellery is not in a position to provide substantive evaluations to line-ministry proposals. Within a coalition government, however, the various parties seek to coordinate policy-making and, in the process, inform their coalition partners about important draft bills. In addition, all cabinet members must agree upon a ministerial draft bill before it can be sent to the Federal Assembly.

GO gatekeeping
Austria’s laws do now allow the Federal Chancellery to return items
Score: 5

envisaged for meetings of the Council of Ministers, Austria’s cabinet. The Chancellery occasionally does ask ministries to revise their proposals, particularly when they do not agree with the government agenda or EU proposals. As chancellors usually lead the strongest party, their authority can put them in a position to influence initiatives from ministers from the same party.

Line ministries

Score: 7

Owing to the autonomy the constitution grants line ministries, the ministries are not required to involve the chancellery in its preparation of policy proposals. In some cases, however, ministries involve the chancellery in order to improve coordination with other ministries.

Annotation:
The score lies outside the range of the country experts because the higher score is justified in relation to the scores of the other countries.

Cabinet committees

Score: 8

Cabinet committees, which primarily operate on an ad hoc basis, play an important role in the preparation of policy proposals for cabinet meetings. Issues of political or strategic importance as well as conflicting topics are addressed in the coalition committee, which sets the general guidelines for coalition-government policy.

Senior ministry officials

Score: 7

Senior ministry officials prepare issues for cabinet meetings and, thereby, wield some degree of influence on them. These officials filter out issues that do not require an agreement by all cabinet members, so that the cabinet can focus on strategic policy debates.

Line ministry civil servants

Score: 7

Although no coordination procedure between the civil servants of different line ministries has been formally established, civil servants do coordinate many policy proposals that go beyond the purview of a single ministry. This coordination occurs mainly via informal channels, in particular between the civil servants of various ministers from the same party. Furthermore, the Federal Chancellery occasionally assists in promoting inter-ministerial coordination, especially when negotiations are stalled.

Regulatory impact assessments

Score: 5

There is no central agency charged with performing regulatory impact assessments (RIAs). Regarding financial impacts, RIAs are applied systematically to new regulations. Certain legal provisions require that an impact analysis on follow-up costs be performed for both the federal government and the states. In addition to various impact assessments, the
preface of every federal draft proposal must also include anticipated financial consequences for public administration.

At the same time, however, RIAs are very rare when it comes to evaluating non-financial consequences. In some respects, the public assessment of draft bills by social partners acts as a substitute for these missing RIA components.

The annex of each draft law – and primarily their prefaces – state the reasons why the regulation was necessary. These sections also include potential points of friction that the draft law might have with the existing regulation.

Alternative options to draft bills are not systematically analyzed.

**Societal consultation**

Austria’s “social partnership” version of corporatism awards the leading economic interest groups with a privileged status in political decision-making. Nevertheless, this special position has been eroded by the global recession, growing segmentation within the labor market, Austria’s accession to the European Union and the increasingly competitive nature of party politics. The social partners’ position was especially weakened under the most-recent ÖVP-FPÖ government (2000–2007). Despite these changes, the ministries and the Federal Assembly continue to regularly invite these interest groups to consult with them, especially during periods in which laws are being assessed.

**Policy communication**

Despite the existence of a Federal Press Service in the Federal Chancellery, which seeks to maintain coherent governmental communication, the Austrian government still often speaks with many voices. On the one hand, this modest degree of coherence is due to the competitive relationship between the coalition parties, which can often take differing or even contradictory positions. On the other hand, the ministries’ autonomy allows for independent communication policies toward the public. Efforts to implement a coherent communications policy by the ÖVP-FPÖ coalition (2000–2007) were undermined by intra-coalition conflicts.
B Resource efficiency: implementing policies

<table>
<thead>
<tr>
<th>Legislative efficiency</th>
<th>Total</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bills envisaged in the government’s work program</td>
<td>187</td>
<td></td>
</tr>
<tr>
<td>Government-sponsored bills adopted</td>
<td>185</td>
<td>98.93 %</td>
</tr>
<tr>
<td>Second chamber vetos</td>
<td>30</td>
<td>16.22 %</td>
</tr>
<tr>
<td>Head of state vetos</td>
<td>0</td>
<td>0 %</td>
</tr>
<tr>
<td>Court vetos</td>
<td>33</td>
<td>11.22 %</td>
</tr>
</tbody>
</table>

**Veto players**

**Effective implementation**

Under the terms of coalition governments, intra-coalition consensus is the main condition for successful implementation performance. Once the coalition partners come to an agreement, stable party discipline in the Federal Assembly and the low number of veto players are likely to allow the government to implement its policy objectives.

During the first period of the ÖVP-FPÖ coalition (2000–2003), the government implemented a number of major reforms. During its second term of office (2003–2007), however, intra-coalition conflicts slowed down the reform impetus and weakened the government’s implementation performance.

