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# AK-Report on Prosperity and Well-being 2023

Analysis of social progress in Austria 2019-2024

Tamara Premrov, Astrid Schöggel, Jana Schultheiß, Nikolai Soukup

# AK-REPORT ON PROSPERITY AND WELL-BEING 2023

Analysis of social progress in Austria 2019-2024<sup>1</sup>

**Sustainable development of prosperity and well-being in Austria continues to suffer setbacks due to recent crises caused by the pandemic and inflation. In a European comparison, Austria is still performing well and ranks among the countries with the best quality of life. The well-developed welfare state has cushioned social consequences of the crises. Nevertheless, inequality has increased and Austria's effort in climate protection is insufficient. While inflation rates slow down, an economic downturn with rising unemployment and poverty has become imminent.**

It is evident that traditional economic indicators, such as the development of gross domestic product (GDP) in particular, cannot provide sufficient guidance for policymakers in this situation. Issues of distribution, gender equality, education, codetermination and ecological sustainability that are central components of a good life still receive too little attention. This results in a strong need for comprehensive and, above all, continuous reports on the sustainable development of prosperity and well-being. Such a country report should be implemented in governance structures to promote well-informed policy-making both at national level and in the European Semester at EU level.

With the AK Well-being Report, we have contributed to the analysis of prosperity and well-being in Austria since 2018. We analyse Austria's progress based on the modified "magic polygon" of a well-being-oriented economic policy with five overarching goals. These goals are:

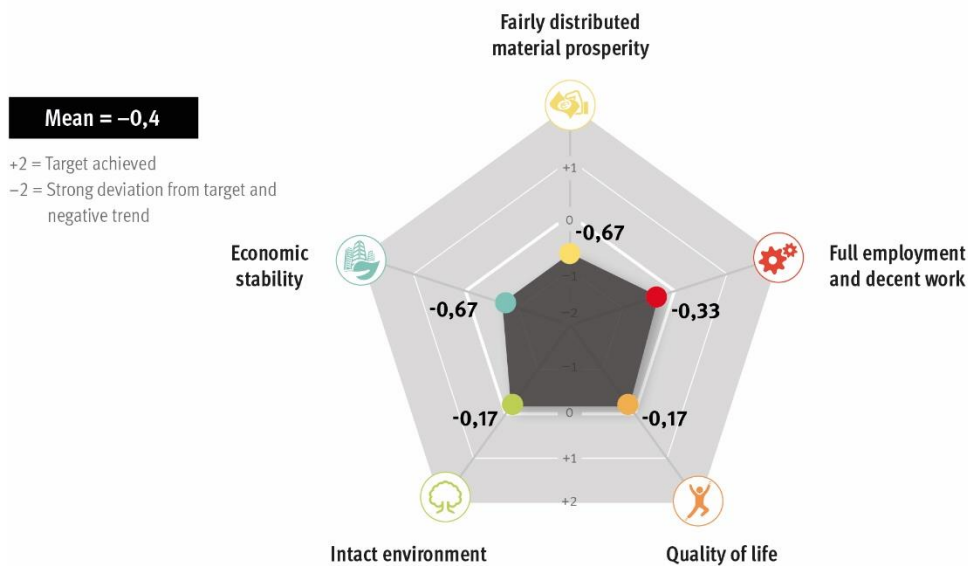
- Fairly distributed material prosperity
- Full employment and decent work
- Quality of life
- Intact environment
- Economic stability

We assign 6 sub-goals to each of these 5 goals and measure them using a differentiated set of indicators. Overall, we assess the achievement of 30 sub-goals looking at the period from 2019 to 2024 from the perspective of an institution that represents the interests of employees. Finally, we derive policy recommendations to foster prosperity and well-being.

In this year's AK Well-being Report, for the first time we have seen a downward trend in all five goals. Even the aspect "quality of life", which has always been assessed as positive or neutral in previous years, has performed negatively due to the high cost of housing and an increase in poverty. All in all, we are seeing deviations from the targets in more than half of the 30 sub-goals (targets). On a positive note, progress has been made on 8 sub-goals. Last year, this was only the case for 5 of them.

