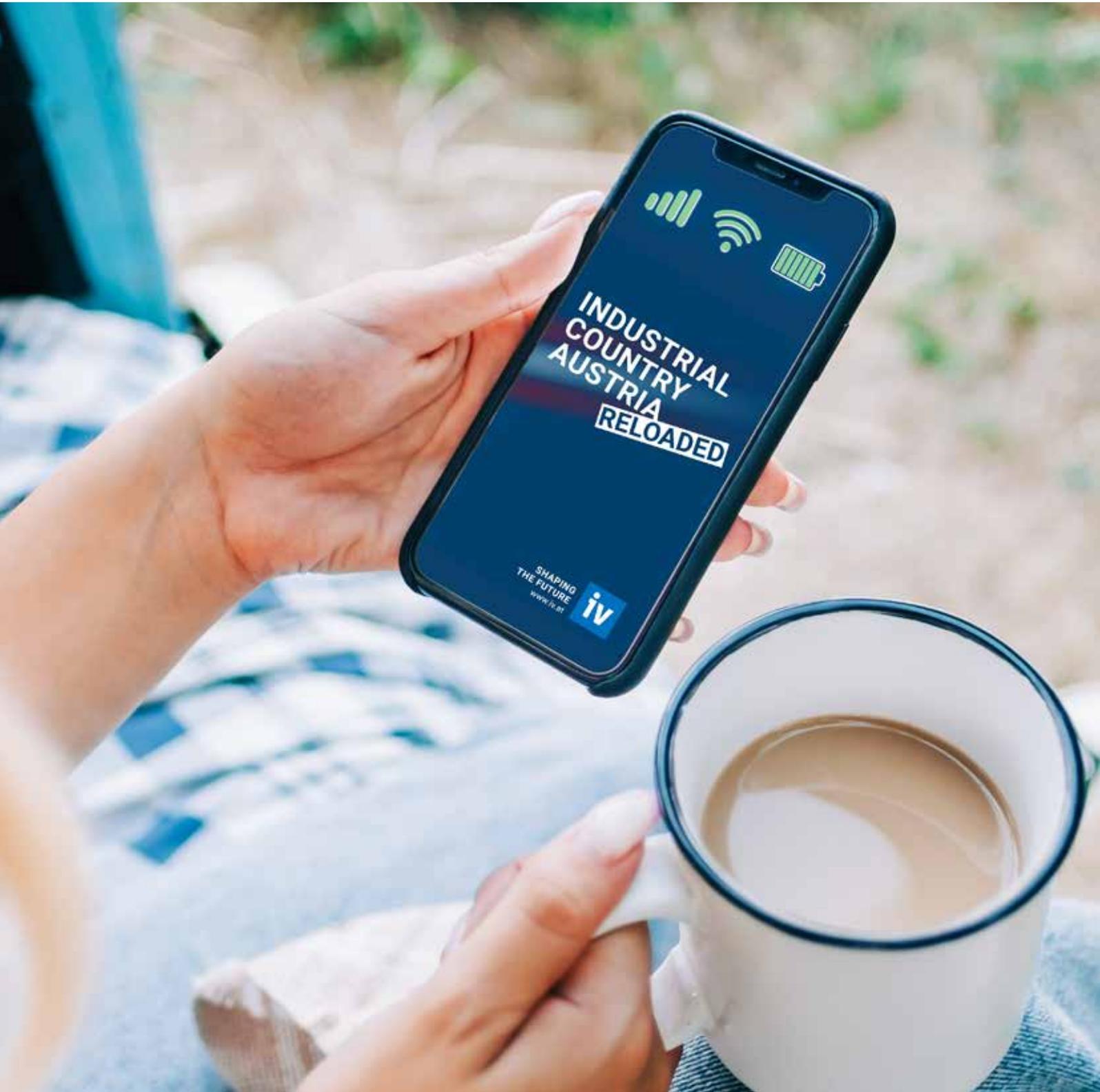




# INDUSTRIAL STRATEGY

Ensuring sustainable competitiveness



# WE LIKE TO KEEP IT SHORT AND SIMPLE.

With symbols that everyone knows:



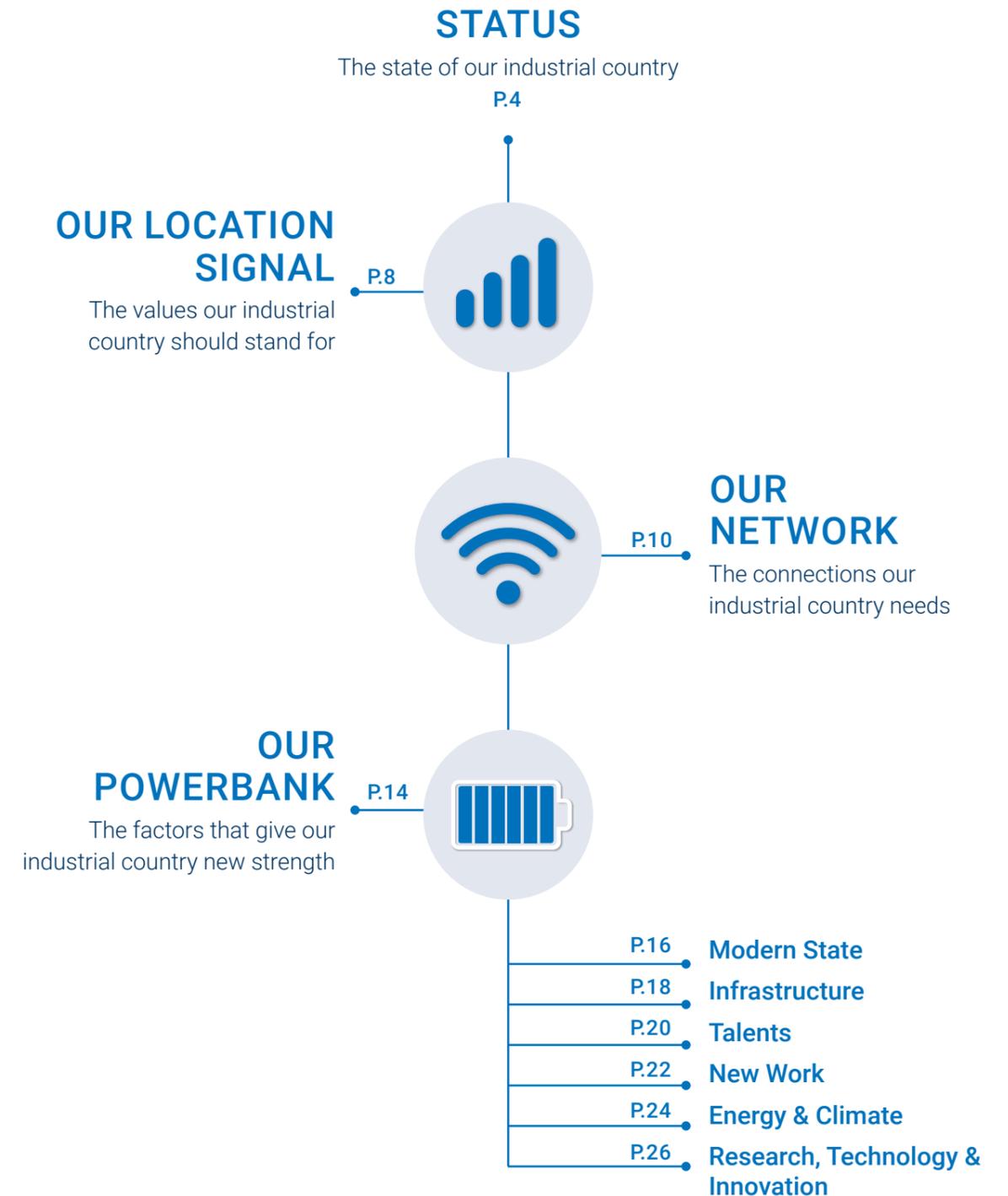
## The industrial country of Austria – reloaded.

