

## Chapter 2

# Funding and governance of school education in Austria

*This chapter is about the funding and governance of primary and lower secondary education in Austria. It analyses the overall budget for education and the distribution of funding across levels of education, provinces, school types and resource categories. It looks at the complex distribution of responsibilities for governing, financing and administering different school types between the federal, provincial and municipal levels and the extent of school autonomy taking recent reforms and proposals for further reform into account. It considers the strengths and challenges inherent in the current system highlighting the problematic incentives, the lack of transparency and trust, and the inefficiencies the complex system of governance generates and makes policy recommendations to address these issues through a reform of governance and funding mechanisms.*

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

## Context and features

### ***Goal-oriented budgeting and goals for the education system***

The Austrian government has undertaken significant steps in recent years to promote goal-oriented budgeting. Building on a comprehensive reform launched in 2009, new budgeting principles were introduced in 2013. These principles promote an orientation towards the outcomes of policy making rather than the inputs as well as efficiency and transparency. More concretely, the federal budget comprises a set of policy goals associated with particular quantitative and qualitative indicators. These indicators can serve as a guideline for policy making at different levels of government as well as a transparent measure to assess the performance of the government. The 2015 budget contains two policy targets (with three indicators each) related to education: “raise the level of education of students” and “improve equity and gender-equality in education” (Bruneforth et al., forthcoming: 20). These targets are associated with detailed indicators (e.g. the graduation rate of students in upper secondary education or the share of new entrants in higher education) and then translated into the framework for monitoring quality in education (see below). Since goal-oriented budgeting was introduced only recently, its effect on educational practices and outcomes still remains to be seen.

### ***Overall budget for education***

Table 2.1 displays national trend data from the national statistical office on the absolute amount of spending on different sectors of the Austrian education system for the time period 2000-11. These data are not comparable to the international data presented further below, but provide a good picture of recent trends in public spending. Total public education spending (including post-secondary and tertiary education) increased from a level of EUR 11 654.6 million in 2000 to EUR 17 343.2 million in 2011 (Statistik Austria, online database). Similar figures are reported in Bruneforth et al. (forthcoming: 52). Their time period of analysis stretches further back in time until 1995, and they find a relative increase in spending (in nominal terms, i.e. without taking into account inflation) of 64%, which is equivalent to an increase in spending in real terms of 33%. The national trend data show that the bulk of the spending increase took place since 2005. Looking at the distribution of spending across different sectors, there are some notable differences. The strongest expansion of spending occurred in pre-primary education (ISCED-97 level 0). Between 2000 and 2011, spending on this sector increased by over 100%, while spending on primary education and lower secondary education (ISCED-97 levels 1 and 2) increased by 30% and on upper secondary education (ISCED-97 level 3) by 54%.

The picture looks slightly different when looking at total public spending on education as a percentage of GDP (the last column of Table 2.1). This measure takes into account changes in economic output during the time period of observation. The national data show that the spending effort actually declined from a level of 5.5% of GDP in 2000 to 5.2% in 2007. It then increased in line with the significant expansion of absolute spending to a

**Table 2.1. Overall public spending on education in different sectors of the Austrian education system (absolute numbers in EUR million and as a percentage of GDP, based on ISCED 97), 2000-11**

Year	Early childhood education	Primary education (Years 1-4)	Lower secondary education (Years 5-8)	Upper secondary education (Year 9 and higher)	Total public spending on education (including tertiary and post-secondary education)	Total public spending on education as percentage of GDP
2000	880.5	2 297.7	2 959.5	2 608.1	11 654.6	5.5
2001	834.8	2 368.9	2 860.8	2 584.5	12 008.6	5.5
2002	886.4	2 432.5	2 958.7	2 663.1	12 254.3	5.4
2003	926.3	2 560.7	3 181.4	2 990.7	12 617.7	5.5
2004	938.8	2 435.2	3 035.4	3 040.1	12 850.3	5.3
2005	989.2	2 533.5	3 181.4	2 945.4	13 337.3	5.3
2006	1 028.5	2 599.2	3 324.4	3 195.7	13 998.0	5.3
2007	1 108.1	2 635.2	3 415.1	3 349.9	14 616.1	5.2
2008	1 290.9	2 758.6	3 616.0	3 540.1	15 463.5	5.3
2009	1 515.0	2 876.5	3 779.0	3 934.7	16 505.6	5.8
2010	1 742.0	2 889.9	3 752.7	3 729.7	16 867.5	5.7
2011	1 773.8	2 964.8	3 834.9	4 032.3	17 343.2	5.6

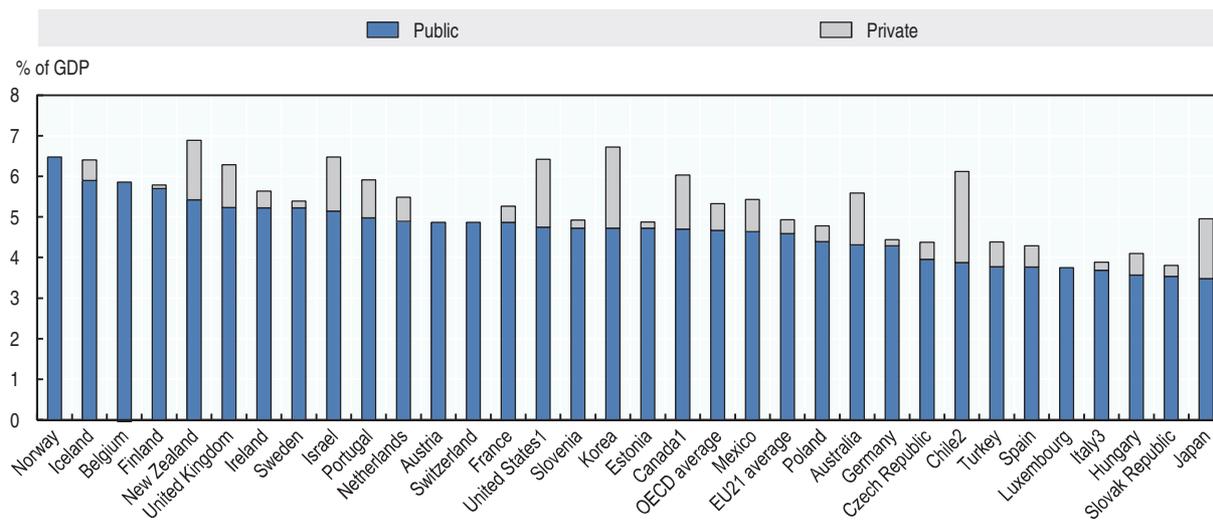
Source: Statistik Austria (no date), online database, [www.statistik.at/web\\_de/statistiken/menschen\\_und\\_gesellschaft/bildung\\_und\\_kultur/formales\\_bildungswesen/bildungsausgaben/index.html](http://www.statistik.at/web_de/statistiken/menschen_und_gesellschaft/bildung_und_kultur/formales_bildungswesen/bildungsausgaben/index.html).

high of 5.8% of GDP in 2009, but declined again to 5.6% of GDP in 2011. In interpreting these figures, it is important to keep in mind that the global financial and economic crisis was associated with a significant contraction of economic output. A shrinking denominator, therefore, leads to an increase in spending as percentage of GDP, even when absolute numbers stay constant. In general, the data presented in Table 2.1 simply document a significant increase in absolute public spending, but roughly constant public spending as percentage of GDP. This suggests that the economic and fiscal crisis did not yet have a strong impact on the education budget in Austria, even though some budget cuts were introduced in 2014 and 2015 and the education budget seems to face increasing pressure to make savings from the Ministry of Finance.

By international comparison, Austrian public spending on education from primary to tertiary education as a percentage of GDP in 2012 is above the OECD average, but there are a number of OECD member countries such as Belgium, Finland, New Zealand and Norway with a significantly higher share of public spending on education (Figure 2.1). Private spending on education is very low in Austria (0.0% of GDP) compared to some other countries.<sup>1</sup> In this respect, Austria is very similar to other countries in continental Europe. Higher levels of private spending on education are primarily caused by differences in the financing of higher education, in particular the importance of tuition fees as a source of funding (Wolf, 2009). When both public and private spending are considered, Austrian expenditure on education from primary to tertiary education as a share of GDP is lower than the OECD average (4.9%, compared to 5.3% in 2012), but still significantly higher than in the neighbouring Czech Republic, Germany, Italy and the Slovak Republic (OECD, 2015).

Over time, the relative position of Austria compared to other countries has slightly declined. When combining both public and private spending on education, Austrian spending on educational institutions for all levels of education as a percentage of GDP was slightly above the OECD average in 2000 (5.5% of GDP vs. an OECD average of 5.4%), but fell below the average in 2011 (5.7% vs. 6.1%), the latest year for which trend data are available for Austria (OECD, 2014a, Table B2.2).<sup>2</sup>

Figure 2.1. **Public and private spending on educational institutions, primary to tertiary education, based on ISCED 2011, 2012**



Note: Public spending includes public subsidies to households attributable for educational institutions, and direct expenditure on educational institutions from international sources. Private spending is net of public subsidies attributable for educational institutions.

1. Year of reference 2011.

2. Year of reference 2013.

3. Excludes short-cycle tertiary programmes.

Source: OECD (2015), *Education at a Glance 2015: OECD Indicators*, <http://dx.doi.org/10.1787/eag-2015-en>, Table B2.3.

