NEOSLAB

READY FOR THE FUTURE

How to strengthen Austria's competitiveness

EDITORIAL

Especially in challenging times, it becomes clear whether a country merely manages – or actively shapes – its future. Competitiveness is not an abstract concept: it determines whether innovation emerges, jobs are secured, and prosperity can be sustained in the long term.

This is precisely where **“Ready for the Future?”** by NEOS Lab comes in. Through open World Cafés and a digital participation process, joint answers were sought to the central question: **Which levers can restore Austria’s competitiveness?**

This booklet summarizes the key insights and policy recommendations. It is an invitation to stakeholders in politics, business, academia, and society to continue the dialogue toward a competitive, sustainable, and innovative future for Austria. One thing is clear: the future doesn’t just happen.
We shape it.

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1. A CHALLENGING STARTING POSITION

In times of high inflation, recession, and urgent austerity measures, boosting competitiveness is not an easy task – but more important than ever. So, the goal is to strengthen Austria as part of the EU in international competition and to make it ready for the future.

There is growing concern that Austria is losing competitiveness, primarily due to a sharply slowing growth in productivity. This is the conclusion of a recent study by FORWIT and the Productivity Council (Mazak-Huemer, Reinstaller 2025). The causes include a shortage of skilled labour, slow digitalisation, dependence on medium-technology industries, limited availability of venture capital, heavy regulation, and insufficient investment in public infrastructure. Digital transformation – particularly the use of information and communication technologies (ICT) and artificial intelligence (AI) – is not being sufficiently leveraged, even though it is crucial for productivity and competitiveness (Mazak-Huemer, Reinstaller 2025).

A similar assessment is provided by the European Commission’s country report on Austria (European Commission 2024). Alongside weaknesses such as skills shortages, unequal access to education, excessive bureaucracy, and limited venture capital,

Austria also has clear strengths. These lie in research, innovation, digitalisation, green technologies, and infrastructure (European Commission 2024). Austria is also particularly strong in quantum science and quantum technology – an outstanding highlight in the International Year of Quantum Physics 2025.

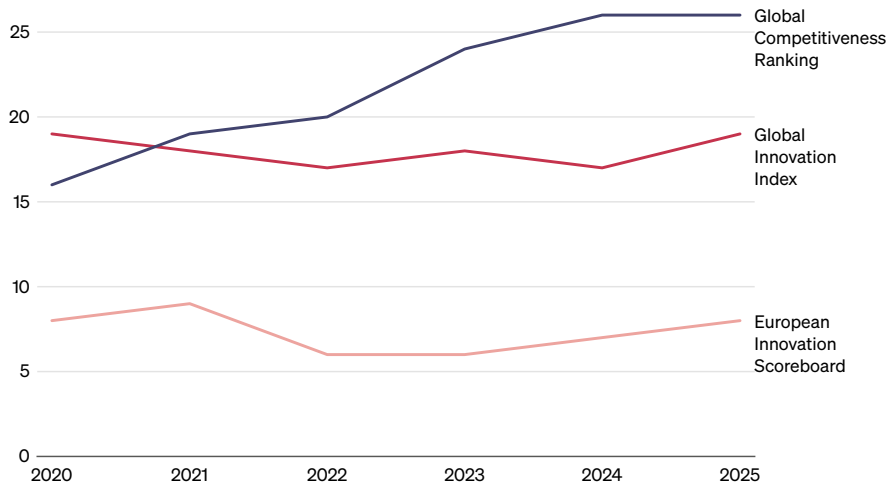
With R&D expenditure amounting to 3.26% of GDP, Austria ranks among the EU leaders in research spending. Nevertheless, the transfer of research into market-ready innovations lags behind that of leading innovation nations (Mazak-Huemer, Reinstaller 2025). According to Alexandra Mazak-Huemer, Deputy Managing Director of FORWIT, the "last mile" of the innovation chain is missing: the transfer of research results into the market is not effective enough.

High public deficits further complicate reform efforts. Austria must reduce its budget deficit to 2.6% of GDP by 2028, limiting fiscal space for investment. At the same time, structural reforms are needed to strengthen productivity and competitiveness. Efficient austerity policies should not exacerbate weaknesses but free up resources for targeted investments. Fiscal consolidation offers the chance to systematically review existing measures for efficiency and effectiveness (Mazak-Huemer, Reinstaller 2025).

As Austria is steadily losing importance in the global research and innovation landscape, there is an urgent need to strengthen research, technology, and innovation (RTI). Against this backdrop, NEOS Lab – together with Martina von Künsberg Sarre, Member of Parliament and NEOS spokesperson for education and science – invited interested citizens to its event space at Am Heumarkt to jointly develop solution strategies and concrete policy recommendations.