The „Industrial Country Austria - Reloaded“ strategy of the Federation of Austrian Industries (IV) succinctly outlines a comprehensive plan for revitalising our country’s industrial core, its primary **engine of prosperity and security**.

In recent months, **800 experts from IV member companies** participated in IV specialist committees to formulate a range of recommendations **to improve our country’s competitiveness**.

The strategy begins with a thorough analysis of the current state of Austria’s industrial landscape, defines our international economic position in the chapter „**Location Signal**“ and stresses the importance of global networking in the chapter „**Network**“. The „**Powerbank**“ chapter details the essential enhancements required for key location factors.

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# STATUS

## The state of our industrial country

**Weak signal, weak network connection, battery in power-saving mode – the status quo of our country as a location for business can be similarly depicted through symbols on a smartphone screen that we all see every day.**

**How can Austria secure its position as a competitive industrial country, or is there even a looming threat of deindustrialisation?** These questions form the core of the challenges we are currently facing. Discussions about reducing working hours with full wage compensation, increasing taxes and levies in a country already burdened with the highest level of taxation, combined

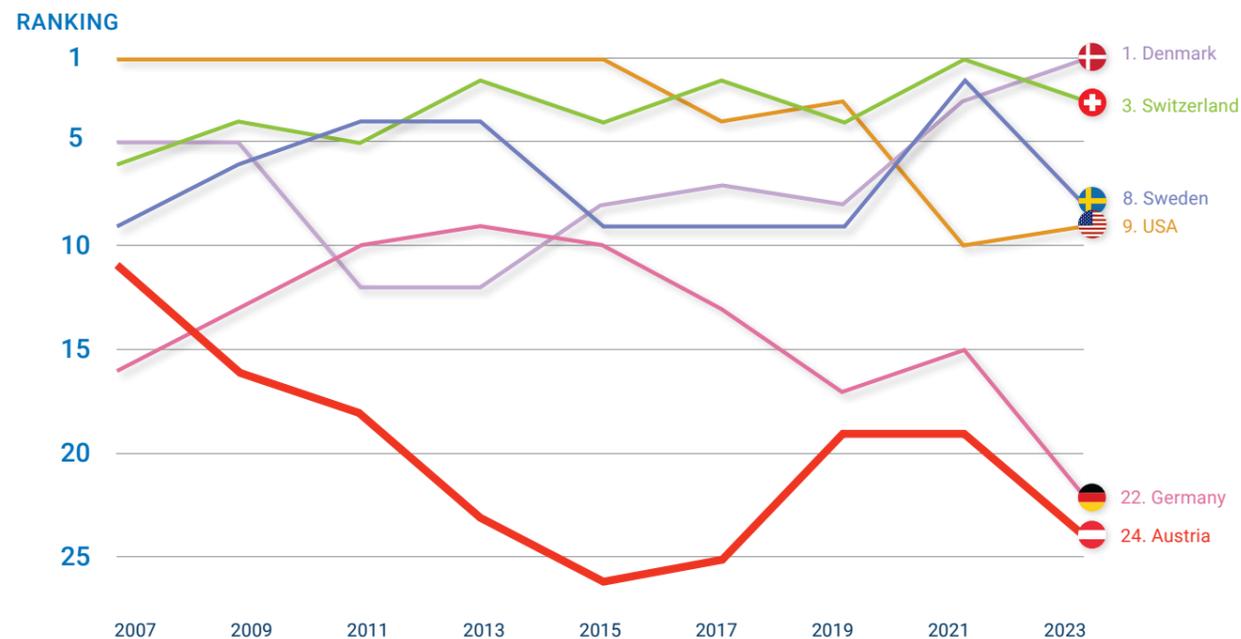
with scepticism towards performance, science and business, and an ever-tightening bureaucratic corset are putting immense **pressure on our country as a business location.**

We are at a critical crossroads. **The sustenance of prosperity in our country hinges on the resilience of our domestic industry,** yet international location rankings already signal a downward trajectory for Austria.

Denmark, Ireland and Switzerland, countries comparable with Austria, make up the top three places of the World Competitiveness Ranking (IMD). Notably, Denmark has exemplified effective location policies in recent years. Targeted measures and initiatives such as **deregulation, the elimination of red tape, a success-oriented education system,** an active trade policy and a **dynamic labour market policy** with employment incentives have taken the country to the top of the list.

### Comparison of the competitiveness of locations

(IMD World Competitiveness Ranking, 64 international business locations analysed)



### SIGNAL STRENGTH

Much like a fading signal on a smartphone, our country's economic policy signal is getting weaker. Crucial cornerstones such as the **social market economy, motivation and personal responsibility** are being overshadowed by populism, a nanny-state mentality and a "comprehensive cover" attitude, diminishing the attractiveness of our location.

### NETWORK CONNECTION

Just as our economic policy signal weakens, so does our connection to the international network. Instead of working to open up new markets, our country is currently even obstructing the **creation of new partnership alliances** (such as Mercosur) at European level – disregarding the fact that our prosperity **hinges on extensive trade relationships worldwide.** Meanwhile, the EU – our primary network – is becoming **increasingly bureaucratic.**

### STATE OF CHARGE

Similar to a depleting powerbank, our location's reserves are also dwindling. Demographic trends are leading to a **shortage of labour and skilled workers.** Meanwhile, companies are still struggling with **high energy prices,** placing our location at a disadvantage on the international stage. These challenges unfold in an environment laden with a **considerable fiscal and social security burden, rising unit labour costs** and a **complex web of bureaucracy and overregulation.**

# AT A GLANCE

## 12 top measures



### Performance must pay off

Create positive incentives in the tax and social security system for active labour market integration, such as making full-time work or working into old age more attractive.