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<sup>1</sup> This report is an abridged translation of AK-Wohlstandsbericht 2023. Access the full report in German here: <https://emedien.arbeiterkammer.at/viewer/image/AC16958585/>



The past few years have been characterized by a succession of severe crises (Feigl et al. 2022). The COVID-19 pandemic and the energy price shock in 2022 seem largely overcome and the inflation rate is slowly falling - albeit at the cost of a recession driven by the overly restrictive monetary policy of the European Central Bank (ECB). The Austrian government has done little to tackle inflation itself, but only softened the impact by compensating measures such as the indexation of the income tax brackets (“Abgeltung der kalten Progression”), the valorisation of the majority of social benefits and one-off payments. Price-reducing measures were limited to electricity at a late stage of the crisis. As a result, inflation in Austria is among the highest in the EU.

Traditional economic indicators, such as the gross domestic product (GDP), cannot provide sufficient guidance for policymakers in this situation. There is a need for more comprehensive and continuous monitoring on the sustainable development of prosperity and well-being. The AK Well-being Report aims to advance this debate and contribute to the development of coherent policy responses.

Although the importance of GDP and its growth as the central goal of economic policy seems to have waned somewhat in recent years, prosperity and well-being are still not institutionalized as a point of reference for economic policy and thus not incorporated in political decision making processes. In the EU, they should be at the heart of the European Semester to foster the implementation of urgently needed measures for a good life.

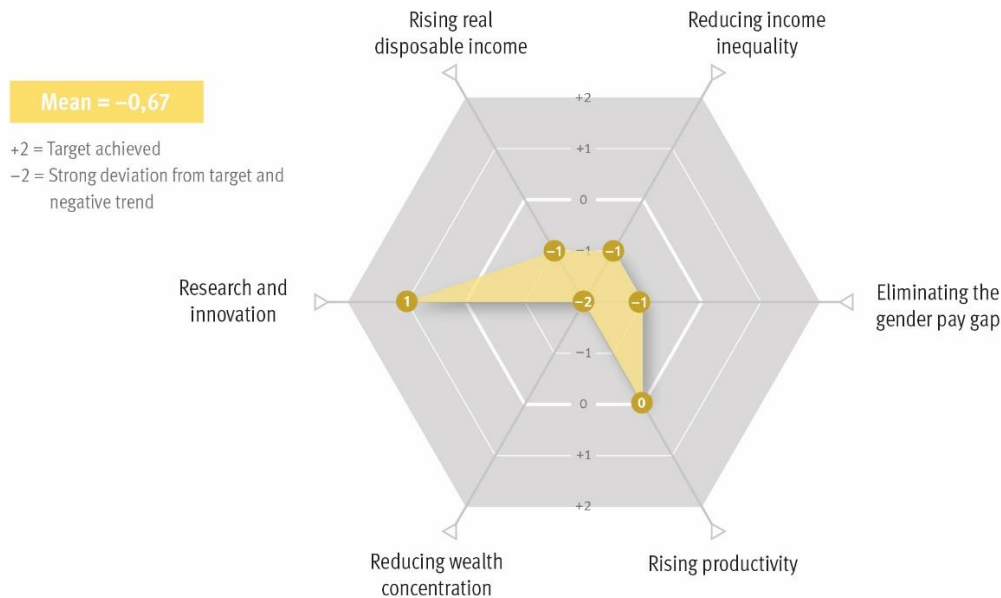
### HOW WE MEASURE PROSPERITY AND WELL BEING

We define 5 overarching goals, assign 6 sub-goals (targets) to each of these goals and measure them using a set of indicators. Overall, we assess the achievement of 30 targets looking at the expected outcomes in 2024 compared to 2019, from the perspective of an institution that represents the interests of employees. These targets are either a desired outcome (e.g. no gender pay gap), politically agreed goals at European or national level or international benchmarks. We rate on a scale from -2 (strong deviation from target and negative trend) to +2 (target achieved). The rating of the 5 overarching goals is the mean of its sub-goals.

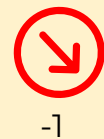
An overview of our indicators and targets is provided in table 1.