Since the chancellor is only primus (prima) inter pares in the cabinet, he or she enjoys only limited formal power over policies. Moreover, since the ministers are autonomous, the chancellor cannot issue directives to them. Nevertheless, since the chancellor is usually also chairman or chairwomen of the major governing party, he or she can exert some degree of informal influence. However, even though the chancellor proposes ministerial candidates to the federal president for appointment, he or she must also take the requests of the coalition partner(s) into account.

The coalition platform, which is based on the consensus of the coalition partners, also provides an agreed-upon framework for ministerial action. In addition, coalition committees can serve as organizational devices providing incentives to implement the government’s platform, and a system of reciprocal control is sometimes introduced by nominating a minister and an undersecretary from different coalition parties. Finally, draft bills require a unanimous vote in cabinet meetings in order to be brought before the Federal
Due to the ministries’ constitutional autonomy, it is impossible for the chancellery to effectively monitor line-ministry activities. Only the chancellery’s role as coordinator of cabinet meetings allows a certain degree of monitoring, for example, within the context of EU Council decisions.

Agencies have only been established in Austria in exceptional cases. The law stipulates that the ministers are responsible for all activities of the agencies within their purview and are, therefore, legally obliged to monitor agency activities. This monitoring can also take the shape of having advisory boards.

The Fiscal Constitutional Law of 1948 regulates fiscal relations in Austria. In principle, each government level must finance its own activities, and adequate taxing powers and tax sharing must enable them to bear these costs. The distribution of tax-inflow is regulated by the Fiscal Equalization Law, which is negotiated between the federal, state and municipal levels for limited terms of validity. The federal level holds a dominant position within these negotiations. Financing and spending responsibilities are divided between the federal government and the states in several areas, which leads to inefficiencies in resource allocation and reduces policy effectiveness.

As a consequence of budgetary constraints arising from the European Union’s convergence criteria, a so-called consultation mechanism was introduced in 1999 to protect sub-national governments from unfounded mandates. According to this mechanism, if a draft law of one government level imposes financial burdens on another, the different levels must reach an agreement on the ultimate funding scenario. If these negotiations fail, the entity making the law is obliged to bear all additional costs.

Austria’s nine federal states enjoy only limited autonomy. Autonomous legislative powers are narrow, the Federal Council only plays a secondary role in the political process, and the federal constitution dictates significant elements of policy-making at the state level. The Austrian constitution’s theoretical principle regarding the equivalence of national and state governments is very limited in practice. This limited constitutional scope for the states is even further limited by the federal government. To some extent, the states have to execute federal laws and must comply with directives from the federal government. Moreover, the federal government can also make use of its dominant position in fiscal relations and in terms of its financial resources.

In principle, the distribution of competences between the federal and state governments is clear-cut, with the result being that the federal government cannot force sub-national governments to meet national public-service
standards. In practice, however, there are exceptions to this rule. However, when the federal government would like to impose a uniform regulation regarding an issue that lies within a state’s purview, it can try to arrive at an agreement with the states. This makes it necessary for federal and state authorities to cooperate, and the principle of reciprocity best ensures that sub-national governments meet national public-service standards.

C International cooperation: incorporating reform impulses

Domestic adaptability

Austria’s accession to the European Union in 1995 led to changes in the internal organization of federal ministries, such as the establishment of departments of EU affairs. Moreover, since 2000, the legal powers and administrative resources of the chancery have been strengthened so as to improve the coordination of government policy.

In general, as an EU member state, Austria is directly and indirectly influenced by developments at the EU level. These circumstances have considerable consequences for Austrian governance structures not only at the federal, but also at the state and even lower levels. As a result, to a certain degree, the states have been integrated into federal policy-making related to the European Union.

External adaptability

Active engagement in international organizations has always been a key trait of Austria’s foreign policy. Although the primary venue for international cooperation is the European Union, Austria is also very active in other organizations, such as the United Nations, the OECD and the OSCE. Furthermore, another indication of Austria’s active foreign-policy approach is the fact that Vienna is home to the headquarters of a number of international organizations, such as the International Atomic Energy Agency (IAEA).

As a small country, Austria’s influence on international reform initiatives is limited. For this reason, Austria’s foreign-policy agenda focuses on particular reform initiatives, such as those related to environmental policy.

The Austrian government acts more as a follower than as a pioneer in terms of reform policies. As an exception to the rule, however, Austria seeks to export its strict anti-nuclear position.
D Institutional learning: structures of self-monitoring and -reform

Organizational reform capacity

Self-monitoring
Score: 7

Institutional governance arrangements are not subject to monitoring by actors within the government. Likewise, in more general terms, there is no regular and efficient monitoring of institutional governance arrangements. The main monitoring institutions are the Court of Audit and the Ombuds Office, both of which are associated with the Federal Assembly. They monitor the government’s cost efficiency and bureaucratic efficiency.

Institutional reform
Score: 6

At the beginning of its first term (2000–2003), the ÖVP-FPÖ coalition installed a coalition committee to improve its strategic capacity to undertake institutional reform. However, this committee only achieved modest results and was not carried over into the government’s second term (2003–2007). More generally, both the government and the opposition established the Austria Convent in 2003 for the purpose of preparing a new constitution. Owing to the large number of veto players, the group failed to reach an agreement on a systematic reform of governmental structures, and the convent ended in 2005 with no substantial results.