When looking at absolute spending and spending as a percentage of GDP, it is difficult to tell whether total spending increases are associated with an increase in spending per student or an increase in the number of students due to demographic developments. It is, therefore, important to look at educational investments as per-student expenditure, which allows taking changes in the size of the school-age population into account. Per-student expenditure is typically influenced by the economic well-being of a particular country, with more wealthy countries being able to spend more on each student, while still devoting a smaller share of its GDP to education. Table 2.2 shows that, by international comparison, the Austrian education system enjoys high levels of public spending per student. In 2012, Austria spent 13 189 purchasing power equivalent USD per student from primary to tertiary

Table 2.2. **Annual per student expenditure on education in equivalent USD converted using PPPs, Austria and neighbouring countries, based on ISCED 2011, 2012**

	Pre-primary education (for children 3 years and older)	Primary education	Lower secondary education	Upper secondary education	Primary to tertiary (including R&D activities and undistributed programmes)
<b>Austria</b>	<b>7 716</b>	<b>9 563</b>	<b>13 632</b>	<b>14 013</b>	<b>13 189</b>
Czech Republic	4 447	4 728	7 119	7 469	7 684
Germany	8 568	7 749	9 521	12 599	11 363
Hungary	4 539	4 370	4 459	4 386	5 564
Italy	7 892	7 924	8 905	8 684	8 744
Slovak Republic	4 694	5 415	5 283	5 027	6 072
Slovenia	7 472	9 015	9 802	6 898	9 031
Switzerland	5 457	13 889	16 370	17 024	17 485
<b>OECD average</b>	<b>8 008</b>	<b>\$8 247</b>	<b>9 627</b>	<b>9 876</b>	<b>10 220</b>
EU21 average	8 146	\$8 372	10 040	10 011	10 361

Source: OECD (2015), *Education at a Glance 2015: OECD Indicators*, <http://dx.doi.org/10.1787/eag-2015-en>, Tables B1.1a and C2.3.

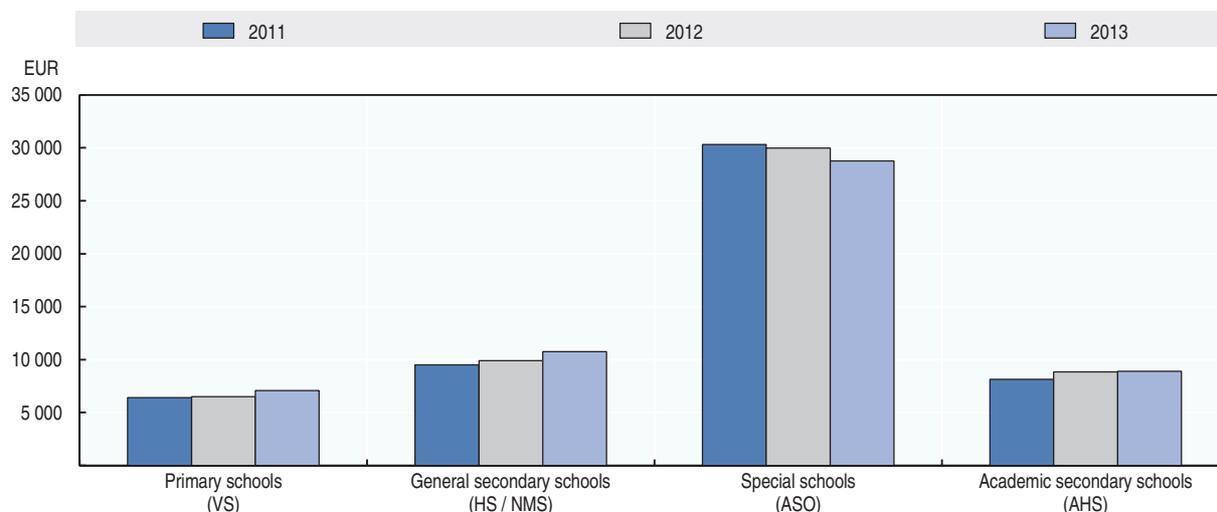
education, which is significantly above the OECD average of USD 10 220 (OECD 2015, Table B1.1a). There are only a few OECD countries that surpass Austria in this regard (see Annex 2.1). Looking across the different levels of the education system, it can be observed that, while spending levels per student in Austria are above the OECD average for all levels of education, the difference is particularly striking at the lower and upper secondary levels.

### **Distribution of funding across school types, provinces and resource categories**

In 2012, 28% of all education spending went to general compulsory schools (*Allgemeine Pflichtschulen*, APS), 10% to general academic secondary schools (*Allgemeinbildende Höhere Schulen*, AHS) and 17% to vocational schools and colleges (*Berufsbildende Mittlere Schulen*, BMS, *Berufsbildende Höhere Schulen*, BHS, and *Berufsschulen*, BS). The rest of the budget is spent on universities, vocational tertiary institutions, early childhood education and administration (see Bruneforth et al., forthcoming: 71).

Figure 2.2 presents the most recent data on per-student expenditures in different school types of the Austrian education system. Since these data are compiled by the Austrian authorities and provided in EUR rather than PPP USD, they are not directly comparable to the international data discussed above. According to these national data, per-student spending was comparatively high in general secondary schools (*Hauptschulen*, HS, and *Neue Mittelschulen*, NMS), amounting to EUR 10 762 in 2013, compared to EUR 8 906 in academic secondary schools (AHS) and EUR 7 072 in primary schools (Statistik Austria, 2015a: 85). Looking at spending trends between 2011 and 2013, the data reflect a small increase in per-student spending in all school types except special needs schools, which is commensurate with the trends observed above. These data do not yet fully reflect the recent spending increase on the newly established New Secondary Schools (NMS), which are discussed in greater detail below.

Figure 2.2. **Per-student expenditure in different types of Austrian schools, 2011-13**



Source: Statistik Austria (2015a), *Bildung in Zahlen 2013/14: Schlüsselindikatoren und Analysen* [Education in Figures 2013/14, Key Indicators and Analyses], Statistik Austria, Vienna, p. 85.

The data in Table 2.3 confirm that, on average, per-student spending in general secondary schools (HS, NMS) is higher than in the academic secondary schools (AHS), in particular in the case of the New Secondary Schools (NMS). Moreover, the table also reveals

Table 2.3. **Variation of per student spending across school types and provinces, 2012**

Province	School type					
	VS	HS	NMS	ASO	PTS	All compulsory schooling combined
Burgenland	7 345	9 397	11 465	36 886	13 300	<b>9 293</b>
Carinthia	6 958	10 609	10 604	51 698	11 023	<b>8 938</b>
Lower Austria	6 319	10 350	11 095	25 593	11 553	<b>8 563</b>
Upper Austria	6 153	9 387	10 044	19 087	9 038	<b>7 898</b>
Salzburg	6 094	9 046	10 113	31 476	14 693	<b>8 214</b>
Styria	7 006	11 037	10 881	36 113	10 745	<b>8 951</b>
Tyrol	6 151	8 689	9 672	23 916	10 303	<b>7 895</b>
Vorarlberg	6 547	8 433	9 877	26 672	8 707	<b>8 432</b>
Vienna	5 851	8 760	10 152	56 300	7 634	<b>8 310</b>
<b>Austria</b>	<b>6 346</b>	<b>9 679</b>	<b>10 448</b>	<b>33 401</b>	<b>10 195</b>	<b>8 402</b>

	Academic secondary school (AHS)			Lower secondary combined	
	AHS-U lower secondary	AHS-O upper secondary	AHS	HS + NMS	AHS-U, NMS, HS
Burgenland	8 463	8 964	<b>8 688</b>	11 141	10 291
Carinthia	8 301	8 960	<b>8 586</b>	10 605	9 793
Lower Austria	8 392	8 850	<b>8 580</b>	10 724	9 896
Upper Austria	8 294	8 688	<b>8 471</b>	9 695	9 298
Salzburg	7 983	9 320	<b>8 639</b>	9 410	8 946
Styria	8 079	8 919	<b>8 491</b>	10 949	9 992
Tyrol	8 070	8 921	<b>8 505</b>	9 285	8 963
Vorarlberg	7 944	9 475	<b>8 701</b>	9 781	9 328
Vienna	8 017	8 976	<b>8 432</b>	9 471	8 707
<b>Austria</b>	<b>8 161</b>	<b>8 949</b>	<b>8 516</b>	10 106	9 414

Note: For this purpose expenditure for the different programmes are aggregated using a weighted average with the number of students in the programmes as weight.

Source: Bruneforth, M. et al. (forthcoming), *OECD Review of Policies to Improve the Effectiveness of Resource use in Schools: Country Background Report for Austria*, Bundesministerium für Bildung und Frauen, Vienna, p. 55.

a significant degree of variation in per-student spending across provinces. This variation is more pronounced in the case of the general compulsory schools (APS) than in the academic secondary school sector (AHS), which is most probably related to differences in the governance arrangements (see below). General compulsory schools are the responsibility of the provincial governments, whereas the federal government is in charge of academic secondary schools. Therefore, differences in political, institutional and socio-economic conditions between the provinces are more likely to influence per-student spending in the compulsory school sector than the academic secondary school sector. In the academic secondary school sector, per-student spending is lowest in the province of Vienna (EUR 8 432) and highest in Vorarlberg (EUR 8 701). In the case of general compulsory schools, the province of Tyrol spends the least (EUR 7 895), whereas the Burgenland spends the most (EUR 9 293).

