

Vienna's economic policy guidelines

Commissioned by City Councillor of Finance and Economic Affairs

Deputy Mayor Renate Brauner

Prepared by Municipal Department 23 –
Economic Affairs, Labour and Statistics

Contents

1. Preface.....	2
2. Status quo	3
3. Becoming a 'knowledge city'	5
4. Guidelines for Vienna	5
a) Location	5
b) Work.....	8
c) Dynamic drive	11
d) Diversity	13
e) Coherence.....	15
f) International outlook.....	17
5. Credits	20

1. Preface

These guidelines provide a summary of the currently existing economic policy principles and define the framework for future projects of the City of Vienna. They build on guidelines and strategies that are currently in place, such as the guidelines of Vienna's business promotion scheme, the former research and technology strategy as well as the new 2020 Innovative Vienna strategy, the 2020 Tourism Strategy, the Vienna 2020 Qualification Plan and the business location agreement entered into by the City of Vienna and the Vienna branch of the Federation of Austrian Industries. While future economic growth is certainly a top priority, a fairer distribution of income, wealth, education and work is also high on the agenda. Recent studies show that income inequality will curb economic growth. As Vienna looks back on a long and active tradition of solidarity, it is only logical that an equitable distribution of income and wealth should figure among the city's economic policy objectives.

One thing is abundantly clear: a growing city needs investment. Investment in infrastructure as well as investment in the qualification and education of its citizens. This type of investment helps lay the foundations for future growth, while at the same time having a positive effect on the labour market. It follows that such investment pays a 'double dividend' and is thus crucial, even in times of budgetary austerity.

In competing with other regions, Vienna can score only based on the high quality of the products and services it offers. To be successful, economic policy measures in Vienna must be aimed at creating the conditions needed to safeguard the city's competitiveness while not letting the social factor fall by the wayside. For there is one thing that Vienna has provided undeniable evidence for – competitiveness and social responsibility are not mutually exclusive. Quite on the contrary, combining these two aspects is a key locational advantage our city has to offer.

Transitions between old and new are always fraught with uncertainties. New sales channels (via the Internet) and new forms of production (Industry 4.0) certainly present challenges, but also come with opportunities for trade and manufacturing in Vienna. Against the backdrop of an economic crisis that has left a deep impact worldwide and has caused unemployment to soar at Europe's periphery, it is no wonder that people are worried and sometimes have to cope with real hardship.

At the same time, Vienna's population is growing at a pace that is truly remarkable, even for a European metropolis. None of this is an entirely new experience for Vienna – at the beginning of the 20th century, the city also faced major social upheaval and enormous social challenges. And we still benefit from the ways Vienna responded to these challenges then: Social housing projects, public infrastructure, education and comprehensive welfare and insurance systems – landmarks of socialist-ruled Vienna in the 1920s and 30s – still show their structural effects today.

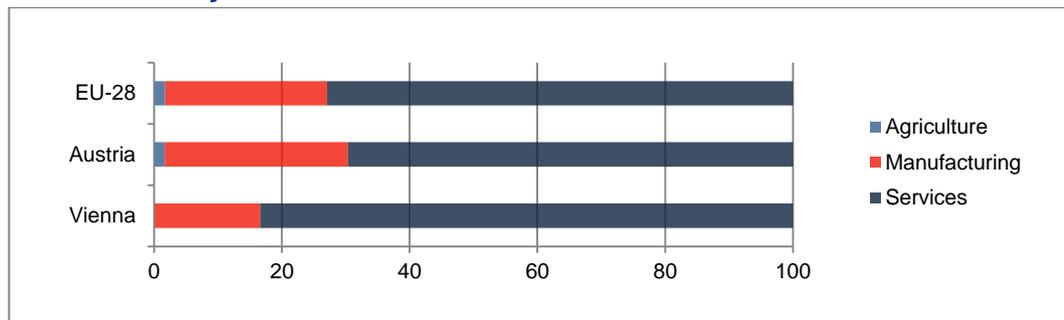
Not standing isolated from international development, Vienna may not be able to resolve each and every problem on its own, but it can remain true to its tradition. These guidelines provide a summary of the currently existing economic policy principles and define the framework for future projects of the City of Vienna. The currently difficult economic environment, combined with strong population growth, limits the scope of action and calls for a consistent, forward-looking economic policy. While future economic growth is certainly a top priority, a fairer distribution of income, wealth, education and work is also high on the agenda.

2. Status quo

Business location

Vienna's economy is characterised by a particularly strong services sector, both in terms of value added and people employed. This is a trend observed in many highly developed cities all over the world. Business-related services (ranging from information services, legal and tax consulting to security services) play a major role in this context. Nearly one in every five persons in Vienna is employed in this sector. But Vienna also has a significant manufacturing sector that is highly important as a source of work for numerous service providers as well. While enormous progress in productivity over the past 20 years has caused employment to decline in this sector, the value added has remained at the same level. How important the manufacturing sector is for Vienna is evidenced also by the fact that around 40% of all R&D spending comes from industrial enterprises.

Value added by economic sector 2011



Source: Statistics Austria, EUROSTAT.

Productivity in Vienna is very high – both by comparison with Austria and with other regions within the European Union. The gross regional product per capita is a case in point. In 2011, it stood at EUR 45,600 in Vienna, at EUR 35,700 in Austria, and at EUR 25,100 across an average of 272 EU regions.