Austria stagnates in international comparison

Current rankings of Austria according to leading international competitiveness and innovation indices



Quelle: FORWIT with Data by IMD, WIPO, EIS

2. FINDING SOLUTIONS: WORLD CAFÉS AT NEOS LAB

On October 22, 2025, NEOS Lab launched its first open participation process with the event "Ready for the Future?". The exchange of ideas took place both in four World Cafés at Am Heumarkt and subsequently online. After the event, participants were also able to share additional ideas, solution proposals, and good practices on the digital CrowdInsights platform.

In her keynote speech, Alexandra Mazak-Huemer provided a common basis for discussion, illustrating how the RTI Monitor can be used to systematically capture Austria's research landscape, technological standing, and innovative capacity. With his introductory remarks, Lukas Sustala – Political Director at NEOS and Head of the NEOS Lab think tank – explained the concept of the "Future Quota" (Sustala 2025). This refers to forward-looking investments and expenditures, such as those for education, research, and climate action. When monitoring public spending, the "Future Quota" thus serves as a key indicator of future-oriented investment.

This was followed by intensive brainstorming and discussion in the World Cafés, moderated by renowned experts: Markus Wanko, Managing Director of XISTA (Klosterneuburg), led the first World Café on top-level research and technology transfer. Hannah Wundsam, Managing Director of AustrianStartups (Vienna), moderated the second World Café on start-ups and scale-ups. Karin Huber-Heim, Managing Director of the Circular Economy Forum Austria (Vienna), led the third World Café on environmental protection and competitiveness. Roderick Bloem, Professor at Graz University of Technology, moderated the fourth World Café on digitalisation and artificial intelligence (AI).

Their opening statements were clear and to the point:

Markus Wanko

"Technology transfer from Austrian universities is gaining momentum, but it often remains fragmented: strong research meets complex structures and an underdeveloped capital market. So, let's roll up our sleeves – there's plenty to do!"

Hannah Wundsam

"If we want to strengthen Austria's competitiveness, we must treat start-ups as a central pillar of economic policy – with less bureaucracy, better framework conditions, and clear incentives for growth."

Karin Huber-Heim

"With its innovative strength and strong industrial base, Austria can turn decarbonization from a cost factor into a growth driver – through investment in green technologies, circular economy models, and sustainable value creation."

Roderick Bloem

"The economy is changing rapidly. Austria must now set the course in education, research, and regulation."

The shared goal of these World Cafés was to analyse Austria's strengths and weaknesses in terms of competitiveness, distil key insights, and develop concrete policy recommendations. The focus was on the ideas and solution proposals jointly developed by the participants – and there were many. To give all of these ideas sufficient space, an online process was launched in parallel. On the CrowdInsights platform, interested citizens were able to submit additional proposals and recommendations. This open participation process – NEOS Lab's first bottom-up initiative – produced consistently exciting and constructive results.

3. KEY INSIGHTS AND POLICY RECOMMENDATIONS

Across the four World Cafés, participants contributed a wide range of innovative ideas, focusing on four core pillars of Austria's competitiveness: technology transfer, entrepreneurship, climate protection, and digitalisation & AI.

1) Developing Austria as an internationally recognized hub for top-level research and technology transfer

Focus: identify existing experiences and collaborations and then develop concrete measures as recommendations.

Moderator: Markus Wanko

2) Strengthening start-ups and scale-ups

Focus: better framework conditions for company formation and growth, making Austria a more business-friendly location.

Moderator: Hannah Wundsam

3) Establishing climate protection as a foundation for strong competitiveness

Focus: how to jointly advance climate protection and economic growth, and what a future green economy could look like.

Moderator: Karin Huber-Heim

4) Leveraging digitalisation and artificial intelligence as tools and priority investment areas

Focus: promoting the application of digitalisation and AI in Austria while striking a balance between AI regulation and a free market.

Moderator: Roderick Bloem

3.1. KEY INSIGHTS

Research and technology transfer

Austria has excellent research performance in niches such as quantum physics, biotechnology, and photovoltaics. However, fragmented university structures, complex legal frameworks, and overly broad focus areas reduce research efficiency. Cooperation between universities and non-university research institutions works better when resources are centralised and shared.

Start-ups and scale-ups

Entrepreneurship is still insufficiently taught at schools and universities in Austria. A lack of venture capital and clear legal frameworks inhibits founders. European start-ups suffer from fragmentation, weak networks, and underdeveloped capital markets. Employee participation models are limited, despite their potential to increase motivation and competitiveness. EU-wide harmonised regulations – such as a European legal form for companies proposed under the "28th Regime" initiative – are needed, as well as umbrella funds to attract investment into innovative start-ups.