As in other OECD countries, the bulk of spending on primary, secondary and post-secondary non-tertiary education is invested in personnel. Almost three quarters of funding at these levels are spent on staff salaries, 20% are devoted to other current spending and a mere 2% is earmarked for capital investment (Bruneforth et al., forthcoming: 69). “Other current spending” includes expenditure on sub-contracted services such as support services

(e.g. maintenance of school buildings), ancillary services (e.g. school meals) and rental of school buildings and other facilities. In comparison to other OECD countries, the share of spending on teacher salaries relative to spending on other staff (e.g. administrative and other support staff) is higher in Austria (ibid.: 69), which is related to the fact that teachers often take over responsibilities unrelated to teaching, which are more typically taken on by administrative or specialised staff in other countries (see below and Chapter 4).

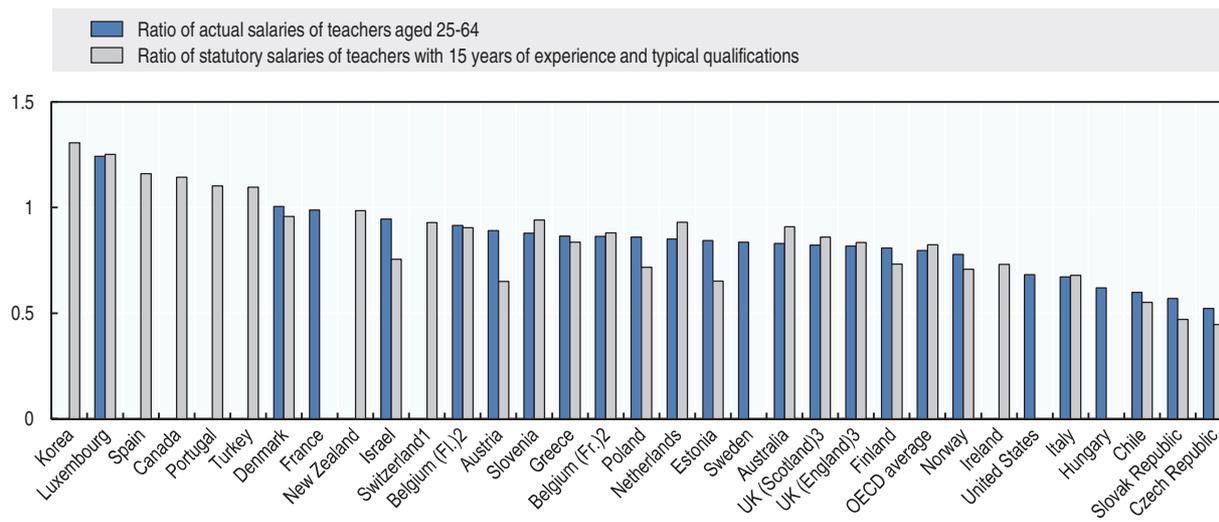
Annex 2.2 provides an overview of the distribution of spending at different educational levels across different resource categories. In primary education, the shares of spending devoted to the compensation of both teachers (62.0%) and other staff (13.3%) in Austria are actually below the OECD averages (62.5% and 15.6% respectively), whereas the share devoted to other current expenditure is significantly above the OECD average (24.7% vs. 20.7%). In secondary education, however, the share of expenditure for teacher compensation is well above the OECD average (66.9% in Austria compared to an average of 62.4%) whereas the spending share devoted to other staff is strongly below average (6.9% vs. 15.1%). The spending share on other current expenditure is above the OECD average (26.2% vs. 21.8%). Annex 2.2 also shows the comparatively low levels of capital spending in Austria. According to the OECD data, the share of capital spending as a share of total spending is a mere 2.2% in primary and 1.9% in secondary education, which is significantly below the OECD averages of 7.1% and 6.8% respectively (OECD, 2015, Table B6.1).

### *Spending on teacher salaries*

In absolute terms, teacher salaries in Austria are significantly above the OECD average. For instance, in 2013 the salary costs of teachers per student were USD 5 191 (PPP) for teachers in lower secondary education compared to an OECD average of USD 3 350 (OECD, 2015, Table B7.1). However, since Austria's GDP per capita is also above average, the relative position of Austria changes once this is taken into account. Teacher salary costs per student as a percentage of GDP per capita are still above the OECD average (11.9% relative to an average of 9.4% for lower secondary education), but there are a number of other countries with significantly higher teacher salary costs in relation to GDP per capita, namely Belgium, Finland, Germany, Luxembourg, Portugal, Slovenia and Spain. A detailed disaggregation of the cost components of teacher salaries reveals that small class sizes and relatively low teaching loads for teachers contribute significantly to above-average salary costs in Austria (OECD, 2015: 300-301; Bruneforth et al., forthcoming: 103, see also Lassnigg et al., 2007: 165).

In terms of relative actual salaries, Austrian primary school teachers earn 77%, lower secondary teachers 89% and upper secondary teachers 97% of the salaries of other full-time workers with a tertiary education (OECD, 2015, Table D3.2a: 442). This is comparable to a number of other OECD countries (Figure 2.3) and must be seen in the context of high wage levels of private sector employees with a tertiary education in Austria. In England (United Kingdom), for example, primary teachers earn 75% of the salaries of similarly-educated workers, lower and upper secondary teachers earn 82% of the salaries of similarly-educated workers. In the Netherlands, teachers' relative salaries amount to 69% (primary education) and 85% (lower and upper secondary education). And in Finland, teachers' salaries compare at 74%, 81% and 91% for primary, lower secondary and upper secondary education respectively. In a few countries with available data, the ratio of the actual salaries of teachers to similarly educated workers is, however, higher than in Austria, notably Luxembourg, Denmark and France (OECD, 2015, Table D3.2a). Previous

**Figure 2.3. Teachers' salaries relative to earnings for similarly educated workers, 2013**  
Salaries of lower secondary teachers teaching general programmes in public institutions



Note: The definition of teachers' typical qualification is based on a broad concept including the typical ISCED level of attainment and other criteria. For further details on the different metrics used to calculate these ratios, please refer to the methodology section in *Education at a Glance 2015*.

1. Statutory salaries of teachers with 11 years of experience and minimum qualification instead of 15 years of experience and typical qualifications.
2. Data on earnings for full-time, full-year workers with tertiary education refer to Belgium.
3. Data on earnings for full-time, full-year workers with tertiary education refer to the United Kingdom.
4. Countries are ranked in descending order of the ratio of teachers' salaries to earnings for full-time, full-year workers with tertiary education aged 25-64.

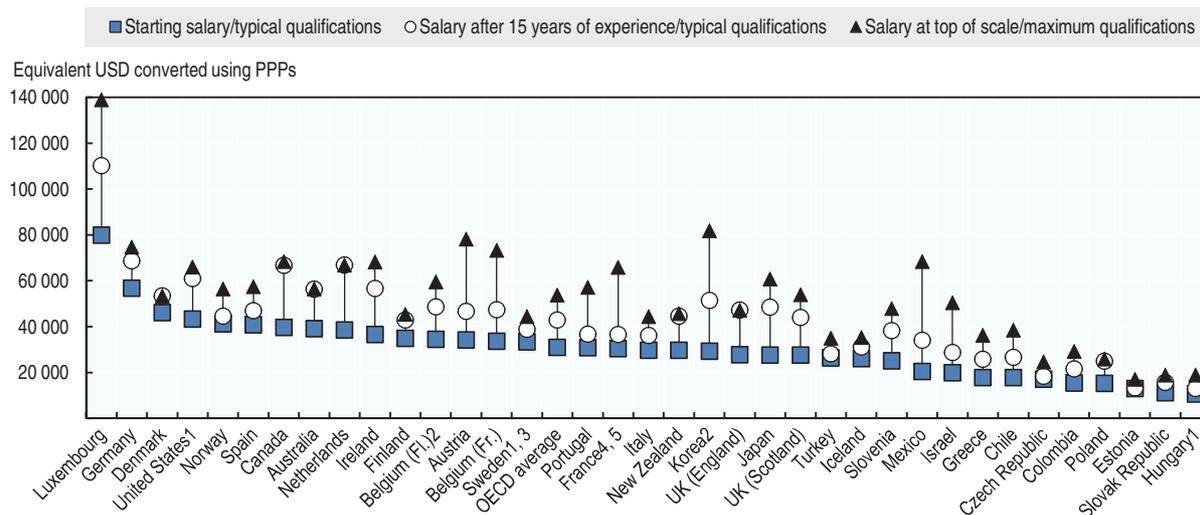
Source: OECD (2015), *Education at a Glance 2015: OECD Indicators*, <http://dx.doi.org/10.1787/eag-2015-en>, Table D3.2a and Table D3.2b.

calculations of relative teacher wages (e.g. OECD, 2014: 469) suggested less favourable relative salaries, but these were based on statutory salaries, whereas the most recent figures from the OECD are based on actual salaries.<sup>3</sup> Whereas statutory salaries as reported for the OECD *Education at a Glance* publication remain relatively low by international comparison, real average salaries of Austrian teachers are thus likely to be higher thanks to additional allowances for various functions that teachers might perform and compensation for overtime (Bruneforth et al., forthcoming: 103).

In comparison to other countries, the present slope of the teacher salary scale is much steeper in Austria (Figure 2.4). For example, the starting salary of a teacher in lower secondary education is 34 143 in PPP-equivalent USD in 2013 (compared with an OECD average of 31 013). The salary at the top of the scale is almost twice this amount (66 378 PPP-equivalent USD vs. OECD average of 50 414 PPP-equivalent USD) (OECD, 2015, Table D3.1a and D3.6a). Given that the average age of the Austrian teaching force is also above the international average, this results in above-average spending on teacher salaries. However, a new teacher service code that is being implemented as of September 2015 and will be mandatory for all new teachers by September 2020 changes teachers' salary progression significantly. Statutory salaries for beginning teachers will start at a higher level and the slope of the salary scale will be compressed while roughly maintaining lifetime earnings. Adequate levels of teacher remuneration seem essential considering the need to attract high quality individuals to the profession and a pending retirement wave of teachers in the near future.