### Train domestic talent

Turn the funding pyramid on its head. More money for elementary and basic education, focus on STEM skills and economic and financial education.

### Continuously reduce the tax burden

Legislate a mandatory tax reduction path to achieve a competitive tax rate of 40 per cent by 2030.

### Improve reconciliation of work and family life

The best and affordable childcare for all and legal right to childcare from the age of one.

### Ignite STEM boosters

Increase STEM graduates by 20 per cent by 2030 – including the advancement of women, target group-specific reskilling and upskilling, and coordinated STEM regions.

### Attract talent from around the world

Recruit top talents from abroad and establish training partnerships with third countries.

### Start the expansion turbo for strategically important infrastructure

Apply the system of the existing Location Development Act

### Promote investments in the future instead of the past

Increase RTI Pact funding by 20 per cent per year, further strengthen Austrian research premium as a unique selling proposition.

### Ensure competitive energy costs

Implement electricity price compensation as a fixed instrument for securing the location until 2030. Ensure sufficient quantities of climate-neutral energy sources at competitive prices.

### Accelerate key technologies, AI & deep tech innovations

Promote collaboration between companies, science and start-ups, make strategic use of European research programmes.

### Conclude strategic partnerships

Implement EU trade agreements, for example a transatlantic agreement with the USA as well as Mercosur.

### Make Europe attractive for investment again

Consistent, unbureaucratic implementation of the EU's Green Deal Industrial Plan and reduction of regulatory burdens.

# OUR LOCATION SIGNAL

The values our industrial country should stand for

*If we want to generate new prosperity, we need to strengthen our industrial country in a targeted manner.*

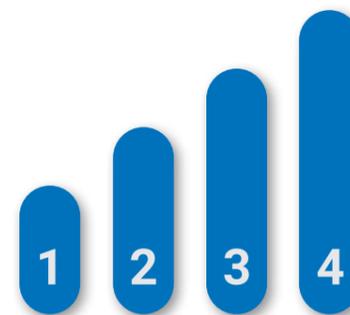
*This is not primarily about economic factors, but about the values for which Austria was once known and which have fallen into the shadows of current ideological debates. We need to send the right signal to people, companies and our international partners.*

## 1 Clear commitment to the social market economy

Austria has always proven that a **harmonious balance between social responsibility and economic efficiency** is possible. The certainty that the free market – not ongoing state intervention – serves as an instrument for prosperity without neglecting social security is a **cornerstone of our identity**. It is time to renew this **commitment to freedom and personal responsibility**.

## 2 Openness to technology and a focus on science

The **use of state-of-the-art technologies**, whether in the area of emissions reduction, digitalisation or artificial intelligence, is essential to achieving sustainable growth in the future. At the same time, a society with an affinity for science and research is essential for **a culture of innovation**. **Austrian ingenuity is a guarantee for progress and prosperity**. Research results must be consistently translated into industrial applications.



## 3 Mindset for performance and entrepreneurship

Austria has always been characterised by **a spirit of innovation and hard work**. The willingness to go the extra mile and break new ground has made us a **successful and innovative industrial country**. This legacy must be embraced and continued in order to meet the challenges of the future. To achieve this, however, **performance must once again pay off in Austria** so the many hard-working employees are once again left with more of their gross wages.

## 4 Internationality and globalisation

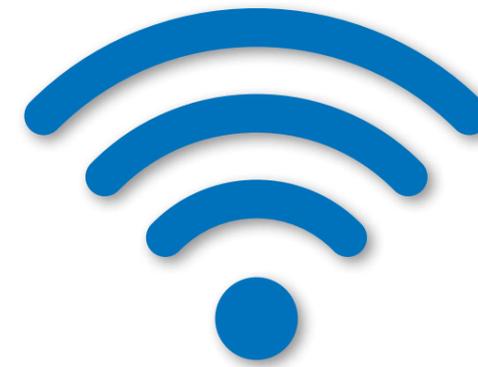
Internationality and globalisation are essential pillars of our prosperity for our export-oriented economy. The ability **to think and act across borders** has made us a global player with numerous hidden champions. Our innovative and high-quality products are in demand worldwide. If we want to continue to be successful, we need to **further develop our export model**.

## OUR GOAL

It is time to reintegrate these fundamental values into our understanding of ourselves as an industrial nation and to **further raise public awareness of them**. They form the basis for steering Austria back **onto the right path** as an industrial nation and **for re-establishing its appeal**. After all, seemingly simple populist solutions and ideologies cannot replace the principles that define us as a nation and have made us successful.

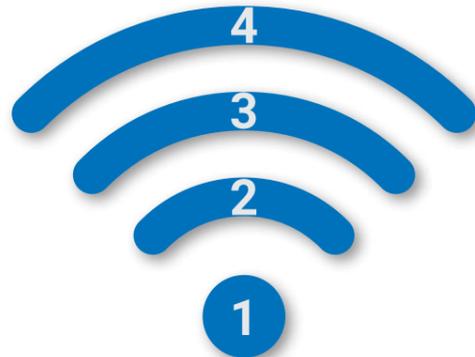
# OUR NETWORK

The connections our industrial country needs



*A geopolitical turning point and international competition for the most attractive location:*

*The industrial country of Austria can only provide the right answers to current challenges with a reliable network. As an export-oriented economy, we are also heavily dependent on international cooperation.*



## 1 Austria in the EU

The most important network for Austria outside its own borders is the European Union. The **importance of European cooperation** continues to grow in competition with the global economic nations USA and China, as well as, increasingly, India. Austria should contribute to the cohesion and, thus, the enhanced operational capability of the European Union. In addition, **investment conditions in Europe** must be improved – a key step in this direction is the **reduction of overregulation**. Furthermore, Europe's **strategic autonomy** must be expanded and we must work on the **diversification of supply chains**.

## 3 New strategic partnerships

The EU's pursuit of international trade agreements, such as with the **promising Mercosur region**, is a key strategy for economic networking and prosperity gains. Austria should actively support and endorse these endeavours. Strategic partnerships, **such as those with the USA**, must also be further developed through concrete agreements. However, **coordinated European approaches** must also be pursued with regard to markets such as India, China and Africa.

## 2 Austria and its extended neighbourhood

Austria plays a special role in Europe as a top investor in **Central and Eastern Europe (CEE)**. These investments do not only contribute to the economic development of the region, they also strengthen political relations. Bringing the Western Balkans and Ukraine closer to the EU is an **economically and politically important project** that Austria should continue to pursue and promote to enhance **stability and prosperity** in this region.

## 4 Austria as a centre for international cooperation

With the headquarters of over 30 international organisations, our industrial country is also an **important geopolitical location**. This significant role must be utilised in a targeted manner to maintain and expand our strong international network.