## RESULTS 2023

**Fairly distributed material prosperity:** Material prosperity and its distribution, i.e. improving the standard of living for all, are at the heart of economic policy. With our set of indicators, we show that this comprises more than just a country's economic performance. The average score for this goal is -0.67, indicating an overall loss in material prosperity in recent years.



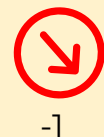
**1.1 Rising real disposable income:** Due to the nature of the Austrian collective bargaining system employees had to accept temporary losses in real wages. Good collective bargaining coverage, rising productivity, stable prices and redistributive measures should be supported by policymakers.



**1.2 Reducing income inequality:** Despite some fluctuations, the level of income inequality has risen slightly as a result of the COVID-19 crisis. To prevent the gap from widening, social benefits such as unemployment benefit must be increased, and the low-wage sector reduced.



**1.3 Eliminating the gender pay gap:** At 0.4 percentage points per year, the pay gap in Austria is falling far too slowly and achieving the target is a long way off. Transparency in income, comprehensive and affordable childcare as well as a progressive working time policy are required.



**1.4 Rising productivity:** Productivity has recently developed positively, but with the economic downturn, we expect a weakening in this trend. A training and qualification offensive and an expansive economic policy are to be pursued to increase productivity.



**1.5 Reducing wealth concentration:** The concentration of wealth in Austria remains high. While the poor are hit hard by inflation, the rich continue to accumulate wealth. The wealthy must pay their fair share to finance the welfare state through the introduction of wealth and inheritance taxes.

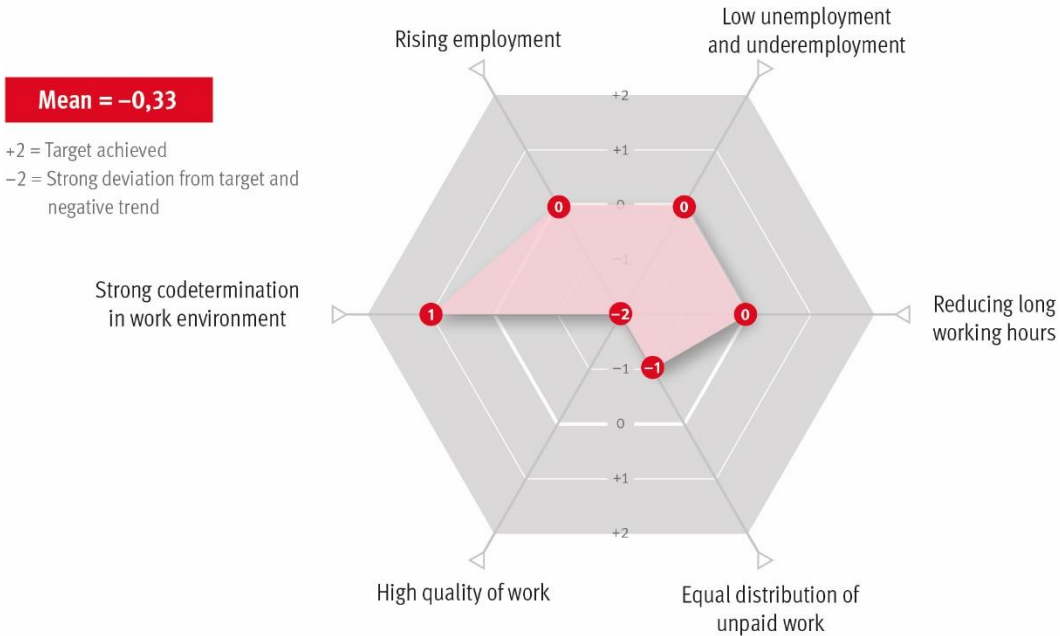


**1.6 Research and innovation:** With its scientific performance and innovative capacity, Austria is in the upper midfield in the EU and is considered a "strong innovator". Austria must continue to improve its score, especially in the areas of climate and digitalization, following the existing strategy.