Like other workers in Austria, teachers can retire early after having contributed to the pension system for at least 40 years. As provincial teachers traditionally entered the

Figure 2.4. Lower secondary teachers' salaries at different points in teachers' careers, 2013



Note: Annual statutory salaries in public schools measured in equivalent USD converted using PPPs for GDP.

1. Actual base salaries.
  2. Salaries at top of scale and typical qualifications, instead of maximum qualifications.
  3. Salaries at top of scale and minimum qualifications, instead of maximum qualifications.
  4. Includes average bonuses for overtime hours.
  5. The typical qualification of starting teachers differ substantially from the typical qualification of all the current teachers.
- Countries are ranked in descending order of starting salaries for lower secondary teachers with typical qualifications.

Source: OECD (2015), *Education at a Glance 2015: OECD Indicators*, <http://dx.doi.org/10.1787/eag-2015-en>, Tables D3.1a and D3.6a.

profession after a relatively short education of three years, they benefitted from this possibility in large numbers. According to calculations from the Austrian Court of Audit, large early retirement rates of teachers in the period between 2008 and 2013 led to additional costs of EUR 2 billion (Rechnungshof, 2015a: 17). Of course, it is important to bear in mind that pension benefits are based on contributions throughout an individual's working life.

### Governance arrangements

The nature of Austrian federalism is different from federalism in its neighbouring countries of Germany and Switzerland. In Austria, the provincial governments have limited capacities to raise their own tax revenues and – in the case of education policy – many legal competencies remain in the hands of the federal government. The Austrian variety of federalism has been called “distributional federalism” as about 90% of all tax revenue are collected at the federal level and then redistributed to the provinces according to the regulations of the Fiscal Adjustment Act (*Finanzausgleichsgesetz*) (Bruneforth et al., forthcoming: 15). In Germany, a similar redistribution mechanism (*Finanzausgleich*) exists to compensate for inequalities in socio-economic conditions between the different *Länder*, but the German redistribution mechanism is based on binding statutory regulations regarding the distribution of tax revenues. By contrast, in Austria, the adjustment is in principle renegotiated every four years between the federal government, the provinces and the municipalities. In the more recent period, the key for distributing resources has not been re-negotiated, but extended from previous years owing to anticipated political struggles in finding a new compromise.

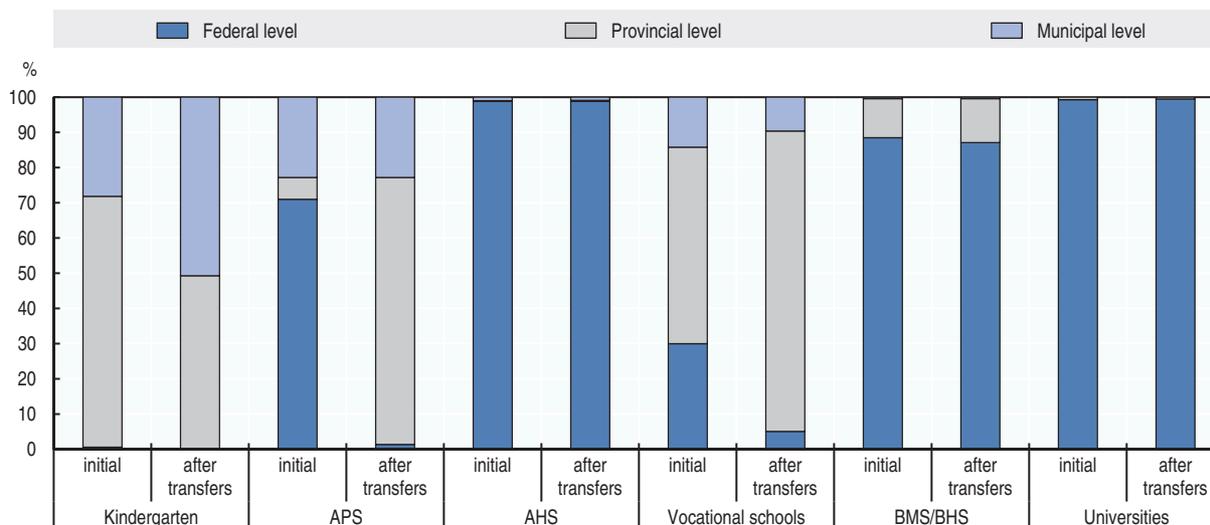
A key characteristic of the Austrian distributional federalism is the disconnect between the responsibility to raise revenues and the ability to spend: the provincial governments were responsible for collecting only 4% of tax revenue in 2014, but their share in expenditures

amounted to 22%. Municipal governments collected 9% of revenues, but were responsible for 21% of expenditures (Bruneforth et al., forthcoming: 16). Besides the question about which level of government is responsible for collecting taxes, federalist countries also differ in the extent to which different levels of government are allowed to change tax rates and other regulations. For instance, Swiss cantons or states in the United States can set tax rates according to their own individual needs, which is not the case in Austria or Germany.

### Distribution of responsibilities

The distribution of governance and funding responsibilities for the different types of schools is complex. The general academic secondary schools (AHS) and upper secondary vocational schools and colleges (BHS/BMS), which together are also referred to as “federal schools” (*Bundesschulen*), are directly financed by the federal government. The general compulsory schools (APS), which are also referred to as “province schools” (*Landesschulen*), are financed by the individual provinces and the municipalities. However, a significant share of provincial spending originates from the federal government and is transferred according to the regulations of the Fiscal Adjustment Act (*Finanzausgleichsgesetz*). Financial transfers for teachers of general compulsory schools (APS) are earmarked and based on a key related to the numbers of students. As shown in Figure 2.5, this is primarily relevant for the general compulsory schools (APS) and to a certain extent for the part-time vocational schools (BS), which are part of dual apprenticeship training schemes (not to be confused with upper vocational schools and colleges [BMS/BHS], which are financed by the federal government). The federal share in the financing of APS amounts to 71% before transfers, but decreases to 1.4% after transfers to other levels of government have been taken into account. Vice versa, the share of the provinces in spending on APS is merely 6.2% before transfers, but 75.8% afterwards.

Figure 2.5. **Distribution of spending on different school types before and after fiscal transfers, 2012**



Source: Own calculations based on Bruneforth, M. et al. (forthcoming), *OECD Review of Policies to Improve the Effectiveness of Resource use in Schools: Country Background Report for Austria*, Bundesministerium für Bildung und Frauen, Vienna, p. 58.

In 2013, spending on general compulsory schools, in particular, amounted to EUR 5.137 billion, of which roughly 68% were earmarked transfers from the federal government to the provinces used to pay for teaching personnel at general compulsory

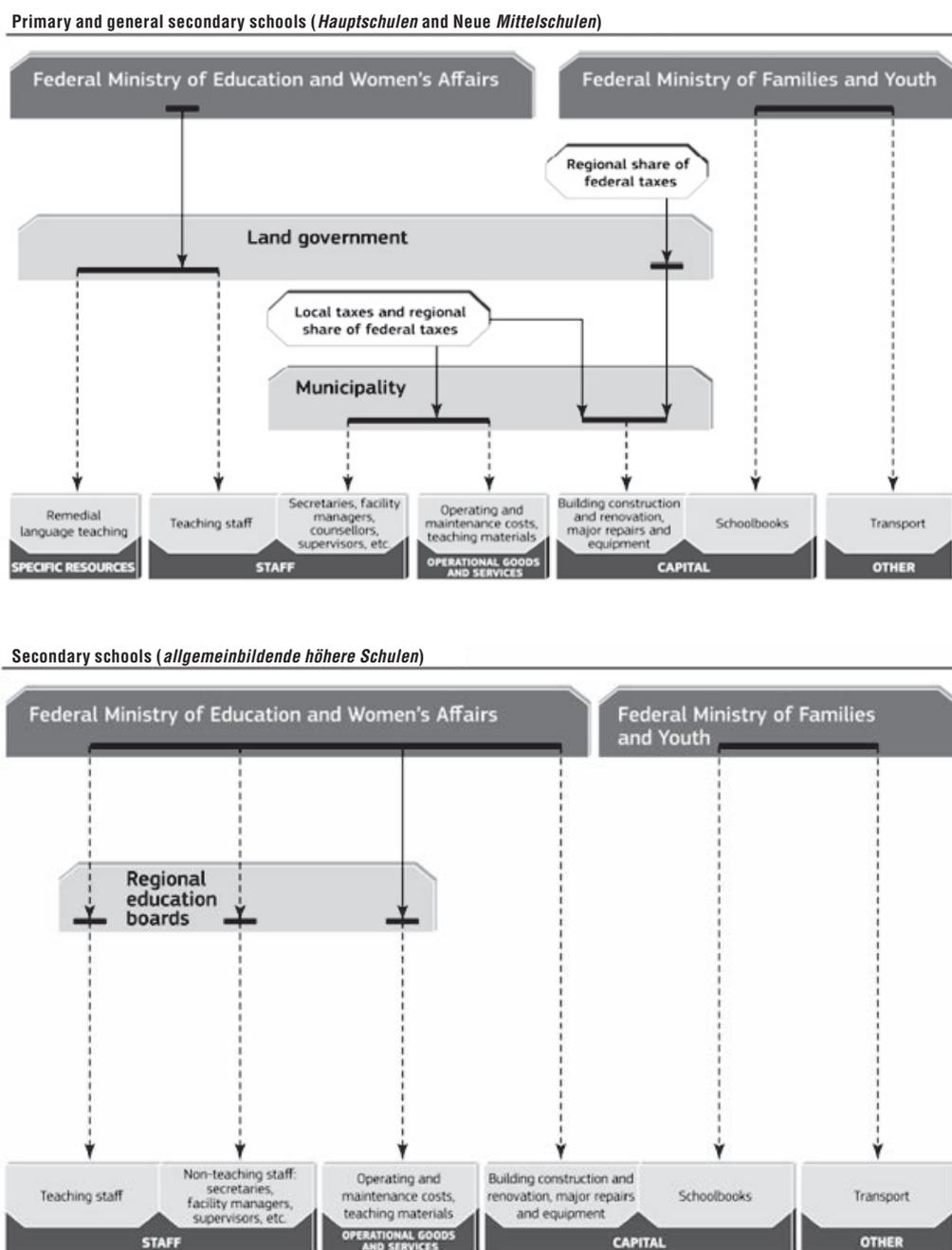
schools (and officially counted as province expenditure) (Statistik Austria, 2015a: 84). Municipalities are in charge of financing operating and maintenance costs at general compulsory schools, including costs for administrative personnel, but major repairs and school construction are usually co-financed by the municipal and the provincial governments (Bruneforth et al., forthcoming: 58). In the case of general academic secondary schools and upper secondary vocational schools and colleges, the federal government is responsible for financing teaching and other personnel, maintenance costs and capital investments.