## WHAT NEEDS TO BE DONE – A SELECTION OF RECOMMENDATIONS

### Short-term

- **Reduce EU regulation:** The EU elections in 2024 and the subsequent formation of a new Commission must lead to a tangible reorientation. The **reduction of regulatory burdens and the improvement of investment conditions** must be at the centre of future EU policy. With this in mind, the EU Commission's right of initiative on new regulatory matters should only be exercised in exchange for expiring regulations.
- **Advance EU trade policy: Conclude** all ongoing bilateral negotiations on **trade agreements** by 2025 if feasible. Specifically, expedite the signing and implementation of the **EU-Mercosur Agreement**.
- **Open up new markets:** As a result of government trips to growth regions such as **Saudi Arabia or Vietnam**, platforms and networks will be developed as a basis for joint economic projects.
- **Green Deal as a game changer:** The implementation of the EU's **Green Deal Industrial Plan** should improve investment conditions in Europe by 2025. This improvement includes streamlining procedures, targeted support for the transformation of the manufacturing sector (especially energy-intensive sectors), as well as **improving the supply** of critical and strategic raw materials.
- **Expand exports:** The **instrument of untied state loans** should be expanded. Conditions for federal export guarantees, for example by lowering the national value-added ratio, will be made more competitive.

## TOP-GOALS

- 1. Improve investment conditions in Europe**  
Consistent implementation of the EU's Green Deal Industrial Plan and reduction of overregulation
- 2. Expedite an active trade policy**  
Conclusion of further international trade agreements
- 3. Improve Europe's strategic autonomy**  
Enhance autonomy and diversification in procurement and sales markets, strengthen technological expertise with a special focus on Austrian technology fields

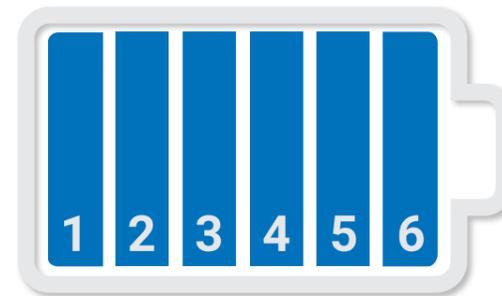
### Medium-term

- **Bringing the Western Balkans closer to the EU:** Accelerate talks on the membership of the Western Balkan states.
- **Strengthen transatlantic relations:** Conclude a transatlantic **agreement with the USA** and partnerships with emerging countries such as India.
- **Implement EU Global Gateway:** Gradually increase EU funding for infrastructure and other economic projects, particularly in **North and Central Africa**. Austria and the EU actively contribute to the economic and political stabilisation of the neighbourhood (Middle East, Black Sea region, Africa).



# OUR POWERBANK

Factors that give our industrial country strength



*Much like a battery that has run out of energy, the industrial country of Austria is also lacking full power. In order to replenish our powerbank, concrete measures need to be taken in key areas of location policy.*

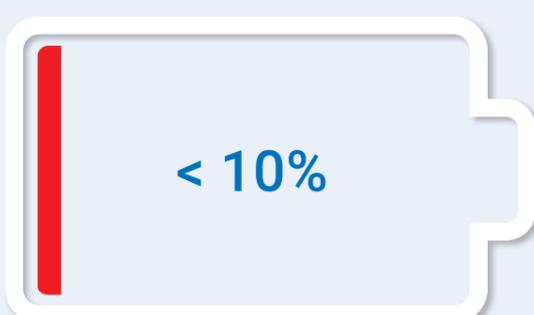
1. A **modern state** that is lean and efficient, ensuring optimal location policy frameworks.
2. An **advanced, resilient and well-developed infrastructure** from roads to broadband.
3. The education and training of young **talent** and highly skilled workers from Austria and abroad.
4. „**New Work**“ in the sense of a modern, flexible and performance-oriented **world of work** for people and companies.
5. A **climate and energy policy** that focuses on technology and innovation and utilises market-based framework conditions to support industry as a force for transformation.
6. **Research, technology and innovation** in order to achieve innovation leadership and thus stay ahead in the international competition between business locations.

# MODERN STATE

*A modern state focusing on its core responsibilities, guaranteeing legal certainty, operating efficiently and digitally and pursuing a responsible budgetary policy will give the industrial country of Austria the opportunity to enhance its competitiveness sustainably and foster a conducive environment for people and companies.*

Both existing and new companies should be able to rely on a stable foundation with attractive framework conditions. **The tax burden and social security contributions shall continue to be successively reduced to a competitive level and bureaucratic hurdles must be removed** in order to promote entrepreneurial dynamism. A transparent and digital administrative system creates trust and incentivises investment.

The principle of “less is more” also applies to capital market regulation. Simplifications, together with a reduction in capital gains tax, a retention period and employee participation models, provide new financing opportunities for companies and at the same time **support the population in building up private wealth and retirement provisions.**



< 10%

## CURRENT STATE OF CHARGE: MODERN STATE

Consolidated assessment of Austria's location quality in the field of modern state (**efficiency of the tax system, administrative efficiency, expenditure structure, government debt, etc.**) by 50 leading representatives from industry, finance, science and associations as part of the quarterly IV location barometer „Panel 50“ (last conducted in July 2023).

## TOP-GOALS

### 1. Sustainably improve location qualities

Consistently reduce the tax burden along a defined path

### 2. Simplify Austria

Streamline administration by reducing bureaucracy and implementing digitalisation

### 3. Strengthen the domestic capital market

Further develop the capital market as a platform for corporate financing and for private wealth accumulation and retirement provision

## WHAT NEEDS TO BE DONE – A SELECTION OF RECOMMENDATIONS

### Short-term

- **Define a clear tax reduction trajectory:** Consistently reduce the tax and duty ratio by defining a **binding tax reduction trajectory** in location policy for the coming years (2026: 42 per cent, 2028: 41 per cent, 2030: 40 per cent), akin to the emissions reduction path in climate policy.
- **Significantly enhance e-government services:** Networking and merging of individual platforms and „single sign-on“. **Standardise** digital official channels **nationwide**, ensuring legal compliance and equivalence with analogue processes. The once-only principle will be implemented for all company-relevant information obligations. The use of e-government services should be **efficient, fast and secure**.
- **Energise the capital market:** Boost the attractiveness of IPOs by reducing capital gains tax, introducing a retention period and **employee participation models** as well as regulatory simplifications (such as straightforward and digitalised disclosure requirements).
- **Incentives for private pension provision:** Provide incentives for private asset accumulation and private pension provision through comprehensive tax benefits. This includes an internationally comparable model for pension provision in which the **capital gains tax is waived in full after a savings phase, extensive loss compensation** and a generally lower **capital gains tax of 20 per cent**.
- **Clear regulation of expenditure:** State social expenditure along a clearly defined and sustainable budgetary path. Align adjustments to the social system with this expenditure framework.