Supra-regional economic integration

Vienna's international economic relations are governed primarily by its specific geographical position. According to export statistics, Vienna shows a stronger orientation towards Eastern Europe than the rest of Austria. Being services-sector-dominated, Vienna has a low export ratio (exports as compared to gross regional product), but scores high in export intensity, i.e. a large part of the goods produced in Vienna are being exported. This is a reliable indicator of how competitive Vienna's industry is. Other factors that show how attractive and important Vienna is as a business location, also beyond Austria, are the number of international companies setting up business here and the high level of direct foreign investment the city attracts. On a long-term average, about half of all new businesses being set up in Austria are located in Vienna, and about two thirds of all direct investment goes to Vienna. The labour market, too, is a tell-tale sign of the supra-regional significance of Vienna as a business location. More than 250,000 people commute to Vienna from other federal provinces, while only 88,000 commute the other way.

Labour market

In the more recent past, Vienna's labour market underwent a high degree of structural change, even by international standards. Employment in the manufacturing sector has declined, while the number of jobs in the services sector has grown. Reasons for this

development include major increases in industrial productivity on the one hand and the transfer of large segments to the services sector (industry-related services) on the other.

The situation today is characterised both by a rise in the number of jobs and an increase in the number of job seekers. This fact is attributable to Vienna being a growing metropolis, but also to successful labour market programmes, which include, for instance, excellent conditions for those returning to work after parental leave. The introduction of a needs-based minimum income, a measure aimed at bringing as many people of working age as possible onto the labour market, has been a milestone of proactive labour market policy. However, given the low growth rate resulting from the economic crisis, job growth is not sufficient to absorb the additional number of people looking for jobs. There is a close correlation between job growth and economic growth. The economic crisis has led to very sluggish growth over the past few years, a development that, by necessity, has impacts on the labour market.

Real growth in gross value added in %

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Austria	2.5	2.7	4.0	3.8	1.6	-4.3	1.9	3.2	1.0	0.5
Burgenland	3.2	1.8	1.7	3.0	1.2	-1.3	2.1	1.6	1.5	1.8
Carinthia	3.0	2.1	4.6	2.9	0.6	-6.1	2.2	4.1	0.6	0.2
Lower Austria	4.0	2.1	4.7	4.8	2.3	-5.2	1.6	3.2	1.4	0.3
Upper Austria	2.3	4.1	3.8	3.9	3.2	-5.3	2.0	5.2	0.7	0.6
Salzburg	4.0	1.8	5.0	5.2	-0.1	-4.3	2.5	3.2	1.1	0.1
Styria	3.3	2.8	4.2	4.1	1.1	-5.4	1.9	3.5	1.1	0.8
Tyrol	3.1	4.5	4.1	3.1	0.8	-2.8	0.9	2.7	1.3	0.7
Vorarlberg	3.6	2.6	3.9	4.9	2.7	-4.3	2.2	4.6	1.6	1.1
Vienna	0.6	2.1	3.5	3.1	1.1	-3.0	2.0	1.8	0.5	0.3

Source: WIFO (Austrian Institute of Economic Research).

Based on Municipal Department 23's population growth forecast, it can be expected that, unlike in other federal provinces and many regions in Europe, the potential size of the labour force in Vienna will grow also over the coming years (think *growing city*). While this development presents new challenges for Vienna (integration into the labour market), it also holds new opportunities (comparatively young working population). In Vienna, unemployment is predominantly a problem affecting people with low levels of formal schooling. While the unemployment rate for people with no more than compulsory schooling was 15.8% in 2013, the rate for university graduates, at 5.3%, stood at a mere third of this figure. Among vocational secondary school graduates, the unemployment rate is even lower at 4.5%.

The *Vienna 2020 Qualification Plan* addresses the challenges of the Vienna labour market, defining clear fields of action and corresponding measures plus monitoring. The key target group of such measures are young people who have not had any education beyond compulsory schooling. Given current forecasts on workforce needs that predict declining demand for low-skilled and increasing demand for highly skilled labour, providing education and training is a cornerstone of labour market policy measures in Vienna.

Conclusions

Vienna's economy has an excellent track record judging by macro-economic data. A high level of productivity and the high quality of living help to ensure Vienna's competitiveness. Safeguarding these qualities in spite of strong population growth is one of the major challenges of our time.

A downside of the high productivity level is the fact that comparatively high growth rates are needed to achieve positive effects on the labour market as well. Consequently, the key field of action for Vienna's economic policy is balancing a growing labour force, a rising demand for highly skilled labour and comparatively high productivity. To be able to do so, Vienna will need adequate economic growth.

3. Becoming a 'knowledge city'

Vienna's population growth goes hand in hand with the regional economy moving at a fast pace towards a services and knowledge focus. The number of businesses active in research has tripled over the past 15 years, and more than 40,000 people are currently employed in research and development. Boasting some 190,000 students enrolled at university, Vienna is the largest university hub in the German-speaking world. R&D spending as a percentage of gross regional product is another indicator for a location's knowledge focus – at 3.4%, Vienna is among the top regions in Europe. This strong focus on knowledge also results in above-average productivity (measured in terms of gross regional product per capita). Vienna scored highest in Austria already in 2000 and still did so in 2013, the last year for which figures are available, and this in spite of a significant population increase by more than 200,000 inhabitants over this period. To be well prepared for the future, Vienna needs to retain or even increase the edge it has over its competitors.

All of these factors together make up a key locational advantage for Vienna's economy. Therefore it is all the more important for the city's future to have a well-coordinated and targeted economic policy that leverages existing strengths and is open to innovation. The City of Vienna's business promotion scheme – 2020 Innovative Vienna – will provide clear guidance in this respect.