Figure 2.6 depicts the governance of funding flows in Austria. There are two key institutions which are in charge of distributing resources to schools: the school departments of the offices of the provincial governments (*Schulabteilungen in den Ämtern der Landesregierung*) and the provincial school boards (*Landesschulräte*).

The school departments of the provincial governments (referred to as “Land government” in Figure 2.6) are in charge of administering the general compulsory schools (APS), which include both primary and lower secondary schools. The provincial resources originate from a mix of earmarked transfers (for teachers) from the federal level and the general provincial share of federal taxes as explained above. The provinces are responsible for paying the teaching staff as well as remedial language teaching and other specific educational needs. In the case of large capital investments for school construction, costs are often shared between the municipal and the provincial level, although in principle the provision of school infrastructure is a responsibility of municipalities. As mentioned above, municipalities are also responsible for paying non-teaching staff (secretaries, facility managers, etc.) as well as costs for maintenance and teaching material. The Federal Ministry of Families and Youth (*Bundesministerium für Familien und Jugend*) is responsible for financing school textbooks and transportation for students.

The provincial school boards, on the other hand, are by law federal agencies located in the different provinces. They are in charge of distributing funds in the general academic secondary schools (AHS), which span both lower and upper secondary education, as well as upper secondary vocational schools and colleges (BHS/BMS). As can be seen in Figure 2.6, funding for teachers and non-teaching staff (secretaries, facility managers, etc.) as well as operating and maintenance costs originate from the federal level, but are distributed via the provincial school boards (in Figure 2.6, these are referred to as “Regional Education Boards”). Funding for infrastructure investments (building construction and repairs) comes directly from the Federal Ministry of Education and Women’s Affairs (BMBWF). In 2008, the federal government decided to invest a total of EUR 1.6 billion in school infrastructure (the *Schulerhaltungs- und Schulentwicklungsprogramm, SCHEP-NEU 2008*, BMUKK, 2009). As in the general compulsory sector, the Federal Ministry of Families and Youth is in charge of expenditures on schoolbooks and transport.

Despite the formal separation of responsibilities between the school departments of the provincial governments and the provincial school boards, there are multiple connections between the two types of institutions. The head of the provincial government (*Landeshauptmann/-frau*) is also the president of the provincial school boards (despite the fact that these are formally federal agencies). The day-to-day management of the provincial school boards is delegated to an executive president (*amtsführende/r Präsident/in*) representing the provincial government, but also supervised by a collegiate board (*Kollegium*), which includes both political stakeholders from the provincial level and representatives of teachers and parents. The members of the collegiate board are nominated by the political parties relative to their number of seats in the provincial parliaments. Furthermore, in five out of

Figure 2.6. **Funding streams and responsibilities in the Austrian school system**

Source: European Commission, EACEA, Eurydice (2014), *Financing Schools in Europe: Mechanisms, Methods and Criteria in Public Funding*, Eurydice Report, Publications Office of the European Union, Luxembourg, pp. 73-74.

in nine provinces, the provincial governments have delegated their policy-making and monitoring responsibilities to the provincial school boards in order to partially overcome the split of administrative responsibilities. The underlying statutory regulations, however, have remained unchanged in these cases.

Financial transfers in the general compulsory school sector for teaching personnel from the federal government to the provinces are based on staff plans that are negotiated

between the provinces and the Federal Ministries of Education and Women's Affairs (BMBF) and Finance (BMF). 90% of transfer funds for pedagogical staff are regulated simply by student-teacher ratios, adjusted for school type (i.e. 14.5 students per teacher in primary schools, 10 students per teacher in general secondary schools, etc.). The remaining 10% are earmarked for special-needs students (but these funds are capped) and other education priorities such as language education (Bruneforth et al., forthcoming: 71). Even though transfers are based on agreed staff plans, the federal government has no control on the use of funds after the transfer has occurred. Therefore, provincial governments can and do use these funds to pursue individual policy priorities such as supporting small rural schools. This may lead to overspending on the part of the provinces, which is partly compensated by the federal government (see below for a detailed discussion). In the case of the general academic secondary schools and upper secondary vocational schools [BMS/BHS], funds are distributed from the federal ministry via the provincial school boards. Again, funding formulae are mostly based on class size and the number of students enrolled in particular schools. Special needs are taken into account to a limited degree only, and criteria vary across the nine provinces (ibid.: 72).

### **Governance reforms**

In recent years, attempts have been made to reform and streamline this complex governance structure. In 2013, a law on reforming school governance structures was passed (*Schulbehörden-Verwaltungsreformgesetz*). This law abolished the district education boards, which had been in charge of school inspections below the provincial level. The law also created the possibility of establishing management authorities in charge of managing schools in different locations and gave school principals greater responsibilities. In total, the law is believed to have contributed to reducing the number of school inspectors and to widen the geographical areas for which individual inspectors are responsible (Bruneforth et al., forthcoming: 37-38). The Austrian Court of Audit has been critical of the reform due to the limited impact it is expected to have (Rechnungshof, 2013a). In particular, the law does not fundamentally change the dual structure of governance regimes, nor does it change the basic distribution of responsibilities between the federal and provincial levels. There have been a number of other significant reforms, such as the introduction of the New Secondary School (NMS) as a new school type (Chapter 3), the reform of initial teacher education and the reform of the teacher service code (Chapter 4). While these reforms are discussed in more detail in Chapters 3 and 4, their implications for school governance are discussed below.

In 2015, an expert commission with representatives from the federal and provincial governments as well as different federal ministries developed a comprehensive proposal for governance reform (BMBF, 2015), which resulted in a comprehensive reform proposal by the government in November 2015 (BMBF and BMWFW, 2015, see Annex 1.1 in Chapter 1 of this report for details). Among other things, this reform proposal envisions a merger between the provincial school boards and the school departments of the provincial governments by establishing new hybrid education directorates (*Bildungsdirektion*) in each province. In contrast to the current model, the new directorates would be in charge of both the APS and the AHS schools. What is more, the government proposes to strengthen the autonomy of schools while at the same time enhancing quality monitoring and assessment structures at the federal level (see below for a more detailed discussion). Further proposals from other experts and stakeholders point in a similar direction (Lassnigg and Vogtenhuber, 2015;

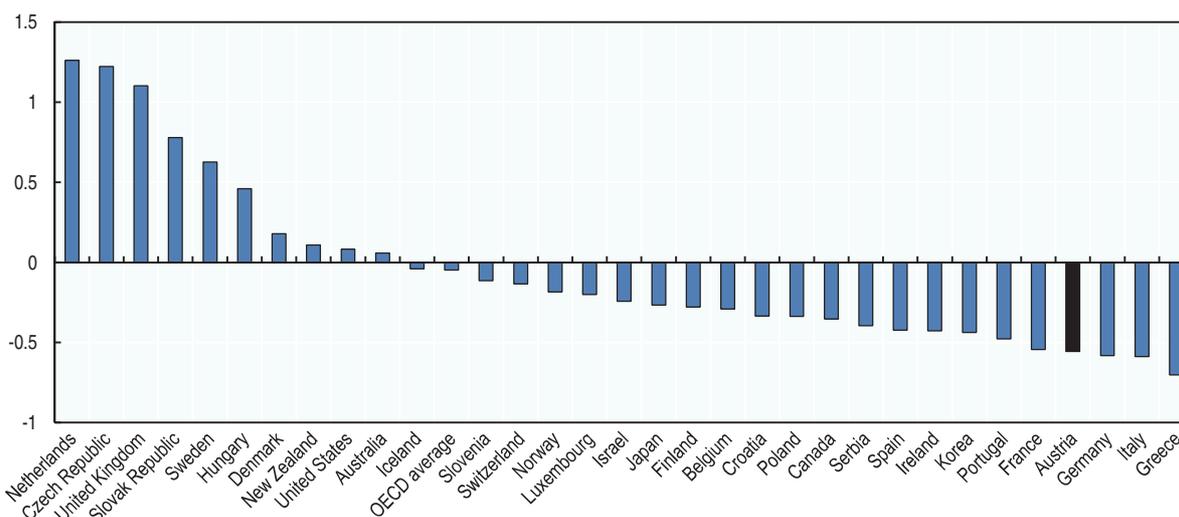
Schmid, 2015). The November 2015 proposal entails many promising ideas. At the time of drafting the report, however, it remained unclear how many of the reform proposals would be implemented since the political debate was still ongoing.