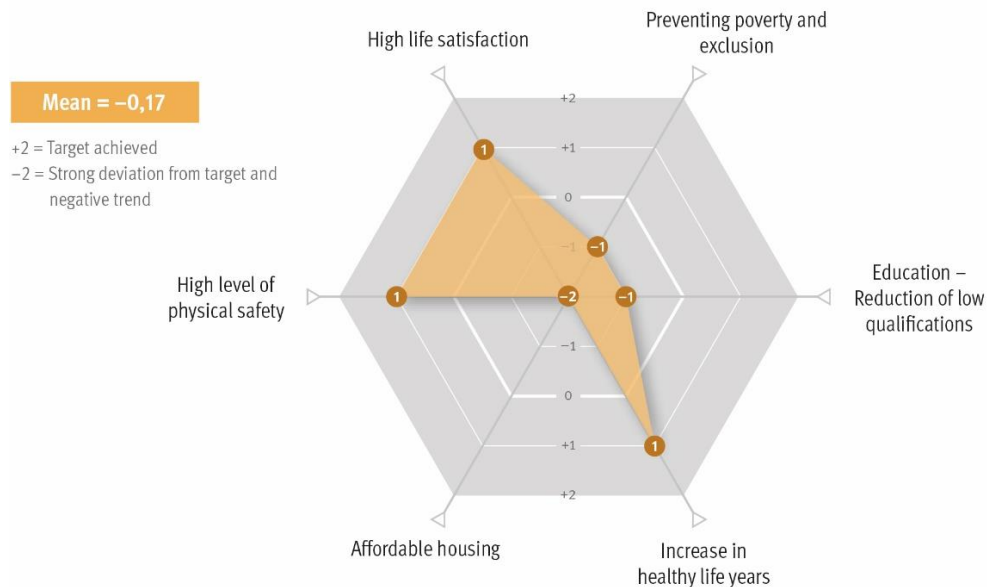


**Full employment and decent work:** Gainful employment plays a major role for well-being, both for individuals and for society. The goal of full employment must always be considered in the context of the quality of work. In addition, the relationship between paid employment and unpaid domestic, care and reproduction work must be redefined. The average score for this goal is -0.33, this means that the setbacks still predominate.



<p><b>2.1 Rising employment:</b> The labour market has recovered from the lump caused by the COVID-19 crisis. Gender equality, shorter working hours and public investment in the socio-ecological transformation should be pursued to increase the employment rate.</p>	 0
<p><b>2.2 Low unemployment and underemployment:</b> The unemployment rate is at a relatively low level but is expected to slightly increase. Besides the measures presented in 2.1, investment in qualification can further improve the target group's chances on the labour market.</p>	 0
<p><b>2.3 Reducing long working hours:</b> The proportion of people working more than 40 hours a week is falling very slowly. The withdrawal of the extended statutory maximum working hours, working time controls and company levies on overtime are political demands to accelerate the trend.</p>	 0
<p><b>2.4 Equal distribution of unpaid work:</b> School and kindergarten closures during the pandemic have increased the already unequal distribution of unpaid work and inflation may reduce outsourced housework. The Austrian tax system and family support do not contribute sufficiently to equality.</p>	 -1
<p><b>2.5 High quality of work:</b> The work-environment-index is at its lowest level ever measured. Stress has increased while the purchasing power of wages has decreased, which is why around 25% of employees want to change jobs. More codetermination, plannable working hours and staff increases are needed.</p>	 -2
<p><b>2.6 Strong codetermination in working environment:</b> Due to the high level of unionization compared to other countries and its slight increase, we rate this sub-goal positively. The expansion of the works council body and the retention of the inclusive collective agreement system are important factors.</p>	 1

**Quality of life:** Quality of life is probably the most direct assessment criterion of well-being. Aspects of quality of life can only be represented by a mix of subjective assessments and objective data (Stiglitz et al. 2009). These cover a broad spectrum of topics ranging from education and health to the quality of housing and issues of social and physical security as well as opportunities for participation and institutions. For the first time since the introduction of the report, a slight regression is measured in this goal (-0.17).



**3.1 High life satisfaction:** Despite the crises, subjective life satisfaction in Austria has remained at a high level but is beginning to decline due to the high burden of inflation. People at risk of poverty and the unemployed need to be better protected, as their level of life satisfaction is particularly low.