4. Guidelines for Vienna

a) Location

- Land use management
- New businesses
- Subsidies
- Infrastructure
- Investment
- Business cycle
- Quality of living
- Public enterprises
- Taxes
- Environment

A region's economic strength has a decisive impact on the daily lives of its residents, whether they are entrepreneurs, employees, consumers or – in an education and university centre such as Vienna – pupils or students. In an effort to offer all its inhabitants the best possible quality of living, the City of Vienna plays an active role in shaping the economic development of the region, supporting and promoting

Vienna as a business location through economic policy measures just as much as through its own economic operators. This includes elements such as public procurement processes as well as the enterprises owned by the City of Vienna, an excellent education policy or specific support for employees (e.g. through the Vienna Employment Promotion Fund [waff]) and businesses (e.g. through the Vienna Business Agency).

Land use management

Along with global population growth in large cities, the availability of high-quality business properties is becoming an ever more important locational factor for business activities. It is not only when new businesses are being established, but also when existing ones are expanding (especially so in the manufacturing sector), that the issue of suitable properties comes at the top of the list of factors that make for a good location. The City of Vienna already has instruments for urban development at its disposal. Along with a proactive investment scheme, these instruments will be further developed to provide a whole panoply of proactive land use management measures in response to these challenges.

New businesses

Setting up new businesses is a vital element of dynamic economic activity. Often, this is where innovative ideas are born and where the jobs of the future are created. The road from the first spark of an idea to the establishment of a business enterprise can be rather long. Apart from funding problems, it is above all lack of information as well as administrative requirements that new businesses have to cope with. The City of Vienna is well aware of these challenges. The Vienna City Administration aims to assist entrepreneurs and enterprises and not to obstruct their activities through excessive red tape. This is why it continually strives to optimise all its administrative processes. Most recently, for instance, the process of obtaining authorisations to operate plants and facilities has been reorganised.

Subsidies

By providing subsidies for economic activities, the City of Vienna intends to actively assist businesses with structural transformation and to open up new fields of activity. The City of Vienna is aware of how extremely important it is for Vienna as a business location to have committed entrepreneurs. Entrepreneurs have a highly important role to play – they are the ones who create jobs in Vienna, both for themselves and for their employees. Financial support as well as advice and business property offers are intended to provide an impetus for growth and employment. The focus of these activities is on young or newly established businesses, with the ultimate aim of helping them to provide jobs for others. Subsidies and support are provided to small and large businesses alike.

Infrastructure

For a modern-day city's economy to work properly, it is necessary to have an efficient and high-quality public infrastructure. Vienna embraces the principle of a strong public services system and opposes privatisation. Examples from all over the world (such as the privatisation of the water supply in Paris and Berlin) have impressively demonstrated that privatisation has resulted neither in better quality nor in lower prices. It is in particular the high quality and affordability of such public services that is of pivotal importance to the population. Moreover, this also constitutes an important locational advantage internationally. Businesses can rely on a high level of supply security for public goods. What is more, the high quality of living in Vienna is another locational advantage, as the excellent scores in numerous

international rankings demonstrate. Highly qualified, mobile people will tend to also look for high quality of living in a city they consider living and working in.

Investment

Vienna is an attractive place to live and work in, and Vienna's population has been growing for years. Meanwhile, Vienna has become the seventh largest city in the European Union. Current forecasts predict that Vienna will continue growing in the future and once again surpass the historic two-million inhabitants mark by 2029. To safeguard Vienna's high quality of living and locational advantage in the future, it is necessary for the available infrastructure to grow in line with the population: childcare, schools, public transport, housing, etc. all have to grow both in terms of capacity and quality. At the same time, the city has to reserve space for business operations. The City of Vienna is committed to the principles of economy, efficiency and effectiveness, with the long-term well-being of its citizens as its tenet. However, preserving this high quality of living requires adequate investment; investment backed by sustainable assets (such as buildings, transport facilities, R&D, education). This is why Vienna pleads to exempt such investment from deficit calculation rules (think Stability and Growth Pact).

Business cycle

The City of Vienna is pursuing a proactive economic policy in an effort to counteract the negative effects of cyclical economic developments. Unemployment and poverty, in particular, pose a threat to the coherence of society. With a view to a 'double dividend', infrastructure measures are not cut back, not even in times of economic crisis, but, on the contrary, continued with the economic cycle and sustainability in mind. A key element of a targeted and proactive business cycle is to cast a critical eye on how such measures affect employment.

Quality of living

As numerous international rankings, but also studies conducted in Vienna itself show, Vienna is a city that offers a very high quality of living. Security, purchasing power, skilled labour, public infrastructure (e.g. public transport and subsidised housing) are elements that deserve special mention in this context. These excellent conditions are based on a large number of individual measures which, taken together, not only constitute a highly valuable locational advantage for residents, but also boost the city's attractiveness as a business location.

Public enterprises

The business enterprises owned and run by the City of Vienna play a pivotal role for the city's economy, and do so in two ways. The Vienna Public Utilities alone contribute, either directly or indirectly, about six per cent to Vienna's added value, which translates into more than 64,000 jobs. At the same time, these enterprises offer top-quality services to all citizens – from public transport to museums, from energy supply to sports events – and make a major contribution to the quality of living in Vienna. The City of Vienna is committed to upholding this offer and strives for top-level quality at affordable prices.