### **Resource autonomy at the school level**

In general, there is only a limited degree of school autonomy for resource management in the Austrian system (for a discussion of autonomy for pedagogical issues, see further below and Chapter 4). The bulk of public spending is devoted to financing teaching staff, based on staff plans. Individual schools have limited leeway in changing resource allocation within these staff plans. They are also not free to select their own teaching personnel (except for a few pilot projects that give schools a more active role in selecting staff, even though the final decision rests with the responsible agency), as teaching staff is allocated by the provincial school boards or the school departments of the provincial governments (see Chapter 4). There are some differences between the general compulsory schools and the general academic secondary schools with regard to individual schools' autonomy to manage operating costs. Compulsory schools in general do not have individual accounts and, therefore, depend on municipal and provincial governments to finance operating costs and minor capital investments, such as IT or teaching material. General academic secondary schools have limited budgetary autonomy, and they are also allowed to rent out school facilities and keep the revenue in order to reinvest in their school infrastructure.

Figure 2.7 presents some data on the autonomy of schools from the OECD Programme for International Student Assessment (PISA) 2012, which also surveyed school principals about their degree of autonomy regarding decisions about the local school environment. Figure 2.7 presents an index based on principals' responses regarding their autonomy in selecting teachers for hire, dismissing teachers, establishing teachers' starting salaries, determining the teachers' salary increases, formulating the school budget and deciding on budget allocations within the school (OECD, 2013a: 131). As the figure shows, the autonomy of Austrian schools for resource allocation decisions is indeed quite low by international comparison. Within the OECD area, school autonomy in resource allocation was only lower

Figure 2.7. **School autonomy in resource allocation in OECD countries, 2012**



Source: OECD (2013a), PISA 2012 Results: What Makes Schools Successful (Volume IV): Resources, Policies and Practices, <http://dx.doi.org/10.1787/9789264201156-en>, p. 131.

in Germany, Italy and Greece. On the opposite end of the spectrum, schools in the Netherlands, the Czech Republic, the United Kingdom, the Slovak Republic and Sweden have the highest degree of autonomy in resource allocation.

### **Evaluation and assessment arrangements**

In recent years, Austria has further developed its evaluation and assessment arrangements (also see Chapter 1). In particular, in 2009, Austria implemented a set of educational standards as a central reference for teaching, learning and assessment. These standards define expected student learning outcomes for mathematics and German at the end of Year 4, and for mathematics, German and English at the end of Year 8. They provide central guidance regarding the knowledge and skills that students should have acquired at key stages of education. In 2011/12, Austria also introduced national standardised assessments to assess student performance in relation to these standards (German and mathematics in Year 4 and German, English and mathematics in Year 8). These assessments are intended for strictly formative purposes and have no effects on student grades or certification. In addition, diagnostic tools are available for schools and teachers to assess the competencies of their students in Years 3, 6 and 7 (“Informal Competence Measurement”). Various provinces have, furthermore, developed their own additional assessments (Bruneforth et al., 2015; OECD, 2013b; Specht and Sobanski, 2012).

#### **Box 2.1. Introducing school development planning and self-evaluation: the School Quality in General Education process (SQA)**

In 1999, the Quality in Schools Initiative (*Qualität in Schulen*, QIS) was launched to stimulate schools to develop voluntary school programmes, which should include development targets, measures and evaluation. As part of the project, an Internet platform supplied schools with information and tools for both evaluation and data analysis and provided a forum for presenting the results. In autumn 2012, the Federal Ministry for Education, Arts and Culture (BMUKK) replaced the Q.I.S model with the School Quality in General Education process (*Schulqualität Allgemeinbildung*, SQA) which aims to foster individualisation and competence orientation in teaching and learning. This new key programme for general primary and secondary education built on a similar initiative for vocational education and training (*Qualitätsinitiative Berufsbildung*, QIBB) and has strong links to the educational standards which were introduced in 2012. The 2012 reform of the Federal Law on School Inspection (*Bundeschulaufsichtsgesetz*) made school development and self-evaluation compulsory. Based on law, a national quality framework for schools was developed and is being implemented by SQA.

As part of the SQA process, schools establish clearly defined development plans which have to cover several years and need to be updated every other year. The school principal is responsible for the development of the plan together with the teachers. This process includes self-evaluation, whereby the results of education standards provide one important input, but schools are also encouraged to seek external advice on their own initiative. For example, external guidance can be requested from specially trained school development advisors (*Entwicklungsberatung in Schulen*, EBIS). In periodical dialogue, the school principal and the responsible school inspector (in principle every year) conclude binding target and performance agreements for the school (*Ziel und Leistungsvereinbarungen*). These must be in line with the regional, provincial and national SQA targets and country wide budget framework targets. The underlying principle is dialogue based leadership to induce a culture

**Box 2.1. Introducing school development planning and self-evaluation: the School Quality in General Education process (SQA) (cont.)**

of trust, feedback and consensus. External inspection is still possible, but limited to cases where such an intervention appears the necessary intervention tool. The implementation of the SQA process is being supported by 'SQA co-ordinators' in all schools and provinces, training programmes for principals, school inspectors and managerial staff and information and comprehensive support are also available online.

Source: Bruneforth, M. et al. (forthcoming), *OECD Review of Policies to Improve the Effectiveness of Resource use in Schools: Country Background Report for Austria*, Bundesministerium für Bildung und Frauen, Vienna; Specht, W. and F. Sobanski (2012), *OECD Review on Evaluation and Assessment Frameworks for Improving School Outcomes: Country Background Report for Austria*, Bundesministerium für Unterricht, Kunst und Kultur (BMUKK), Vienna, [www.oecd.org/edu/evaluationpolicy](http://www.oecd.org/edu/evaluationpolicy). For further information, see [www.sqa.at](http://www.sqa.at) and [www.qibb.at](http://www.qibb.at) (accessed 24 March 2016).

In addition, over the last 15 years, Austria has worked to establish and support a culture of school development planning and self-evaluation (Box 2.1). In 1999, the Quality in Schools Initiative (*Qualität in Schulen*, QIS) was launched to stimulate schools to develop voluntary school programmes, which should include development targets, measures and (self-)evaluations. In 2012, the Q.I.S model was replaced by the initiative School Quality in General Education (*Schulqualität Allgemeinbildung*, SQA). This new initiative has strong links with the educational standards and standardised assessments, involves school development planning and self-evaluation, and aims to foster more individualised and competency-oriented teaching and learning. Following the reform of the Federal Law on School Inspection (*Bundeschulaufsichtsgesetz*) in 2012, school development and self-evaluation became compulsory. With the introduction of SQA, the role of the school inspection has changed from traditional school evaluation and supervision to include strong elements of quality management and development.

The school inspection for all schools is a federal responsibility and all school inspectors are employed by the provincial school boards. While all school inspectors are thus federal officials, they focus on different areas of the school system, including different levels of the education system and different school types. As inspectors for provincial schools are appointed by the federal minister based on a proposal of candidates proposed by the collegiate boards of the provincial school boards, they may, in reality, have greater proximity to the provincial authorities and be influenced by political networks in the provinces. The framework for monitoring the quality of the provision of school education thus somewhat mirrors the split of responsibilities between different levels of government and school types. At the national level, the Federal Institute for Educational Research, Innovation and Development of the Austrian School System (*Bundesinstitut für Bildungsforschung, Innovation & Entwicklung des österreichischen Schulwesens*, BIFIE) is responsible for system monitoring and reporting (e.g. managing international comparative studies such as OECD PISA or the IEA's PIRLS). In the context of the implementation of national educational standards a regular census of school performance is undertaken by BIFIE which provides reports on assessment results to all schools as well as higher levels of administration.

## Strengths

### ***The Austrian school system benefits from sustained high investment in education***

As discussed above, the Austrian school system still benefits from high levels of public investment by international comparison. The recent economic and financial crisis did not yet have a strong impact on the education budget as shown above, although some budget cuts were also implemented in the field of education and there seem to be increasing budgetary pressures (Bruneforth et al., forthcoming: 57). There is still a general political willingness – confirmed in various interviews conducted during the country visit – to spare education from large-scale budget cuts. In fact, the recent reform of the teacher service code adopted in 2013 will likely lead to significant increases in spending in the coming years as it will increase the starting wages of new teachers. Furthermore, the federal government is in the process of implementing a long-term infrastructure and investment programme (*Schulerhaltungs- und Schulentwicklungsprogramm*, SCHEP-NEU 2008) with a total of EUR 1.662 billion (BMUKK, 2009). Thus, in sum, the Austrian school system does not suffer from a lack of resources. Extrapolating from interviews and school visits, the review team gained the impression that the quality of the school infrastructure (with some exceptions, see below) is good or even very good. Teachers overall seem satisfied with their working conditions, which is also confirmed by the results of the OECD Teaching and Learning International Survey (TALIS) 2008 (more on this in Chapter 4). Average class sizes as well as the ratio of students to teaching staff are low by international comparison (OECD, 2015, Tables D2.1 and D2.2).