**3.2 Preventing poverty and exclusion:** Austria is clearly failing to meet its target of significantly reducing the poverty rate. Recently, the rate has even risen slightly, and material deprivation is being fuelled by inflation. Social benefits are not poverty-proof and child poverty is not combated effectively.



**3.3 Education - Reduction of low qualifications:** The proportion of the population with no more than a compulsory education attainment qualification has stagnated in recent years making it unlikely to reach the targets by 2030. Better funding for schools, support programs and initiatives for adult education are needed.



**3.4 Increase in healthy life years:** On average, Austrians spend a quarter of their lives with health restrictions, but there have been significant improvements in this indicator in recent years, which is why we rate it as positive. Measures are needed above all in preventive healthcare.



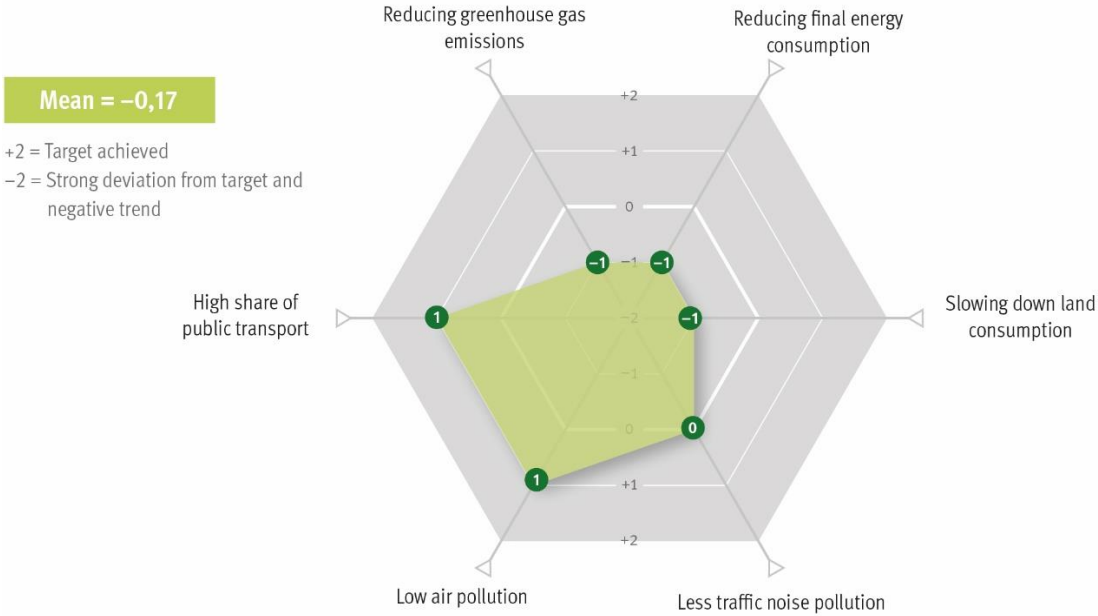
**3.5 Affordable housing:** The repeated rent increases and high energy prices have led to a significant increase in the excessive burden of housing costs. Our key demands are a retroactive cap of 5% on rent increases and more investment in social housing.





**3.6 High level of physical safety:** The subjective feeling of safety in the residential environment has been steadily increasing for years. This demonstrates that the welfare state has absorbed the greatest social upheavals during the crisis and should be further strengthened.





**Intact environment:** An intact and liveable environment is a prerequisite for prosperity in both the short and long term. In the short term, good environmental conditions contribute directly to individual well-being and health. In the long term, prosperity can only be secured if humanity does not exceed the planet's limits. The score in this area remains unchanged from last year at -0.17.