Taxes

The City of Vienna aims for an equitable distribution of the tax load, which means that taxation has to be correlated to what people can afford to pay. One aim in this context is to relieve the tax load for earners of small incomes in an effort to strengthen purchasing power and trigger positive effects on employment. Sole traders, too, will profit from such an approach. The assessment base for funding government responsibilities will also have to include profits and assets. Innovative approaches are called for when it comes to designing a modern-day taxation

system. Changes in work processes and the stronger role of the Internet have to be taken into account, and the one-sided taxation of labour should be eliminated (think tax on value added).

Environment

Ecology and economy are not mutually exclusive. Quite on the contrary, ecological challenges give rise to economic opportunities. As a strong R&D location with a highly skilled workforce, Vienna is excellently positioned to offer innovative solutions and products to the world market. It needs to be pointed out in this context that ecological measures come with double benefits: they generate demand and create jobs, while at the same time improving energy efficiency (for example, thermal insulation of buildings). Vienna is addressing this issue head-on and has already launched a number of initiatives. The Smart City framework strategy acts as an umbrella for all measures aimed at improving energy efficiency and climate protection and sets out long-term goals in this field.

The City of Vienna embraces a proactive economic policy that is aimed at fighting the negative effects of cyclical economic developments, such as high unemployment, while at the same time supporting and controlling structural change in the economy. In addition to active real-estate management, a growing city also needs growth and high quality for its infrastructure, which means an investment in the future. Finding the funding needed for these crucial types of spending must not be sacrificed to budgetary austerity.

b) Work

Unemployment
 Population growth
 Good jobs
 Internet economy
 Boosting employment
 Qualification plan
 Responsibility
 The City of Vienna as an employer

Vienna's labour market is characterised by the progress it has made in terms of structural change, both as compared to the rest of Austria and on a worldwide scale. The services sector is highly developed, the manufacturing sector is highly productive, and economic development and income also achieve high levels. However, Vienna has not been left unscathed by the international economic crisis. Even though the number of jobs has increased over the past few years, unemployment has risen, too, as more and more people enter the labour market, while economic growth remains below the long-standing average. This is why the City of Vienna embraces comprehensive activities both in terms of labour market demand, i.e. for instance measures aimed at stabilising the economy, and in terms of creating new jobs in Vienna. To this end, Vienna will leverage all the instruments a federal province has at its disposal in Austria: making investments, fighting the undercutting of social security standards and tax fraud, and promoting skills improvement.

Unemployment

Trends in employment and unemployment in Vienna are very much dependent on the globalised development of the international economy. Lately, Vienna's labour market has been clearly feeling the effects of the financial and economic crisis. The number of people employed has grown significantly over the past few years, with new all-time highs being recorded recently. However, during the same period, the number of job seekers has increased to a much greater extent than the number of jobs being offered. The City of Vienna will use all the resources at its disposal to be able to offer people a positive perspective on Vienna's labour market. The long-term goal here remains full employment.

Population growth

The growth in the number of citizens comes with great opportunities for Vienna's labour market, as, over the medium term, Vienna will be a comparatively 'young' city by all demographic forecasts. In Europe, where ageing populations and a decline in the potential workforce are the norm, this is an economic advantage that should not be underrated. What will be crucial in this context is how the city can leverage the brain gain resulting from population growth. A key factor for Vienna's economy will be the integration of people moving to Vienna in all walks of society. Vienna is a metropolis and plans to benefit from the growing interest it attracts. Vienna will put even more effort into presenting itself as a desirable location, also based on the population trend which will qualify it as an international metropolis in terms of numbers, too.

Good jobs

The City of Vienna strives to be a business location that offers *good jobs*, for employee satisfaction is a key success factor for Vienna's businesses. *Good jobs* imply not only being able to earn a decent living, but also to experience a high quality of employment. In addition to fair pay and job security, *good jobs* also comprise factors such as social protection, health protection and family-friendly work arrangements. What Vienna does not want is a broad low-pay sector, as is already becoming established in some regions in Europe. Strong employee representation, within the tradition of Austria's tried and tested social partnership arrangements, is a key prerequisite for achieving these goals.

A society can only work properly if everybody is making a contribution. Unfair competition based on undercutting pay and social security standards is not something to be shrugged off as trivial; it harms employees and law-abiding businesses alike. For this reason, Vienna encourages a firm approach by the federal authorities where pay and social security standards are being undercut, as compliant businesses, employees and the citizens of Vienna all need to be protected.

Internet economy

Modern-day communications technology makes it possible to create global business models for all kinds of transactions conceivable, with citizens acting both as producers and consumers (peer-to-peer). Service providers such as *Uber* and *Airbnb* are recording enormous growth rates. Given the international orientation of such a large part of economic activity, economic policy at local level has to analyse these new business models and take adequate steps to ensure fair competition between the 'old' and 'new' economies. Vienna embraces innovation and wants to provide conditions where innovation can thrive. At the same time, the existing social model must remain intact, and Internet-based business models must adhere to applicable rules and regulations (tax law, compulsory social insurance, etc.). Both

the employed and the self-employed have to be protected under the tenet of *good jobs*.

Retailing via the Internet presents a challenge to brick & mortar businesses. Vienna intends to help local businesses develop innovative business models with a view to reducing dependency on globally operating platforms. We want to use the Internet to achieve re-regionalisation, thus helping and strengthening trade and industry in Vienna.