Climate protection and circular economy

Climate protection and economic growth are not mutually exclusive; they can be combined (decoupling). Although Austria is advanced in circular economy practices, much of the potential remains untapped. Political stability, clear regulation, CO_2 pricing, and cost transparency are essential for investment security. Education and awareness-raising are also crucial to sensitise industry and society to circular economy principles.

Digitalisation and AI

Many SMEs underestimate the potential of AI, while fear of technology and a lack of innovation-oriented mindset slow progress. Data quality and connectivity in public administration and businesses are still inadequate. There is a shortage of skilled workers in digitalisation and AI, while STEM promotion and practice-oriented training remain insufficient. Gaps in co-operation between science and industry hinder the rapid implementation of innovation.

Overall, a mindset change is still needed to initiate the necessary trans-formations. Best practice examples in Europe offer suggestions for impro-ving Austria's competitiveness. And there are quite a few of them.

3.2. PROMISING GOOD-PRACTICE EXAMPLES

In quantum physics, Austrian universities cooperate very effectively. Quantum technology, in particular, makes Austria attractive to inter-national researchers. Excellence clusters encourage cooperation rather than competition.

In Finland, the Ministry of Education and Culture supports universities through special programmes that promote international cooperation while sharpening institutional profiles.

Stockholm has seen major success in the start-up sector, with several globally active companies originating there. Innovation and start-up culture correlate strongly with business-friendly conditions, available venture capital, and highly skilled labour.

In the circular economy, France has become a European role model by financially rewarding recycling instead of paying fines under EU packaging regulations – following the principle of "reward rather than punish."

The Netherlands has taken a pioneering role with numerous research projects and test labs focused on circularity, aiming to maximise its circular economy.

In digitalisation and AI, Estonia has been a pioneer by digitising gover-nance processes and reforming its education system within a tech-nology-friendly society.

Countries such as Switzerland, Sweden, Spain, Germany, and Latvia are working on evidence-based, open-source large language models to develop competitive European alternatives to US or Chinese systems like ChatGPT or DeepSeek.

3.3. CONSTRUCTIVE POLICY RECOMMENDATIONS

The policy recommendations can be divided into short-, medium-, and long-term measures.

Short term (0–2 years) – quick wins

1. **Share infrastructure and resource**s – Facilitate the shared use of existing research equipment, laboratories and platforms across higher education institutions to increase efficiency.

2. **Strengthen AI and digitalisation skills** – Reinforce STEM subjects in schools, offer practice-oriented further training, and actively involve women.

3. **Create innovation-friendly framework conditions for SMEs** – Establish "yellow pages" to promote cooperation between research institutions and SMEs.

4. **Transparent cost accounting and CO_2 pricing** – Make emissions and resource costs transparent and create economic incentives for climate-friendly behaviour.

5. **Entrepreneurial education in schools** – Expand programmes such as the "Youth Entrepreneurship Week" and enable practice-oriented learning projects.

Medium term (2–5 years) – systemic improvements

6. **Reward knowledge transfer at universitie**s – Adapt funding, evaluation and incentive systems so that research results flow more strongly into the economy and society.

7. **Umbrella funds for start-ups and scale-ups** – Establish seed funds and founders' funds to facilitate access to capital.

8. **Improve framework conditions for employee participation** – Remove limitations on FlexCo and stewardship models and create incentives for employee ownership.

9. **Practical cooperation between science and business** – Promote long-term contract research and launch flagship projects.

10. **Implement the circular economy** – Introduce whole-product recycling, circular engineering and resource efficiency in industry and public administration.

11. **Further strengthen excellent research niches** – Focus on quantum physics, photovoltaics and biotechnology; expand niche expertise and increase international visibility.

Long term (5+ years) – strategic direction

12. **Europe-wide harmonisation and networks** – Strengthen cooperation between European start-ups and markets and expand the EU single market for recyclates and financing.

13. **Technology-neutral policymaking** – Equip policymakers with technical training and embed long-term digital strategies and innovation-friendliness in legislation.

14. **Decoupling economic growth from emissions** – Promote investment in renewable energy, green biotechnology, CO_2 reduction, and knowledge- and service-based sectors.

15. **Climate-friendly market mechanisms** – Align resource taxation, public procurement and export strategies with the principles of the circular economy.

16. **Develop a corporate culture for innovation and AI** – Embed risk-taking, digital transformation, stewardship approaches and continuous upskilling over the long term.

There is no shortage of ideas to strengthen Austria's competitiveness. What is needed now is the political will to implement them. Many proposals point toward a strong, united Europe – an essential foundation for Austria's future competitiveness.

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