**4.1 Reducing greenhouse gas emissions:** Austria is well on the way to missing the European climate targets. The current decrease in emissions is due to the mild winter and high gas prices and not due to effective policies for the socio-ecological transformation of the economy.  -1

**4.2 Reducing final energy consumption:** Final energy consumption is subject to strong fluctuations, without a clear negative trend. The Austrian Energy Efficiency Act is not enough to reduce energy consumption; further measures and responsibility at state and municipal level are not in sight.  -1

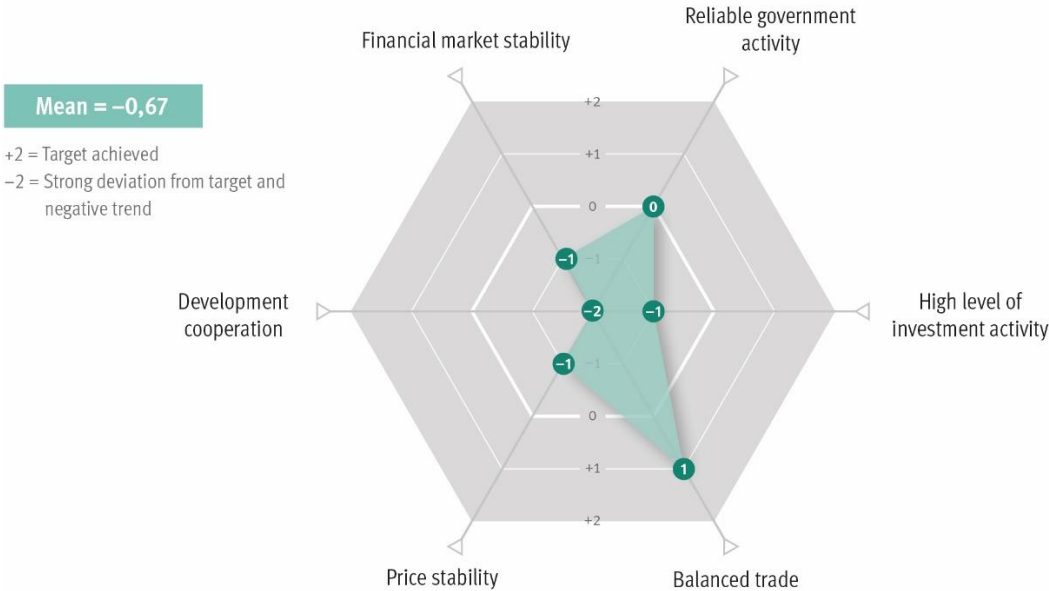
**4.3 Slowing down land consumption:** Land consumption is 5 times higher than the Austrian target value. Sealed surfaces in particular pose an ecological problem. Better spatial planning is needed to balance the conflicting goals of land consumption and the need for living space.  -1

**4.4 Less traffic noise pollution:** Current data show that over 1.1 million people are exposed to excessive road traffic noise. 100,000 people living next to railroad tracks suffer from severe sleeping disorders. Clear competencies and effective action plans are needed to reduce exposure within the population.  0

**4.5 Low air pollution:** Austria has made significant improvements in this area and has reached the WHO target value for particulate matter pollution that was in place until 2022. The challenge now is to achieve the new targets through further efforts, particularly in transport, industry and agriculture.  1

**4.6 High share of public transport:** There are intensive political efforts to further expand the share of public transport, which is already very high by international standards. Consideration must also be given to measures that make driving less attractive when public transport connections are available.  1

**Economic stability:** The 2008 financial crisis showed that economic stability is a key prerequisite for sustainable well-being. If crises become entrenched, continuous economic development is not possible and social progress is virtually impossible. This is why the stability goals are not only prominently anchored in the magic polygon, but also at European level, and the SDGs focus strongly on the sustainability of developments. With a rating of -0.67, this goal features negative trends in many sub-goals.



**5.1 Financial market stability:** The war in Ukraine has once again significantly increased uncertainty on the financial markets. Higher interest rates and falling real estate prices are also making loan defaults more likely. Regulation and supervision of the financial sector are essential.



**5.2 Reliable government activity:** The deficit target is almost reached; however, the investment rate is still far from the envisaged 1.5% of GDP. Government investment in public transport and green energy production must be expanded despite increasing pressure to consolidate budgets.



**5.3 High level of investment activity:** Rising interest rates and gloomy sales expectations are leading to a slump in investment activity. The focus should be on green investment and R&D, with public investment playing a crucial role to crowd-in private investment.