II. Executive accountability

E Citizens: evaluative and participatory competencies

Knowledge of government policy and political attitudes

Policy knowledge
Score: 7

Many Austrian citizens are well-informed about individual government policies. According to surveys on the self-perception of political knowledge, around two-thirds of Austrians describe themselves as interested in and well-informed about government policies. Newspapers and the public radio and television broadcaster (ORF) are the main sources of information.

F Parliament: information and control resources
Structures and resources of parliament, committees, parliamentary parties and deputies

<table>
<thead>
<tr>
<th>Structure</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of deputies</td>
<td>183</td>
</tr>
<tr>
<td>Number of parliamentary committees</td>
<td>37</td>
</tr>
<tr>
<td>Average number of committee members</td>
<td>27</td>
</tr>
<tr>
<td>Average number of subcommittee members</td>
<td>17</td>
</tr>
<tr>
<td>Pro-government committee chairs appointed</td>
<td>25</td>
</tr>
<tr>
<td>Deputy expert staff size</td>
<td>1.2</td>
</tr>
<tr>
<td>Total parliamentary group expert support staff</td>
<td>55</td>
</tr>
<tr>
<td>Total parliamentary expert support staff</td>
<td>38</td>
</tr>
</tbody>
</table>

Obtaining documents Score: 7
Regular parliamentary committees do not have a general right to access government documents. In fact, they only have the right to ask the government for “elicitation” of data, which reportedly happens only extremely rarely. As an exception, the parliamentary committee in charge of providing oversight of the secret service does have the right to ask for all official documents.

Summoning ministers Score: 8
Regular parliamentary committees are entitled to summon ministers for hearings. However, this right is only rarely exercised, as the ministers are usually already present at such hearings by choice. Furthermore, as governing parties represent a majority of the members on committees, the right to summon ministers is usually not exercised when it goes against the interest of cabinet members.

Summoning experts Score: 10
Parliamentary committees are able to summon experts for committee meetings, and they do so on a regular basis. Party groups nominate these experts according to their preferences, and any costs are covered by the Federal Assembly.

Task area coincidence Score: 7
There are more parliamentary committees in Austria than there are ministries. The task areas of most of the permanent committees, however, correspond to the task areas of the ministries.

Audit office Score: 10
The audit office is associated with the Federal Assembly, though it is not obliged to obey its instructions. The president of the audit office is elected
for a 12-year term.

The Ombuds Office is also associated with the Federal Assembly, though it is not obliged to obey its instructions. The six ombudsmen are elected for six-year terms. Filling a complaint is free of charge, and any costs are covered by the Federal Assembly.

G Intermediary organizations: professional and advisory capacities

Media, parties and interest associations

In Austria, the public broadcasting corporation (ORF) produces a mix of infotainment and quality information programs. While the informative character of some daily TV reports on government decisions has declined in recent years, the second channel of Austrian public television (ORF2) continues to provide substantive, in-depth information. Furthermore, daily radio programs broadcast high-quality information with in-depth analysis, although usually to smaller audiences.

<table>
<thead>
<tr>
<th>Name of party</th>
<th>Acronym</th>
<th>% of votes</th>
<th>% of mandates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austrian People's Party</td>
<td>ÖVP</td>
<td>42.30</td>
<td>43.17</td>
</tr>
<tr>
<td>Social Democratic Party of Austria</td>
<td>SPÖ</td>
<td>36.51</td>
<td>37.70</td>
</tr>
<tr>
<td>Freedom Party of Austria</td>
<td>FPÖ</td>
<td>10.01</td>
<td>9.84</td>
</tr>
<tr>
<td>The Greens</td>
<td>GRÜNE</td>
<td>9.47</td>
<td>9.29</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td>1.71</td>
<td>0</td>
</tr>
</tbody>
</table>

The electoral platforms of the major parties propose what are primarily plausible and coherent policies. There is, however, a gradual difference in terms of both plausibility and coherence between the various platforms.

As the leading interest groups, the three chambers of business, agriculture and labor and the Trade Union Federation (ÖGB) are large organizations.
These interest associations, which form the social partners, can rely on competent experts. They are provided with sufficient resources to produce plans that are based on scholarship, technically feasible and oriented toward the long term. Fewer resources are available to smaller interest groups to help them use expert knowledge to propose reasonable policies.

By law, the social partners are part of the pre-parliamentary legislative process. Moreover, their representatives are members of numerous groups that advise the government and have advocates in the Federal Assembly. Although the influence of the main interest groups has declined in the last years and even more so during the ÖVP-FPÖ coalition, the political impact of social partnership is still significant and remains a major characteristic of the political system.
This country report is part of the Sustainable Governance Indicators 2009 project, which assesses and compares the reform capacities of the OECD member states.

More on the SGI 2009 at www.sgi-network.org

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