Boosting employment

Currently, the most pressing problem for Vienna's labour market is to enable as many as possible out of Vienna's growing number of residents to find jobs. To be able to retain the high quality of living for the Viennese also in years to come, the labour market has to accommodate and reflect the growth in population. This challenge is all the greater as Vienna is the only one among all Austrian federal provinces where the number of people able to work is forecast to grow between 2015 and 2030. The past few decades have shown that any rise in employment figures at regional level is very much dependent on economic growth. Impetus for growth based on private and public demand is therefore all the more important to ensure that the number of jobs will increase.

Austria introduced the 40-hour working week in 1975. Since then, the economy has undergone fundamental changes and recorded enormous increases in productivity. Given this progress, in particular in process automation, as well as the development of unemployment, it is high time to seriously discuss a reduction of working hours.

Vienna Qualification Plan

Current labour market forecasts predict that the situation on the Viennese labour market will remain fraught with tension. While a further rise in the number of jobs is expected, such job offers will cater exclusively to those with medium- or high-level qualifications. People with low-level formal qualifications will experience a further decline in job offers, which will entail a rise in the risk of such people being affected by unemployment and poverty. The City of Vienna recognised this challenge early on. Within the scope of the *Vienna 2020 Qualification Plan*, the City Administration has teamed up with all responsible stakeholders in education and labour market policy (social partners, AMS [Public Employment Service Austria], the Federation of Austrian Industries, the Vienna Schools Council, the Service Centre of the Federal Ministry of Labour, Social Affairs and Consumer Protection) in an effort to provide targeted measures to upskill Viennese residents with low formal qualifications and prepare them for the labour market of the future. The Vienna Employment Promotion Fund (waff) played a leading role in drawing up the *Vienna 2020 Qualification Plan* and continues to coordinate and monitor its implementation.

Responsibility

The City of Vienna will continue to embrace an anti-cyclical economic policy and further expand the range of social services it provides (such as childcare, nursing care, social housing projects, etc.). As Vienna's economic policy sees the creation of jobs as a key mandate in times of crisis, all spending by the City of Vienna is to be reviewed with a special focus on its impact on employment.

The City of Vienna as an employer

The City of Vienna has a major role to play as an employer at local level and is fully aware of the responsibilities this entails. High-quality apprenticeship training, further education and training measures and a long-term perspective have ceased to be a

matter of course in today's working environment. In view of the difficult economic times, the businesses operated by the Vienna City Administration have decided to provide training opportunities to more apprentices than they can then hire at the end of their apprenticeship terms. The City of Vienna pursues this approach because it is able to offer high-quality training positions and thus help young people to obtain the qualifications they need to get an excellent start on the labour market.

The growth in population has to go hand in hand with a rise in employment and a rise in the number of people getting access to jobs. By investing public funds, increasing participation opportunities for employees and creating a business-friendly climate, Vienna is continually improving the conditions for job growth. Vienna puts a strong emphasis on good, high-quality jobs that pay a living wage.

c) Dynamic drive

Entrepreneurship
 Research & development
 Innovation
 Creativity
 City of opportunity
 Start-ups
 Venture capital
 Responsibility

The United Nations Human Settlements Programme refers to Vienna as the “most prosperous city in the world”, making it a model for cities worldwide within the context of the rapidly growing urbanisation in the 21st century. This dynamic drive is owed to both public and private enterprises. Vienna is a dynamic city, a city that attracts people from all over the world who would each like to see their very own plans for their lives unfold here. This makes Vienna a city of opportunity, a city of change. The Vienna City Administration considers this dynamic development and the on-going change that comes with it a special locational advantage, a value whose significance and importance needs to be communicated and leveraged. The City of Vienna is committed to taking the initiative, also in the future, in an effort to leverage this dynamic drive and to promote both technical and social innovation.

Entrepreneurship

For a business location to prosper, it is crucial to have entrepreneurship, i.e. people with an entrepreneurial mind-set. For this reason, Vienna intends to raise awareness of entrepreneurship and to foster a culture of creative failure, which is part and parcel of innovation. The stigma attached to entrepreneurial failure, which is widespread in Austria, is to be eliminated, with more people becoming prepared to accept the risks that come with entrepreneurial activity. The City of Vienna actively supports the establishment of new businesses by providing grants at all levels, such as extra funding for investments, or assisting in creating jobs, or by offering guarantees, advisory facilities and tailored real-estate solutions.

Research & development

Vienna is one of the oldest university cities in Europe. Within the German-speaking world, it boasts the largest number of university students. Vienna has always been a city dedicated to knowledge and research. Five per cent of the Viennese workforce are employed in research and development – this is the third-highest number among all regions within the EU-28. Research and innovation are pivotal factors for a successful business location. The existing human capital and the city's growth trend both need to be leveraged. Communicating research results to the world at large may be considered a beacon for the general open-mindedness of a society. Strengthening the status of Austria's capital as a research hub will ensure that Vienna will continue to be seen as an attractive destination for highly qualified labour, a major advantage in international competition.

Innovation

Vienna has undergone rapid change over the past 30 years. This change has been fuelled above all by the on-going commitment to innovation shown by all stakeholders – innovative Viennese businesses that have created jobs in Vienna based on new products and services; innovative drive demonstrated by municipal services; social innovations that promote co-existence and comprehensive integration, such as *Social City Vienna*; scientists and researchers inside and outside academic institutions who have had, and developed, new ideas. Adequate development of the city's structure is to incite more and more businesses to venture into innovation, to raise the profile of social innovation, and to engender further expansion in science and research activities in Vienna. In 2007, Vienna developed a business promotion scheme (*Vienna thinks the future*), which will be superseded in 2015 by a new strategy called *2020 Innovative Vienna*. By deciding to position itself as a *smart city* in response to the challenges of the future, Vienna has charted a clear course.