**5.4 Balanced trade:** Current account imbalances in Europe are a concern and Austria has contributed to this in the past with excessive surpluses. It has become more balanced, but only because the price of imported energy has risen. Self-sufficiency and expanding sustainable imports should be the focus.



**5.5 Price stability:** Due to a lack of price intervention and a profit-price spiral, inflation in Austria has exploded and is among the highest in the euro area. Particularly in the areas of housing and heating, far-reaching interventions are needed to provide planning security and reduce the burden on people.



**5.6 Development cooperation:** Instead of supporting the sustainable development of prosperity and well-being around the world and spending 0.7 % of gross national income on development cooperation, Austria is expected to reach its lowest level in decades in 2024.





Goals and sub-goals	Indicator measured in	SDG*	Longterm target	Initial value 2019 <sup>o</sup>	Most recent value ('22) <sup>o</sup>	Outlook 2023/24**	Assessment
1.1 Rising real disposable income	Median equivalized income in € (at 2015 prices) <sup>1</sup>	8 & 10	+1 % p.a.	24.818	24.972	~	-1
1.2 Reducing income inequality	Quintile ratio S80/S20 of disposable household income <sup>1</sup>	10	↘	4,11	4,27	-	-1
1.3 Eliminating the gender pay gap	Shortfall in gross hourly wages of women in % of men <sup>1</sup>	5	0	19,9%	18,8%	~	-1
1.4 Rising productivity	per hour; index (2000 = 100)	8	+1 % p.a.	122,4	127,9	-	0
1.5 Reducing wealth concentration	Share of the richest 5% in total net wealth <sup>2</sup>	(10)	↘	43,1%	37,1%	-	-2
1.6 Research and innovation	European Innovation Scoreboard (EU 2016 = 100)	9	↗	124,3	129,4	+	1
<b>Fairly distributed material prosperity</b>							
2.1 Rising employment	Employment in % of the resident population (20 to 64-year-olds)	8	↗	76,8%	77,3%	~	0
2.2 Low unemployment and underemployment	Underemployment rate, in % of the extended labor force	8	5%	13,8%	11,0%	~	0
2.3 Reducing long working hours	Proportion of employees working more than 40 hours per week	(8)	5%	16,8%	15,4%	~	0
2.4 Equal distribution of unpaid work	Difference between women and men in hours per day <sup>3</sup>	5	0	02:07	n. v.	~	-1
2.5 High quality of work	Work-environment-index (1997 = 100) <sup>4</sup>	(8)	115	106	103	~	-2
2.6 Strong codetermination in work environment	Degree of unionization	(8 & 16)	↗	26,3%	n. v.	~	1
<b>Full employment and decent work</b>							
3.1 High life satisfaction	∅ Self-assessment on a scale from 0 to 10	3	↗	8,0	7,9	~	1
3.2 Preventing poverty and exclusion	Proportion of people at risk of poverty or social exclusion <sup>1</sup>	1	↘	16,7%	17,5%	-	-1
3.3 Education – Reduction of low qualifications	Share of population (25-64) with at most compulsory education	4	< 10 %	14,4%	14,1%	-	-1
3.4 Increase in healthy life years	∅ expected healthy years of life at birth <sup>1</sup>	3	↗	57,3	61,8	~	1
3.5 Affordable housing	Share of pop. with housing costs >40% of disp. household inc. <sup>1</sup>	11	↘	6,3%	7,4%	-	-2
3.6 High level of physical safety	Population with a feeling of insecurity in their living environment	16	↘	8,4%	5,6%	~	1
<b>Quality of life</b>							
4.1 Reducing greenhouse gas emissions	CO <sub>2</sub> -equivalent emissions (index 2005=100)	13	< 52	89,9	82,1	~	-1
4.2 Reducing final energy consumption	Index (2005=100)	7	↘	101,7	94,4	-	-1
4.3 Slowing down land consumption	ha per day	11	↘	12,4	12,0	-	-1
4.4 Less traffic noise pollution	Persons affected by road noise, all day > 60 dB <sup>2</sup>	(11)	↘	2.014.400	1.097.400	~	0
4.5 Low air pollution	µg/m <sup>3</sup> (yearly average)	11	< 5	10,2	9,5	+	1
4.6 High share of public transport	Share of public transport in passenger traffic <sup>5</sup>	9	↗	28%	26%	+	1
<b>Intact environment</b>							
5.1 Financial market stability	ECB stress index financial system <sup>4</sup>	(8)	sets < 0,1	0,08	0,29	-	-1
5.2 Reliable government activity	Adjusted structural deficit & net public investment, % of GDP	(8, 9, 16)	-0,5 & 1	-0,07 & 0,58	-3,20 & 0,61	~	0
5.3 High level of investment activity	Gross fixed capital formation, % of GDP	8 (& 9)	↗	24,9%	25,7%	-	-1
5.4 Balanced trade	Current account balance, % of GDP	(8 & 17)	0	2,5%	0,2%	+	1
5.5 Price stability	Harmonized consumer price index, % compared to previous year	(8)	2%	1,5%	9,1%	+	-1
5.6 Development cooperation	Public development cooperation expenditure OECD-Def., in % of GNI	17	0,7%	0,28%	0,30%	~	-2
<b>Economic stability</b>							
<b>Sustainable development of prosperity and well-being in Austria</b>							
<b>-0,67</b>							
<b>-0,4</b>							