While Austria has sustained a high investment in schooling over many years, there is concern that this significant resource commitment has not sufficiently been translated into educational improvements as measured through international surveys. In OECD PISA 2012, the mean performance of Austrian students is only slightly above the OECD average and below the level of other European countries such as Belgium, Finland, Germany and Switzerland (OECD, 2014b: 188). Hence, as will be discussed below, it appears that the main resource challenge for Austria may not be the need to expand educational investments, but to use existing resources more effectively and efficiently in order to improve the quality and equity of the system as a whole (Lassnigg et al., 2007; Lassnigg and Vogtenhuber, 2015; Rechnungshof, 2011a; Schmid, 2015). Nevertheless, it needs to be kept in mind that some education reforms (such as the introduction of the new teacher service code and the New Secondary School) require some significant investments up front. The impact of these investments naturally takes time before they can be fully evaluated, and, depending on the results of these reforms, they may require changes and adaptations.

### ***There is a political commitment to direct additional resources to student groups in need***

There are a number of ways in which the Austrian approach to school funding seeks to promote equity in education and offset educational disadvantage by directing more resources to student groups at risk of underperformance. The significant investment of public resources in New Secondary Schools (NMS) (see Chapter 3) is an example of this political commitment to allocate additional resources to schools enrolling students with lower initial performance.

The recent transformation of the general secondary schools (HS) into New Secondary Schools (NMS) aims to mitigate the negative side effects of early tracking on educational

equality (Petrovic and Svecnik, 2015: 14). The introduction of the NMS has been accompanied by a significant political commitment to increase public spending for this type of school and to fund more cost-intensive pedagogical approaches (see Chapter 4). As a consequence, per student spending in the HS and NMS amounted to EUR 10 672 in 2013 compared to per student spending of EUR 8 906 at the AHS (Statistik Austria, 2015a: 85). In total, the amount of additional yearly educational investment related to the introduction of the NMS is estimated to be between EUR 164 and 250 million.<sup>4</sup> This additional spending is used to introduce new pedagogical methods, in particular team teaching, in order to respond to the heterogeneity of the student population in the NMS (Altrichter et al., 2015). While the existing evidence on the effectiveness of these measures is mixed so far (Eder et al., 2015), available evaluations were limited to the schools in the pilot phase and the NMS as a new school type has not yet been evaluated on a full scale (Chapter 3).

The political commitment to spend more on students with particular needs is also indicated by the joint willingness of the provincial and the federal governments to devote additional teacher resources to the education of special needs students as well as other educational priorities, such as special language courses in German for children with a migration background. However, resources for special needs students are capped. Federal transfers work with the assumption that a maximum of 2.7% of students would have special needs, even if the actual percentage is higher. If the provinces decide to hire more teachers to support students with special needs, these costs are covered first by the federal level and then refunded by the provinces at a reduced rate (more on this below).

Political discussions have been taking place in order to introduce and develop a new and more elaborate funding formula for the distribution of resources across schools, which would take into account differences in the socio-economic background of a schools' student population (Bacher, 2014; Bruneforth, 2014; Lassnigg et al., 2007: 176-177; Kuschej and Schönflug, 2013; Schmid, 2015: 14-15). More specifically, the model initially developed by Bacher for Upper Austria would take into account the educational and occupational background of students' parents, migrant status and whether German is the primary language spoken at home (Bruneforth et al., 2012). Proponents of this approach argue that the current funding arrangement does not sufficiently consider the fact that schools with a large share of students from disadvantaged socio-economic backgrounds need more resources compared to other schools (Bruneforth et al., 2012: 217).<sup>5</sup> The social partners (employers' associations and trade unions) jointly support the introduction of an index-based funding formula that would distribute a certain share of resources according to socio-economic criteria (Sozialpartner Österreich, 2014: 7). During the country visit, the review team gained the impression that political opposition to the introduction of formula-based funding would mainly come from provinces with a large share of rural schools. A needs-based funding formula is likely to result in a redistribution of resources from rural to urban schools (in particular in Vienna), since students from disadvantaged socio-economic backgrounds are concentrated in large cities (see Bacher, 2014; Bruneforth, 2014). Even though additional resources might be desirable, the Bacher proposal would also work by simply redistributing the current amount of resources available to schools in need, which are identified based on the criteria above.

### ***A high degree of centralisation can facilitate educational steering***

Compared to other federal countries such as Canada, Germany and Switzerland, legal competencies for education policy are more centralised at the federal level in Austria. For

instance, statutory regulations related to the employment conditions and salaries of teachers as well as teacher education are passed as federal laws. The provinces can pass additional legislation to further elaborate and interpret federal legislation in certain areas such as the external organisation of schools, which can create differences in the implementation of policies and legislation across the country. But compared to Germany or Switzerland, where the *Länder* and the cantons respectively have a lot of legal leeway in setting policies, the role of the Austrian provinces is more limited.

From a steering perspective, the centralisation of policy-making competencies at the federal level in Austria is an advantage as it limits the number of potential veto players. This increases the probability that significant reforms can be passed even against vocal opposition from powerful minorities and special interests (see Tsebelis, 2002, for a general theory on veto players). For sure, the provincial governments (in particular the *Landeshauptmänner/-frauen*) play a very important role in the politics of the Austrian republic and, therefore, exert considerable political influence on the policies of the federal government. However, this influence is primarily *political* – though still effective – and to a lesser degree rooted in formal legal competencies of the provinces – at least in comparison to other federal countries.

Some of the recent reforms exemplify that the federal government has been able and willing to make use of its policy-making competencies. Furthermore, these reforms are significant steps towards developing a more comprehensive and unified system, partially overcoming the legacy of a stratified school system. Major milestones in this regard are the enactment of the new teacher service code, which abolishes differences in employment conditions and pay scales between different school types for all teachers newly entering the school system, and the reformed initial teacher education, which aims to harmonise the training standards and curricula for teachers at different education levels rather than school types (Chapter 4). The transformation of the HS into the NMS as mentioned above and elaborated in Chapter 3 is a further example. Even though the effects of this reform are still debated and unclear, and will take time to take effect, there is no doubt that it signifies a significant change of the Austrian school system, which has been promoted from the central level. This stands in stark contrast to Germany, even if one has to bear in mind that some of the German *Länder* are significantly larger in terms of population than Austria as a whole. Similar to Austria, different *Länder* have also promoted reforms of the school structure, often by merging two types of lower secondary schools (the *Hauptschule* and the *Realschule*), while leaving the academic secondary schools (the *Gymnasium*) untouched (see Helbig and Nikolai, 2015 for a comprehensive overview of changes in the school structures of German *Länder*). However, depending on political conditions, these reforms have progressed with varying speed and intensity, resulting in an even more fragmented and complex structure of the overall education system with different school types being developed in the different *Länder*. In comparison, the Austrian reforms of school structure, initial teacher education and the teacher service code have produced (or will produce in the future) a more unified and integrated system across the country.

Besides the comparatively high degree of centralisation of policy-making competencies at the federal level, the Austrian system is also characterised by strong corporatist institutions (Graf et al., 2012). Organised interests such as trade unions, employers' associations, chambers and other stakeholders are continuously and intensively involved in policy making. On the one hand, this can make significant policy innovations less likely as the involvement of many stakeholders also increases the number of potential veto players

interested in blocking reforms. On the other hand, the inclusion of different stakeholders in policy formulation can increase the potential for co-operation in the later stages of policy implementation by building trust and legitimacy. This increases the probability that new policies are effectively implemented and, therefore, contribute to lasting and politically sustainable institutional change. Thus, decision-making processes in corporatist and consensus-oriented policies may take longer than in majoritarian democracies, where governments decide without a strong involvement of corporatist actors (Lijphart, 1999). But once a decision has been reached, it will likely lead to lasting policy change. In Austria, furthermore, social partners seem to agree relatively often, as for example on the further development of early childhood education and care.

Despite the advantages discussed above, a high degree of centralisation of competencies also carries some risks. First of all, the extent to which the system as a whole is able to produce policy innovation crucially depends on the willingness and political ability of the top of the hierarchy to promote such innovation. In centralised systems, the top of the hierarchy is more vulnerable to be captured by organised interest groups bent on preventing change. For instance, a case study of education reforms in France shows how teacher unions in this country have gained privileged access to policy making in the ministry and, therefore, block more far-reaching attempts to decentralise the provision and financing of education (Dobbins, 2014). This kind of filtering of policy reform proposals at the top depending on the prevailing political interests can prevent the implementation of more wide-reaching policy innovations. Second, the large complexities of multi-level governance in education might contribute to “information overload” on the part of the central government, contributing to bureaucratic bottlenecks and inefficiencies. The challenge of governing complex education systems often requires “new modes of governance” that combine some form of centralised steering with decentralisation in the provision, financing and administration of education (Wilkożewski and Sundby, 2014).

In the Austrian case, specific elements of the Austrian governance and decision-making structure reduce the risk of these potential disadvantages. The country’s strong tradition of corporatism – despite its own weaknesses in possibly prolonging decision-making processes – ensures a balancing out of the competing interests of relevant stakeholders and precludes one particular set of organised interests from monopolising access to policy making. By establishing a strong linkage between the state and the civil society, corporatism also prevents problems of “information overload” of the central government since intermediary associations such as employers’ associations and trade unions supply decision-makers with policy-relevant information (Streeck and Schmitter, 1985).

### ***There is political will to improve the efficiency of the administration and to strengthen outcome-oriented steering***

The Austrian government has undertaken first steps towards improving the efficiency of the administration. In 2013, the government abolished the district school boards as an administrative layer between individual schools and the provincial school boards. And in five provinces, administrative structures and responsibilities have been partially unified and consolidated with the merger of the school departments of the provincial governments and the provincial school boards. The government’s reform proposal of November 2015 goes even further by proposing to create education directorates (*Bildungsdirektionen*) as hybrid provincial and federal agencies for the country as a whole, similar to the administrative structure already developed in the five provinces.