Creativity

Creativity is one of the key prerequisites for a dynamic business location. World-famous economist Joseph Schumpeter, whose career started in Vienna, popularised the term 'creative destruction'. According to his theory, any kind of economic development is also based on a process of destruction, with old structures being destroyed and new ones taking their place. Vienna is committed to encouraging this kind of creativity at all levels so as to benefit from new developments and to be able to seize opportunities as a business location. With this in mind, the Vienna City Administration is launching various initiatives, such as ideas competitions hosted by *departure*, the Vienna Business Agency's creativity centre, Open Government Data projects or participation processes such as the Local Agenda 21.

City of opportunity

Vienna is a city of opportunity – this is why it attracts people from all over the world. Here, they find opportunities to live their dreams, to take risks, to create something new, and to benefit from the high quality of living. To help them do so, the City of Vienna seeks to provide the necessary framework and conditions. People who pursue entrepreneurial activities in Vienna – be it running a food stall or presiding over the management board of an international corporation – play a key role in shaping development and on-going change in the city. They are aware of their role and of their responsibility towards society, and they are perceived accordingly by society and political decision-makers.

Start-ups

Over the course of the past few years, Vienna has turned more and more into a

genuine start-up city, a city that attracts people, a city where people set up new businesses. Every year, more than 8,000 people from all over the world take the plunge and become entrepreneurs in Vienna. In 2013, more than 600 of them were identified as start-ups, i.e. businesses established with an explicit focus on growth. These businesses are highly important for the labour market as they create the jobs of tomorrow. This is why the Vienna City Administration tries to offer them the best possible conditions to successfully translate their entrepreneurial creativity into practice, for instance by providing a range of complementary offers throughout the process of setting up a business.

Venture capital

Vienna strives to offer optimal conditions to businesses and to encourage entrepreneurship. The Vienna Business Agency makes funding in the amount of some EUR 40 million per year available for this purpose. Translating new business ideas into reality also requires a working capital market, and, especially where highly innovative projects are concerned, adequate access to venture capital. The City of Vienna intends to leverage all the resources at its disposal in an effort to also improve the situation in private corporate funding over the long term.

Responsibility

Entrepreneurs are key drivers of development in Vienna. They take on responsibility not only in the business world, but also in society. Be it an ecological approach to production, the treatment of employees, cooperative ventures with partners in business and academia or the international aspect of the city's economy, entrepreneurs have to act responsibly in all of these areas. This is why Vienna needs businesses that position themselves internationally as offering high quality, while at the same time being aware of their social and ecological responsibilities.

A successful and dynamic business location must offer opportunities for creativity to unfold and must foster proactive behaviour. For this to work, overall conditions and parameters also need to be adequate. The City of Vienna is aware of its responsibility in this field, but also calls upon businesses to assume their social responsibilities.

d) Diversity

Services
 Industry
Industry 4.0
 Migration
 Tradition
 Structure of the economy

Vienna has always been characterised by cultural diversity. As globalisation proceeds and in view of population growth at a rate that will see Vienna once again jump the historic 2-million mark, the city has an enormous potential for creativity and innovation. Diversity is a locational advantage that needs to be properly leveraged.

As the economic crisis of the past few years has made clear, Vienna's economy is relatively stable as concerns fluctuations in economic activity. This stability is owed to the highly diverse structure of Vienna's economy: Vienna is both a services hub and a manufacturing location. The fields where Vienna's economy excels (ICT, life sciences, environmental technology, the creative industries, mobility) feature world market leaders just as much as innovative start-ups, traditional medium-sized companies or small businesses. For this reason, Vienna's economic policy focuses on supporting diversity in Vienna's economy in all its aspects, for a business location that has strengths in different fields is less vulnerable to future crisis scenarios.

Services

Vienna is Austria's services hub. Its modern-day urban economy provides excellent conditions for highly differentiated and specialised companies to offer their services. Knowledge-intensive, business-related services are especially successful in Vienna, with tangible specialisation advantages being recorded even by international standards. The range of fields where services are being offered includes tourism, the creative and media sector as well as information and communications. The diversity of the economic structure also needs to be communicated to the public at large. What has to be conveyed is that business success in Vienna is not limited to Empress Sisi and the Spanish Riding School, but that a whole panoply of different fields contribute towards it. This is why Vienna will also work on the way it presents itself to the outside world, putting more effort into conveying that it is a dynamic business location and not just an attractive tourism destination.

Industry

Having an industrial basis is crucial for the economic success of Vienna in more than one way: Industrial activity creates jobs, demands services (thus also safeguarding jobs outside its own field) and is responsible for the majority of R&D spending. As compared to the rest of Austria and the rest of the world, structural change in Vienna's industrial sector has proceeded fast and with a clear focus on technology and knowledge. Even by comparison with other European metropolitan areas, Vienna's industrial activities have meanwhile been geared more and more towards the medium- and high-tech segment. The City of Vienna is clearly committed to industrial manufacturing and is fully aware of its importance for the labour market and value generation in Vienna. This commitment becomes manifest in a business location agreement called *Vienna: City of the Future - City of Industry* entered into by the City of Vienna and the Vienna branch of the Federation of Austrian Industries. The STEP 2025 plan for urban development also sets out that Vienna must make sufficient space available for industrial activities.