### Medium-term

- **Moderate & automated taxation:** The corporate tax rate should be reduced to the level of the **international minimum tax rate**. In addition, opportunities to strengthen equity capitalisation, expand R&D and other positive benefits to strengthen the location in international competition should be retained. **Reduce the top income tax rate accordingly**, aiming to make it one of the most competitive in the EU. Ensure swift tax audits, limiting their necessity to exceptional cases.
- **Create modern data protection:** Austria is committed to modernising the General Data Protection Regulation (GDPR) in the EU. Business and industry are involved in the process in an advisory capacity and there are ongoing cross-checks on expediency, practicality and overall location attractiveness.
- **Enhance efficiency in the health and care system:** Establish a modern health and care system based on well-defined competencies, leveraging health data to optimise care, and implementing a comprehensive digitalisation strategy (encompassing telemedicine and patient management).

# INFRA- STRUCTURE

*The industrial country of Austria needs the best, fastest and safest connections into the future. Streamlined regulations and expedited procedures enable industry to effectively support the expansion of infrastructure itself.*

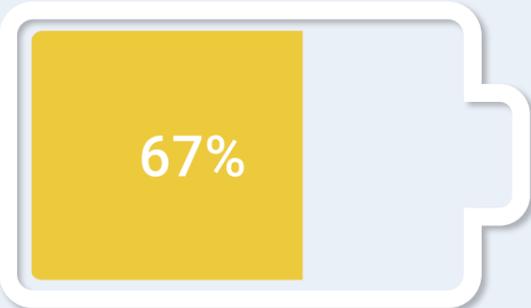
Infrastructure forms **the backbone of a competitive industrial location**. From state-of-the-art roads and high-performance networks to fast broadband internet, an efficient infrastructure is essential to ensure **smooth communication, supply, mobility and networking**.

Every aspect of infrastructure holds significance for to the success of both the location and the industrial companies: A highly efficient **transport infrastructure** for the safe, fast and reliable accessibility of sales and labour markets. A resilient, crisis-proof **digital infrastructure** as a key factor for the success of the

location and essential for industrial applications. A crisis-proof **energy infrastructure** to guarantee the supply of affordable energy based on diversified energy supply sources.

In addition, it is important that our country continues to have a solid **gas infrastructure** and expands it to ensure a **diversified natural gas supply**. This infrastructure must also be further developed for **future use with hydrogen**. In order to optimise the European internal electricity market, progress must be made in the areas of **transmission and distribution networks as well as storage infrastructure**.

Given the challenges posed by climate neutrality, the industry advocates for **accelerating the pace of infrastructure expansion** alongside practical solutions and openness to technology. Therefore, it is particularly important to implement the system of the existing Location Development Act, as spearheaded by the IV, to establish an accelerated approval process for location-relevant projects.



67%

## CURRENT STATE OF CHARGE: INFRASTRUCTURE

Consolidated assessment of Austria's location quality in the field of infrastructure (**regulatory hurdles for expansion, transport infrastructure, telecommunications equipment, etc.**) by 50 leading representatives from industry, finance, science and associations as part of the quarterly IV location barometer „Panel 50“ (last conducted in July 2023).

## TOP-GOALS

### 1. Accelerate infrastructure expansion

Significantly expedite approval procedures by applying the system of the existing Location Development Act

### 2. Ensure cutting-edge digital infrastructure

Provide widespread mobile and fixed gigabit networks

### 3. Diversify and enhance gas infrastructure

Expand connections of the domestic gas infrastructure and make it hydrogen-ready

### 4. Incentives instead of bans

Avoid unilateral bans and restrictions on modes of transportation and technologies

### 5. Climate-neutral mobility

The logistics sector as well as all forms of mobility should be largely oriented towards climate neutrality in the coming years

## WHAT NEEDS TO BE DONE – A SELECTION OF RECOMMENDATIONS

### Short-term

- **Sustain and diversify mobility and technology:** Expansion of future-proof infrastructure and comprehensive multimodality using **new technologies, efficiency through true-cost pricing, transparency and technological neutrality**. Regional planning serves as a (steering) tool for transport and settlement policy.
- **Expand gigabit-capable networks:** Administrative procedures for broadband expansion must be **digitalised and simplified** with a bundled approach at the district administrative authorities (a „one-stop-shop“ model). Introduce authorisation-free standard construction methods and establish a comprehensive cross-sector „civil engineering atlas“.
- **Establish gigabit-capable digital infrastructure:** At the outset, digital infrastructure is available for all industrial applications.
- **Expansion of high-speed networks:** Permit-free construction of public communication networks.
- **Expedite expansion of strategically important infrastructure:** Apply the established Location Development Act to fast-track essential infrastructure initiatives. Adopt the EU Emergency Ordinance on Renewable Expansion into permanent law, pass the Renewable Expansion Acceleration Act and implement a comprehensive amendment to the General Administrative Procedure Act.

### Medium-term

- **Diversify gas infrastructure and make it hydrogen-compatible:** The gas infrastructure, functioning as the backbone of the energy supply, will be enhanced to facilitate a diversified provision of natural gas and prepared for hydrogen compatibility, specifically by connecting it to the „Southern Corridor“ (Italy, North Africa).
- **Complete the EU internal electricity market:** The expansion of transmission and distribution grids, along with storage infrastructures, avoids regulatory barriers in electricity trading (such as the separation of the German/Austrian electricity price zone) and thus prevents economic distortions. This will be achieved, in particular, by further accelerating authorisation procedures and prioritising energy infrastructure projects.

# TALENTS

*For Austria, an industrial country with relatively few raw materials, a highly qualified workforce is of particular importance. In view of the severe labour shortage, which is jeopardising growth and prosperity, location and industrial policies must offer comprehensive solutions.*

The shortage of labour and skilled workers is significantly exacerbated by demographic trends, resulting in unfulfilled orders and unrealised growth projects. Hence, **targeted training and sustainable talent acquisition both domestically and internationally** are crucial.

Action is urgently needed in various areas. Although Austria invests considerable resources in its education system, we still only rank in the international midfield in terms of qualitative output. **A flexible education system** that produces **independent, entrepreneurial, creative and innovative minds** at all qualification

levels is **essential** for successfully enhancing the country's position.

**STEM qualifications, knowledge of economic interrelationships and digital skills**, which should be promoted as early as primary school education, are particularly important.

For industry, the **development of apprenticeship training** in particular plays a key role in securing future talent. Therefore, apprenticeship training should **be on par with school education** and open up various career paths.