Source: own representation. \*If the indicator does not appear in the UN list or in the SDG set of Eurostat or Statistics Austria, most suitable target(s) in brackets.

\*\*Outlook for the years 2023 and 2024: + (positive), ~ (neutral), - (negative). <sup>o</sup> If 2019 or 2022 not available, see respective footnote.

<sup>1</sup> 2021 instead of 2022; <sup>2</sup> 2017 instead of 2019; <sup>3</sup> 2010 instead of 2019; <sup>4</sup> Spring 2023 instead of 2022; <sup>5</sup> 2020 instead of 2022

## HOW TO INCREASE THE WELL-BEING OF THE MANY

Against the backdrop of excessive greenhouse gas emissions, the economic downturn and the social crisis, comprehensive measures are required. Specific policy recommendations can be found in the individual thematic sections. Here we present our main calls for action to promote the sustainable development of social progress and well-being:

**Tackle the climate crisis.** The government must lead the way to a socio-ecological transformation of the economy. Around half of all necessary investments, i.e. 118 bn Euro per year, must be made by the public sector and its companies (Plank et al. 2023). A municipal investment fund would be an appropriate additional instrument to promote the expansion of renewable energies, the thermal renovation of buildings, energy efficiency and the expansion of public transport. Without decisive and swift action, Austria will miss its climate targets.

**Combat inflation by redistribution policies.** To maintain the purchasing power of households we need low inflation rates and successful collective bargaining agreements. For the former, interventions in corporate pricing are the most efficient way. Here, the government must learn from its mistakes in recent months and establish stricter rent control, for example. Now that companies have significantly increased their profit margins, wages must be increased accordingly to stabilize their purchasing power and cushion the profit rises. Additionally, we need to reduce the concentration of wealth and expand the welfare state, particularly in the areas of education, health, housing and care. In particular, the recent increase in child poverty needs to be tackled in a consistent manner.

**Prioritise gender equality.** Many women would like to expand their labour market participation to be financially independent. However, a lack of social services such as childcare facilities and structural disadvantages such as an unequal distribution of unpaid work prevent this from happening. The services sector with predominantly female employees (catering, care, nursing) displays particularly low wages and poor working conditions. In general, the gender pay gap is closing far too slowly. Physical and sexual violence against women is appalling. There is an urgent need for more funding for violence prevention and victim protection facilities.

**Utilise high demand for labour for upskilling and better working conditions.** In many sectors, there is a shift in power from employers to employees. This situation must be used to push back poor working conditions and low wages. Especially jobs in health, care and education that are central to social progress must become attractive and adequately remunerated. The development on the labour market provides employment opportunities for disadvantaged groups including women, older people, and low-wage earners. They need to be supported through training opportunities and better matching. At the same time, a noticeable reduction in working hours with full wage and staff compensation must be gradually implemented. Shorter working hours promote a long, fulfilling working life and have positive spill-over effects on health and on the equal distribution of unpaid work.

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