Industry 4.0

As cutting-edge information and communication technologies and classical production processes merge, entirely new business models and possibilities to add value will appear. As a location that offers both a highly skilled workforce and highly developed complementary fields of activity (ICT, creative segment), Vienna is optimally prepared for this technological development. Especially in light of the EU strategy to raise industry's share of GDP to around 20% by 2020, Vienna will ramp up its efforts to position itself as a state-of-the-art manufacturing location.

Migration

Cultural diversity is one of Vienna's particularly strong suits. This comes with a number of positive effects. Multilingualism is a locational advantage that should not be underestimated in a globalised economy. However, the diversity of the Viennese population also makes itself felt impressively among its entrepreneurs. About a third

of all enterprises in Vienna are owned by people of non-Austrian descent. These enterprises safeguard jobs and make Vienna a richer and more attractive business location. The City of Vienna is fully aware of the importance and potential of these Viennese entrepreneurs. Offers relevant to this group of persons – such as the funding and advisory services provided by the Vienna Business Agency – are being continually further developed.

Tradition

Looking back on an eventful past, a city like Vienna often finds itself caught between tradition and modernity. This fact is also being reflected by the way the city is perceived by the world at large. In numerous projects and events abroad, the Vienna Tourist Board has managed to successfully balance the cliché of Vienna as an imperial city dwelling on its past glory with the image of a modern, innovative and open-minded city. While Vienna's cultural heritage remains exceedingly important, there are numerous new and innovative fields and companies at work in Vienna, which has become one of the largest ICT locations in Europe. The tension between old and new is likely to give rise to creative solutions. What is called for is finding a good balance so as to be able to leverage potential and opportunities still lying dormant.

Structure of the economy

Apart from the variety of segments, the diversity of Vienna's economy also becomes manifest in the structure of its enterprises. Small, micro and one-person businesses work side by side with international groups and corporations that successfully sell their products on the world market as well as established providers of goods and services for the local market. New and innovative start-ups add to the comprehensive picture of a highly diversified economy. The aim in this context is to retain this enormous pool of potential and to keep developing it further.

Vienna recognises that the diversity of its local economy constitutes a strength, a key basis of stability and development. Consequently, the city aims to retain this well-balanced mix of segments as well as raise awareness for the importance of such diversity. For this reason, Vienna encourages networking between old and new, between large and small, between manufacturing and services, and provides support for spin-offs and new companies.

e) Coherence

- Equality
- Solidarity
- Social inclusion
- Corporate ethics
- Income equality
- Access to the labour market

To retain its diversity, Vienna cannot do without all the many structures and entities that encourage and enable coherence, solidarity and co-operation. From the social partnership approach in politics to neighbourhood help schemes, from local cultural initiatives to research co-operations, from multi-generational housing projects to

teams setting up internationally oriented high-tech start-ups, from inclusive schooling for handicapped children to cooperative ventures within business clusters: Vienna is, and always has been, a place where different people meet, where diversity gives rise to novelty, and where the rules required to ensure peaceful coexistence are accepted and complied with. This is an area where Vienna's deep-rooted socialist tradition is drawn on and given a contemporary overhaul.

Equality

As a city of opportunity, Vienna strives to offer everybody the same opportunities to develop. Discrimination based on sex, colour of skin, religion, sexual orientation, origin, world view, etc. is strictly out of bounds. For this reason, the Vienna City Administration has assumed responsibility for identifying and eliminating discrimination. A special concern in terms of economic policy is fighting the gender pay gap. As an employer, the City of Vienna has therefore tasked a special department with identifying violations of the equal treatment principle in the Vienna City Administration. Likewise, public spending by the City of Vienna is subject to gender budgeting, i.e. its gender-related effects are analysed.

Solidarity

Solidarity is a key prerequisite for the coherence and economic performance of a society. With active participation by Viennese citizens, the *Vienna Charter* has compiled topics of interest and set out rules for living together in this city. What is more, Austria also boasts an economic tradition that has earned international recognition: The so-called 'social partnership' approach brings various stakeholders together to discuss issues and jointly come up with effective solutions that take account of all the various interests. Continuing this tradition is a major locational advantage for Vienna and a fact that attracts international attention.

Social inclusion

Everybody who lives in this city is supposed to be able to participate in its social life in accordance with their needs and wishes. This applies to all spheres of life – the labour market, cultural offers, educational facilities, etc. It is important to take insecurities and uncertainties caused by social change and, in particular, fast-paced technological change seriously and to take specific counter-measures (information, further education and training, support and assistance). Vienna's motto is: No one should be left behind.

Corporate ethics

Vienna has a lot to offer to businesses: High purchasing power, a highly skilled workforce, excellent public infrastructure, advice and assistance, as well as a high quality of living overall. On the other hand, businesses create jobs in Vienna, thus safeguarding income and wealth. This mutual give and take for the benefit of all calls for rules of behaviour that make sure that no one is being taken advantage of. For this reason, the City of Vienna also calls upon businesses to show social responsibility and respect.

Income equality

Various studies (e.g. the OECD Focus on Inequality and Growth of December 2014) find a negative correlation between income inequality and economic growth. According to these findings, a more equitable distribution of a society's wealth would not only be desirable in terms of equality, but also in terms of future economic growth potential. Over the past decades, a gap has opened in earned income that cannot be justified economically and is likely, in the final count, to jeopardise social peace. It has to be possible to make a decent living from one's job. Models found in

other countries which deliberately tolerate a low-pay sector and the presence of working poor in their societies are out of the question for Vienna.