Last but not least, it is necessary to promote **demand-oriented training and further education, as well as to recruit skilled workers from abroad in a targeted manner** to meet the needs of the labour market. In this context, Austria's attractiveness must be increased in order to ensure the necessary influx and retention of a qualified international workforce.

## TOP-GOALS

### 1. Reprioritise funding

Redirect public funds more towards elementary and basic education

### 2. High-quality basic education from kindergarten onwards

Provide targeted early support based on individual talents and strengths

### 3. Promote economic, financial and STEM skills

Impart knowledge about economic interrelationships, asset accumulation, retirement provision and STEM skills from primary school onwards

### 4. Recruit the best minds & hands from abroad

Actively promote recruitment and foster a positive location culture

## WHAT NEEDS TO BE DONE – A SELECTION OF RECOMMENDATIONS

### Short-term

- **Turn the funding pyramid on its head:** In the future, the majority of public education funds will be directed towards **elementary and basic education**, with students contributing to the financing of their studies. The funding system will be organised to ensure that access to high-quality education is equitable and affordable for all. The substantial funding in the education system will be utilised with success and efficiency.
- **Introduce compulsory education and a basic education qualification:** Promotion of personal and social skills from kindergarten onwards. Increase the quality of basic education and cultural skills (including reading, writing, and mathematics).
- **Expand economic and financial education:** Students should be taught comprehensive **economic knowledge** and strategies for future **asset accumulation** and retirement provision from primary school onward.
- **Recruit the best minds and hands from abroad:** Implementing active and comprehensive **migration and skilled labour recruitment strategies** will ensure an appropriate influx of qualified individuals from Europe and third countries.
- **Monitor the demand for talents:** A lean „skills agency“ will be established to guarantee comprehensive monitoring and the identification of professional future trends.

### Medium-term

- **Schools under one roof:** Develop new forms of unified schooling from the first day of school to completion of compulsory education at the age of 14.
- **Strengthen the university of applied sciences sector:** Accelerated expansion of STEM study places and further development of the content of study programmes in line with **labour market orientation, quality and innovation**. Interested talents from home and abroad are activated.
- **Increase in STEM degrees:** An increase of **+20 per cent** in STEM graduates from colleges of engineering, universities of applied sciences and universities by 2030. To achieve this, all talent from Austria and abroad will be activated, career changers will be recruited and target group-specific STEM upgrades will be promoted for customised reskilling and upskilling.
- **Boost women in STEM fields:** Establish a continuous path of learning and motivation for girls in STEM from kindergarten to university.
- **Establish training partnerships with third countries:** These partnerships innovatively combine the well-prepared immigration of qualified skilled labour with know-how transfer and strengthened economic relations with the countries of origin.
- **Introduce modern career guidance and counselling:** Improved career guidance and professional counselling for young people and parents, as well as a high-quality entry into apprenticeships, will significantly improve the accuracy of career choices.

10%

### CURRENT STATE OF CHARGE: TALENTE

Consolidated assessment of Austria's location quality in the field of talents (**supply of qualified workers, quality of education, etc.**) by 50 leading representatives from industry, finance, science and associations as part of the quarterly IV location barometer „Panel 50“ (last conducted in July 2023).

# NEW WORK

*Digitalisation and automation are fundamentally and permanently transforming work practices and work cultures in Austria. For a working world that is becoming more flexible and diverse in many areas, societal mindsets are also a crucial influencing factor.*

*Evolving values and attitudes towards the world of work do not have to be at odds with a modern, results-oriented performance culture.*

Support for incentives related to work and performance, therefore, needs comprehensive enhancement – **performance must once again pay off in Austria**. Given the high proportion of part-time employees, especially women, full-time employment must also be made more fiscally appealing. The simultaneous **expansion of childcare and basic educational facilities** is an economic and socio-political necessity.

It is crucial that labour law is also modernised to meet current requirements, facilitating **more practical solutions for the working world of tomorrow at company level**. The successful community of entrepreneurs and employees is already developing forward-looking solutions today.

Labour market policy and the system of incentives for work also need to be addressed. In order to make the best possible use of all potential on the labour market, it is necessary to **set targeted employment incentives**, increase the efficiency of unemployment insurance, increase the employment rate of women and improve work incentives for older people.

## CURRENT STATE OF CHARGE: NEW WORK

Consolidated assessment of Austria's location quality in the field of new work (**wage flexibility, real wage level, flexibility of working hours, etc.**) by 50 leading representatives from industry, finance, science and associations as part of the quarterly IV location barometer „Panel 50“ (last conducted in July 2023).

26%

## WHAT NEEDS TO BE DONE – A SELECTION OF RECOMMENDATIONS

### Short-term

- **Reduce non-wage labour costs below the EU average:** By reducing non-wage labour costs (in particular the Family Burdens Equalisation Fund levy and unemployment insurance contribution), people and companies will be comprehensively relieved.
- **Remunerate overtime accordingly:** The improvement in tax relief for overtime in the 2023 autumn package is a step in the right direction. Nevertheless, additional refinements are essential to maximise the effectiveness of this instrument: Increase the number of subsidised overtime hours to 20 hours and raise the threshold for tax exemption to 600 euro.
- **Make work in old age more attractive:** Reward the pension and contribution system with suitable incentives for older people to remain in employment for longer. The pension system must reflect increased life expectancy.
- **Move people from part-time to full-time work:** Enhance the attractiveness of full-time work or of increasing the number of part-time hours through favourable tax treatment, including the introduction of a specific tax-free allowance for full-time employment.
- **Incentives to retain employees in the area of housing:** Implement measures to encourage employee retention related to housing, such as exempting company housing up to and including 75 m<sup>2</sup> from the benefit-in-kind obligation. Simultaneously, consider raising the threshold for tax exemptions on employer loans for creating or renovating living spaces to 50,000 euro.
- **Reduced taxation on night work:** Double the tax exemption for dirt, hardship, and hazard supplements, as well as bonuses for Sunday, public holiday and night work. This includes overtime bonuses associated with such work, in accordance with Section 68 (1) of the Income Tax Act, raising the limit to 720 euro per month.
- **Simplification and expansion of the subsidised childcare allowance:** The increase in the subsidised childcare allowance in the autumn package of 2023 is a step in the right direction. However, to make this instrument truly effective, there should be further improvements: Increase the limit for the subsidised

## TOP-GOALS

### 1. Performance must pay off

Positive incentives in the tax and social security system for active labour market integration and participation in the value creation process

### 2. Reduce non-wage labour costs

Reduce the burden on people and companies as far as the factor labour is concerned

### 3. Better reconciliation of work and family life

Affordable, high-quality, all-day childcare throughout Austria

### 4. Modern, up-to-date labour law

Noticeable reduction in bureaucracy and avoidance of gold plating

### 5. Diversity as a competitive advantage

Utilise and promote diversity (gender, age, internationality) as an entrepreneurial success factor

childcare allowance to 3,600 euro and raise the age of the child to 14 years. There should also be payment options directly to employees. It is also necessary to decouple the subsidy for childcare allowance from the payment of the child tax credit.

### Medium-term

- **Improve the reconciliation of work and family life:** Align childcare hours with the demands of the workforce, improve the quality and availability of spaces for children under three and streamline bureaucratic processes for corporate initiatives. A proactive training approach should ensure an adequate workforce in elementary education. Parents should have a **legal right to secure childcare** for children starting from the age of one.
- **Streamline labour law bureaucracy:** There are **ample opportunities for flexibility at the company level**, particularly concerning working hours, for various forms of New Work. Eliminate unnecessary regulations inherited from gold plating EU directives and prevent their recurrence. Remote work from (EU) foreign countries should only trigger the establishment of permanent locations and potential adjustments to taxation rights for both the employee and employer side in exceptional cases, with simultaneous consideration of permanent solutions in social security law.

# CLIMATE & ENERGY

*The industrial country of Austria does not need any new restrictions or burdens, but rather a reliable and affordable energy supply, coupled with competitive energy costs and a climate policy that utilises market-based instruments intelligently.*

Ensuring the **security of supply and affordability of energy** is crucial, especially for the manufacturing sector to sustain operations within the country. If these foundations are not – or not adequately – secured, **sustained value creation and prosperity cannot be ensured in the long run**. It is imperative to strategically leverage the potential of the European internal energy market and implement a modern, diversified energy supply.

The energy policy framework conditions for industry,

by contrast, must not be jeopardised by an overly unilateral climate policy. Instead, appropriate framework conditions that actively support the industry with its **technologies and innovations as a driver for a positive climate and energy future** are required. With the use of market-based instruments, the “Tech for Green” approach can become the standard for greater energy and resource efficiency in production and society.

Together with a **diversified supply of primary raw materials from both domestic and international sources**, the industrial circular economy ensures a stable supply of (secondary) raw materials at competitive prices.

There must be a consensus among the responsible political forces that only a **strong, competitive and innovative industry will enable decarbonisation** while also **securing jobs and maintaining a high standard of living**. A dynamic funding environment that fosters collaboration between companies, science and research and encourages corresponding innovations is therefore essential for preserving the energy-intensive industry in Austria and Europe.

## TOP-GOALS

### 1. Secure competitive energy costs

Electricity price compensation as a fixed instrument for location security, extended until 2030. A diversified import strategy for energy sources.

### 2. Strategic autonomy in energy supply

Smoothly functioning European internal energy market, decentralised energy solutions, and diversified energy imports of climate-neutral energy sources based on hydrogen.

### 3. Climate Innovation Leadership 2040

Introduce new climate-neutral processes for energy-intensive industries through a dynamic funding environment within the framework of EU emissions trading. Encourage new collaborations between industry, science and research as well as the state to support leap innovations

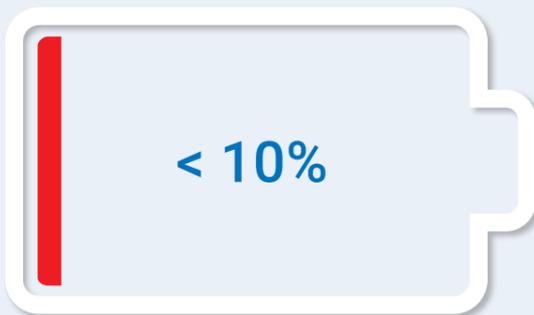
## WHAT NEEDS TO BE DONE – A SELECTION OF RECOMMENDATIONS

### Short-term

- **Extend electricity price compensation:** 15 EU member states are already making use of the long-term **guarantee of electricity price compensation** and have already had the instrument notified for several years, **in most cases until 2030**. Austria should follow their example and also extend its application beyond the current one-year limit to ensure stability and predictability.
- **Pursue an import strategy for natural gas and hydrogen:** Develop political strategies and establish bilateral partnerships with supplier countries to secure substantial quantities of **climate-neutral gases** for the future energy supply. Domestic natural gas reserves should also be **analysed and utilised**. The **transition from natural gas to hydrogen** should occur through hybrid systems aligned with the technical capabilities of the industry.
- **Tech for Green:** Green technologies allow for the **reduction of CO2 emissions and increase energy efficiency** along industrial production chains and generate European added value. Smart grids, intelligent buildings and sustainable mobility are thus becoming a reality. Innovative and sustainable (green) criteria should be considered in public procurement processes.

### Medium-term

- **Support the achievement of climate targets in a location-effective manner:** Ensure a global level playing field for energy-intensive production through **free allocation for exports** alongside the establishment of a Carbon Border Adjustment Mechanism (CBAM) at the European level in 2026.
- **Facilitate modern waste management:** Harmonise diverse waste management structures in the EU without additional bureaucracy and implement comprehensive resource management.



< 10%

### CURRENT STATE OF CHARGE: CLIMATE & ENERGY

Consolidated assessment of Austria's location quality in the field of climate & energy (**energy costs, security of supply, etc.**) by 50 leading representatives from industry, finance, science and associations as part of the quarterly IV location barometer „Panel 50“ (last conducted in July 2023).

# RESEARCH, TECHNOLOGY & INNOVATION

**Only a leading role in new technologies will secure Austria a leading role in international competition as an industrial country. Embracing and advancing new technologies and innovations is crucial for Austria's future in every respect.**

Industry is the future. Its leading companies account for 41 per cent of Austria's total research expenditure. **Technological expertise in key technologies** is particularly important for our future **development** – from microelectronics, artificial intelligence, quantum technology, robotics, nanotechnology and materials through modern mobility and energy technologies and life sciences to technologies for modern production and applications in space. **Austria's**

**participation** in European and international initiatives in the fields of microelectronics & semiconductors, space, quantum, artificial intelligence and data must therefore be further intensified.

Austria faces significant challenges in **sparking greater enthusiasm among boys and girls**, as well as society as a whole, for science and technology. Coordinated efforts such as "STEM regions" are industry-driven initiatives aimed at promoting research and technology experiences, as well as nurturing innovative talent.

To establish itself as an international beacon for excellent science, technology development and knowledge transfer, Austria should **ambitiously advance its scientific institutions**. Industrial companies, science, startups, and investors should collaborate in innovation ecosystems as international frontrunners, shaping key technologies and pioneering deep-tech innovations (artificial intelligence, space and quantum technologies, material sciences, renewable energies and life sciences).

97%

## CURRENT STATE OF CHARGE: RESEARCH, TECHNOLOGY & INNOVATION

Consolidated assessment of Austria's location quality in the field of research, technology & innovation (**scope and effectiveness of funding, human resources, networking between universities and industry, etc.**) by 50 leading representatives from industry, finance, science and associations as part of the quarterly IV location barometer „Panel 50“ (last conducted in July 2023).