Access to the labour market

Access to the labour market must be available to everybody. It is important to overcome the phenomenon of a growing gap on the labour market, a gap between full-time employment with lots of overtime on the one hand, and precarious part-time jobs on the other. Being excluded from the labour market for any prolonged period of time not only causes an obvious loss of income, but also entails social stigma and a decline in human capital, which makes it all the more difficult to find one's footing on the labour market again. For this reason, Vienna's labour market initiatives aim to achieve the best possible match between offer and demand for jobs by promoting professional qualification and continued professional development for the labour force.

Vienna is a city that puts great store by active participation and solidarity in living together. The structures needed for this purpose are being continually further developed at all levels to ensure that everybody in Vienna can fulfil their potential to the fullest. A crucial issue in this context is to give everybody – women and men, people with and without an immigration background – access to the labour market and access to income that helps meet a minimum standard of wealth and security. While this is a necessity from a social perspective, it also makes sense from an economic angle, as equal access, equal opportunities and a curbing of income inequality will all lead to stronger economic growth.

f) International outlook

European integration
Global economy
International organisations
Tourism
Vienna is attractive
Heart of Europe

Many of the changes that Vienna underwent in the course of the past 25 years came as a consequence of the city being more strongly involved in the process of European and international integration. Vienna has become a metropolis where the old merges with the new, a city that scores top ranks in various international comparisons. To not only measure up to international competition, but to be considered a yardstick, Vienna has to build on these strengths.

As a business hub within its immediate vicinity and beyond, Vienna is competing with other comparable large cities internationally. As well as high productivity, its geographical location is an advantage that Vienna has to leverage. Vienna recognises these opportunities and is set to fulfil its role as a hub towards Eastern Europe to a greater extent and put existing potential to good use.

European integration

Along with the increasing integration of the European countries, the structure of

Vienna's economy and the whole city itself have undergone massive changes since the late 1980s. Vienna intends to actively continue along this path, with participation in European Union programmes helping it along the way. What has to be kept in mind at all times is the social dimension: There is still a strong gap in wealth in Europe. Unemployment – especially among the young – has taken on alarming proportions in some countries. The City of Vienna advocates a social and ecological focus in the European Union's economic policy. Fighting unemployment has to be on the top of the agenda in Europe.

Global economy

Today, Vienna's businesses have close links with the global economy. From goods manufacturing in Vienna, which is strongly geared towards exports, to tourism to knowledge economy service providers, Viennese businesses are just as present on international markets as Vienna in turn is a key location and market for globally operating companies. This integration both enables and forces Viennese businesses to face up to fierce competition. In doing so, Vienna's businesses can score only based on quality and productivity. Competing on price, which would entail low pay, is not an option. What is more, Vienna actively supports worldwide compliance with minimum standards under occupational health and safety regulations, for globalisation must not be achieved at the expense of the workforce.

International organisations

Vienna is the only city in the European Union to have been hosting one of only four United Nations headquarters at the Vienna International Centre (VIC) for more than 30 years now. Apart from the United Nations, a number of other international organisations and institutions also appreciate Vienna as a location (e.g. OSCE, OPEC). Vienna intends for the presence of such international organisations to continue also in the future, as a clear sign of its international outlook.

Tourism

An amazing cultural heritage going hand in hand with modernity and open-mindedness – these are the factors that have turned Vienna into a magnet for tourists. The city is currently recording more than 13.5 million overnight stays by visitors. On top of that, Vienna is one of the leading conference destinations, with the number of congresses held here having more than doubled over the past ten years. All of this generates value and safeguards jobs. The aim of Vienna's *2020 Tourism Strategy* is to further improve Vienna's competitive position, enabling it to remain successful in a global growth market also in the future.

Vienna is attractive

Since 1990, numerous multinational companies have chosen Vienna as the place to host their regional headquarters; currently, there are about 200 of them. In recent years, a growing number of EU citizens have opted to make Vienna their new place to live and work in. On balance, more than 25,000 people move to Vienna each year. 33 per cent of Viennese citizens were born abroad. People come to Vienna to seize the opportunities the city holds in store for them. This trend is bound to turn Vienna into Austria's youngest federal province in demographic terms. As a result, Vienna will become more and more attractive in the competition to attract the best talent, which will help make the city the prime start-up location in Central Europe.

Heart of Europe

Within Central Europe, Vienna stands out as a business location with excellent productivity rates. The influence of Vienna's economy far exceeds the geographical and administrative boundaries of the city. Some 350,000 people, primarily in the Central and Eastern European region, work for enterprises owned by Viennese

businesses. And Vienna's labour market caters to more than 250,000 people from other federal provinces. Vienna is also becoming more and more important as a place where students from neighbouring countries come to enrol at university. This growing degree of integration with Europe in the widest sense comes not only with a growing importance of international networks for Vienna as a business location, but also with increased responsibility to be taken on by Vienna's economic policy for the region surrounding the city.

Globalisation and European integration have led to profound changes for Vienna's economy and society. For Vienna as a business location, it is pivotal to play an active role in shaping the developments of the future. In addition to positioning itself successfully on international markets, this also involves active commitment to compliance with minimum social and ecological standards.

5. Credits

Published by:

Vienna City Administration

Municipal Department 23 – Economic Affairs, Labour and Statistics

Contact:

Municipal Department 23 – Economic Affairs, Labour and Statistics

[Meiereistraße 7, Sektor B](#)

A-1020 Vienna

E-mail: anfragen@ma23.wien.gv.at

Date: August 2015