### Short-term

- **Strong RTI funding in the RTI pacts:** RTI budgets should grow by around 20 per cent, particularly for strategic priorities of the technology offensive. Cooperation between the RTI departments and the associated agencies. Improve the USP research premium by raising the cap on contract research. Ensure the long-term security of the Future Austria Fund.
- **Technology offensive for applied research:** Consistent implementation to strengthen key sectors and key technologies (e.g. digitalisation, cybersecurity, semiconductors, quantum technologies, production technologies, mechanical engineering, energy, vehicle, mobility and recycling technologies, life sciences), taking into account open-topic success formats.
- **Lean R&D administration:** Ensure rapid decision-making processes, reduce excessive bureaucracy (e.g. state aid law, documentation requirements).
- **Fast-track AI investment:** Update the AI strategy, expand the promotion of AI technologies along the entire production chain. Build expertise by establishing AI hubs, strengthening education and training programmes and raising public awareness.
- **Increase data availability and improve framework conditions for data sharing and the cloud:** Promote and develop data spaces, engaging in (inter)national data initiatives to incentivise businesses and public administration to leverage and exchange data securely and confidentially. Advocate for legal clarity and closer European coordination on framework conditions for cloud technologies.
- **Strategic use of European RTI programmes for Austria:** Ensure Austria's participation and active co-design, as well as proactive budgeting for EU programmes and initiatives (in particular EU Research Framework Programme, IPCEI, EU Chips Act, Net Zero Industry Act).
- **Semiconductor & EU Chips Act:** Expedite the establishment and budgeting of essential framework conditions for investments to safeguard Austria's future prospects, considering the entire microelectronics value chain. Expand innovation ecosystems for electronic-based systems and quantum technologies, from R&D and innovation to production.

## TOP-GOALS

- 1. Austria as an Innovation Leader by 2030**  
Enhance technological expertise, quality and performance in strategically important key technologies
- 2. Digitalisation frontrunner: Top 3 by 2030 (DESI index)**  
Consistent implementation of the Digital Austria Act, comprehensive use of digital solutions in production and digitalisation in line with people's requirements and to increase domestic value creation
- 3. Establish Austria as an AI hotspot**  
Cutting-edge research and development of technology at the location

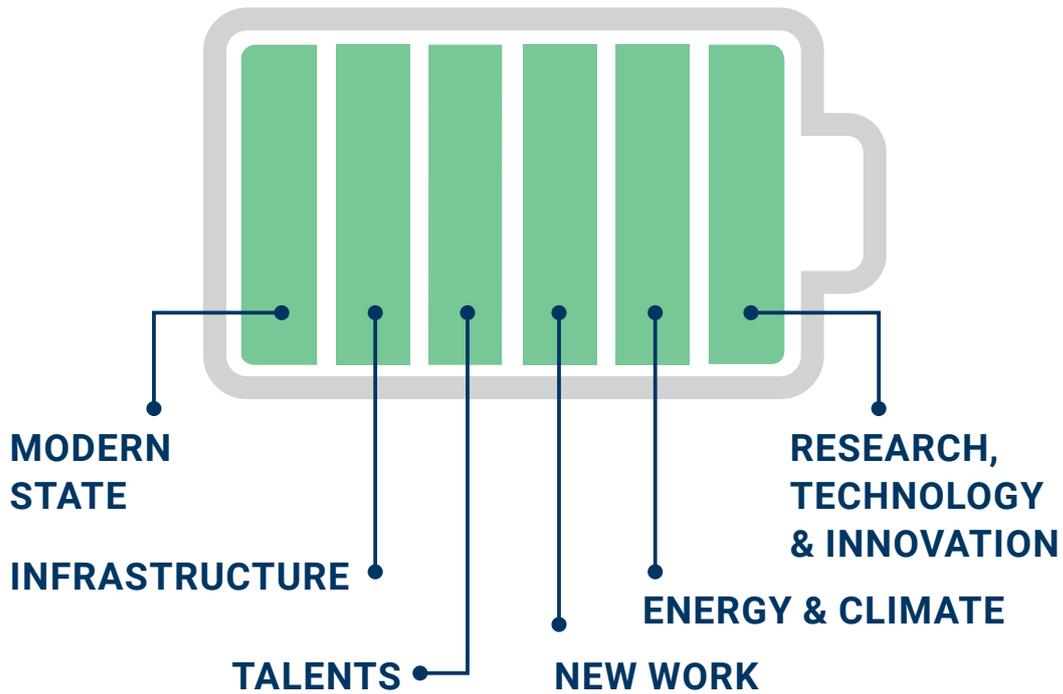
- **Strengthen the pharmaceutical industry:** Prioritise the competitiveness of the industry within EU pharmaceutical legislation, introduce new incentives and refrain from shortening protection periods.

### Medium-term

- **Strategically shape a location for leading companies:** Strengthen leading companies as technology hubs along with their strategic value chains through partners and customised instruments.
- **Invest boldly and strategically in deep tech:** This requires long-term, substantial capital investment. Increase the share of venture capital in GDP five-fold, implement regulatory and fiscal measures, e.g. fund of funds, incentivisation.
- **Ensure Europe's strong technological leadership:** Austria is committed to a strong EU research framework programme, both in terms of content and budget.
- **Build up the next generation of innovators nationwide:** In addition to STEM kindergartens and STEM schools, 10 STEM regions will be established in each federal state. Colleges of engineering will be expanded as regional hubs for the future.



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#### IMPRESSUM

Federation of Austrian Industries (Industriellenvereinigung)  
Schwarzenbergplatz 4, 1031 Vienna | Tel.: +43 1 711 35 – 0

Central registry of associations: 806801248, registry for interest representation and lobbying: 00160, EU-Transparency Register No.: 89093924456-06

Purpose of the association according to § 2 statutes: The purpose of the Federation of Austrian Industries (IV) is to unite, in a free and democratic form, industrial and industry-related enterprises operating in Austria, as well as their owners and managers, to represent and safeguard their interests, particularly in professional, operational and economic terms, at national, European and international level, to promote industrial developments, to secure framework conditions for the existence and freedom of decision of entrepreneurship and to spread understanding for issues of the economic and social order.

Idea & concept: Dominik Futschik, Franz Schweitzer

Responsible for the content: IV departments and committees; Coordination: Franz Schweitzer; Panel50: Christian Helmenstein

Design: Nina Mayrberger

Photo credits: AdobeStock



50 leading representatives from industry, finance, science and associations assess economic policy measures on a quarterly basis. The Federation of Austrian Industries (IV) has developed a comprehensive location panel „Panel 50“ to assess Austria’s location quality and current economic policy measures. We would like to thank the participants!

Vienna, December 2023