What is more, Austria has strengthened outcome-oriented modes of steering. On a general level, the budget process has been reformed to include a set of policy targets and associated indicators that provide guidance and enhance the legitimacy and accountability of policy making by defining concrete and measurable goals. On education more specifically, a number of reforms have enhanced the outcome-orientation of the system: the establishment of BIFIE as well as national education standards and – more recently – partially centralised school leaving exams for university entrance qualifications. Furthermore, the actual impact of reforms is now more often scrutinised in scientific evaluations.

Despite this progress, there is still some way to go (see next section). In particular, it is important to make sure that administrative reforms do in fact trigger real change. Based on the interviews conducted during the review visit to Austria, the OECD review team formed the impression that in some instances, old and established administrative routines and practices persisted despite changes in formal structures. For instance, during its field visits, the review team was told that the abolishment of the district school boards sometimes merely amounted to a “change in the door plate” and did not significantly affect the amount of personnel resources devoted to school inspections or their administration. Schmid (2015: 2) confirms this impression arguing that the formal abolishment of the district school in 2013 was an incremental change at best as the former district school inspectors are now simply employed as inspectors for compulsory schools by the provincial school boards. In a similar vein, the Austrian Court of Audit criticised that this reform would only make a “small” contribution instead of being an encompassing reform (Rechnungshof, 2013a: 2). Many of the recent reforms in budgeting and outcome-oriented steering have only been implemented recently and their effect remains to be seen. However, taken together these reforms and reform debates indicate a significant political commitment for improving the efficiency of the governance of education.

### ***Schools (mostly federal ones) have some autonomy over their own budget and in pedagogical matters***

By international comparison, Austrian schools have a low degree of autonomy, but there are important exceptions. Austrian schools (as well as individual teachers) have a relatively high degree of autonomy in pedagogical matters, i.e. in choosing preferred teaching methods and in developing new subjects (for more detail, see Chapter 4). In addition, federal schools, in particular, have a certain degree of budgetary autonomy as they are able to rent out school facilities to generate additional discretionary revenue. In contrast to provincial schools, federal schools also have control over their own accounts, i.e. they are given a school budget. As a downside, this freedom might promote inequities between schools, depending on their location (i.e. whether there is a strong demand from associations and other private actors to rent school facilities), the state of their infrastructure, for which they are only partially responsible, and the individual business acumen of the school principal. Furthermore, given the discretionary character of this source of revenue, there is little transparency across schools in how much own revenue is generated and how it is used, even if the extent of these additional revenues is likely to be small and the purpose for which these funds can be used are rather narrowly defined.

As one of its central elements, the November 2015 government proposal on school reform foresees to grant individual schools more autonomy over budgetary, personnel and other matters (BMBF and BMWFW, 2015). As explained in Box 2.2, there is evidence from cross-country studies that expanding school autonomy is likely to have beneficial effects

on educational performance, in particular in the Austrian context with the recent establishment of an accountability system based on national education standards and the standardisation of teachers' employment conditions through federal legislation. Such accountability mechanisms are likely to mitigate potential negative side effects of school autonomy as discussed in Box 2.2. A further important element in ensuring a positive impact of school autonomy on education processes and outcomes is to strengthen leadership and management capacity at the school level (for further details, see Chapter 4).

### Box 2.2. **Expanding school autonomy: evidence from cross-country studies**

Expanding the autonomy of schools in the management of funding, human resources, curriculum design and other areas has been a major trend across European countries since the 1990s (Eurydice, 2007). International comparative research on school autonomy has shown that school autonomy has some beneficial effects on the average performance of students measured by international assessment programmes such as PISA (Wößmann, 2003; Hanushek et al., 2013; Schlicht-Schmälzle et al., 2011). Wößmann (2003) finds that beneficial effects can be observed in particular when school autonomy in personnel and process (management) decisions is combined with centralised examination and accountability mechanisms such as the ones established recently in Austria. Based on a large-scale analysis of PISA data, Hanushek et al. (2013) add the important caveat that school autonomy only had beneficial effects in relatively wealthy countries, whereas the effects turned out to be negative in poorer countries with less developed institutions. This study indicates that the beneficial effects of the delegation of management responsibilities to the level of schools depend on the schools' institutional capacities to deal with and make use of the expanded room for manoeuvre. Studying the effects of school autonomy on both the quality and equity of education, Schlicht-Schmälzle et al. (2011) confirm a weak positive effect of school autonomy on average performance, but they also find a negative effect on equity. School autonomy also increases the risk of increased stratification between rich and poor schools. Thus, the expansion of school autonomy should be accompanied by mechanisms that prevent this kind of stratification as well as the establishment of comprehensive accountability systems.

Source: Eurydice (2007), *School Autonomy in Europe: Policies and Measures*, Eurydice, Brussels; Hanushek, E.A., S. Link and L. Wößmann (2013), "Does school autonomy make sense everywhere? Panel estimates from PISA", *Journal of Development Economics*, 104(2013), pp. 212-232; Schlicht-Schmälzle, R., J. Teltemann and M. Windzio (2011), "Deregulation of education – What does it matter for efficiency and equality?", *TransState Working Paper*, 157/2011; Wößmann, L. (2003), "Schooling resources, educational institutions and student performance: The international evidence", *Oxford Bulletin of Economics and Statistics*, 65(2), pp. 117-170.

### **There has been notable progress in monitoring the quality of teaching and learning in Austrian schools**

Austria has made important steps towards the development of an evaluation and assessment framework for schooling in the past few years with the introduction of educational standards, national standardised assessments and different diagnostic tools. This signifies a shift of attention from teaching to learning and has the potential to improve both quality and equity in education. As the *OECD Review of Evaluation and Assessment in Education* highlighted, assessment helps focus attention on the learning progress and outcomes of each student and has strong potential to raise achievement and reduce disparities if students are at the centre of the process. Educational standards and standardised assessments can help clarify learning expectations for all schools, motivate

teachers and students to work towards high standards, and inform teaching and learning (e.g. through greater differentiation of instruction, greater collaboration among colleagues and better identification of students' learning needs) (OECD, 2013b).

At the same time, the review team noted that schools in Austria do not seem to have shifted to an evaluation culture yet. The review team saw only limited evidence for the systematic and joint analysis and use of student assessment results for improvement, for example, and some teachers stated during school visits that assessments may not provide timely information to influence teaching strategies. Data from OECD PISA 2012 suggest that there is potential in Austrian schools to further capitalise on evaluation and assessment to improve student learning.<sup>6</sup> Evaluation and assessment need to have a strong formative dimension to improve classroom practices and make a difference to student learning and to be useful for teachers and students. Yet, it is also important to hold schools accountable for the performance of their students (OECD, 2013b). This is particularly the case if schools are to be granted greater autonomy (more on this below). In Austria, it was not clear to the OECD review team from its school visits to what extent this was the case for teachers and school principals. Data from OECD PISA 2012 again substantiate these impressions. Only 39.1% of students were in a school whose principal reported that assessments were used to make judgements about teachers' effectiveness (OECD average: 50.4%), and only 58.8% of principals were in a school whose principal reported that achievement data was tracked over time by an administrative authority (OECD average: 72.1%) (OECD, 2013a).

The recent initiatives to embed a culture of school development planning and self-evaluation in the Austrian school system constitute a further strength for quality monitoring in Austria. As Bruneforth et al. (forthcoming) highlight, these developments constitute a true change of paradigm in the Austrian system of school quality development. The schools visited as part of the review visit typically found the SQA a useful process. It seemed to help school principals to reflect and to develop awareness that they can be leaders that provide a vision and strategy for their school. In various schools, it also provided an opportunity for teachers to take on leadership as co-ordinators of the SQA process in their school. Authorities and inspection services in the provincial school board also reported positive experiences in the implementation of SQA so far. The impact of SQA was being evaluated by BIFIE at the time of drafting this report. If this culture change takes further hold in the Austrian education system, it could also provide the basis for greater school autonomy.

## Challenges

### ***There are concerns about the efficient use of resources in the school sector***

The international comparison of spending data above indicates that general levels of public investment in education in Austria are still relatively high. The school infrastructure is good (Chapter 3), and teachers are generally satisfied with their employment conditions (Chapter 4). In terms of performance, however, Austria merely occupies a mid-field position (Chapter 1). Related to the legacy of a stratified school structure with early tracking there are continued concerns about equity. This, in turn, implies that the main challenge for Austria is not to increase levels of spending as such, but to improve the efficiency of resource use (see also Lassnigg et al., 2007: 151; Lassnigg and Vogtenhuber, 2015: 20-21; Rechnungshof, 2011a: 58; Schmid, 2015 for a similar assessment).

However, there is concern that some of the recent reforms in fact imply quite substantial spending increases. While reforms necessarily take time and may require possible

adjustments, it remains, furthermore, somewhat unclear whether these additional investments will pay off or may be subject to budget cuts after all, also considering apparently increasing budget pressures. For instance, considerable resources are and have been invested in decreasing class size, even though the empirical evidence on whether smaller classes are associated with better performance is mixed at best (Bruneforth et al., forthcoming: 117; Lassnigg and Vogtenhuber, 2015, see also Chapter 3 for a more detailed discussion). The introduction of the NMS has been accompanied by significant spending increases and there is still limited evidence on the impact of this policy (Eder et al., 2015; Chapter 3). Some have argued that the expansion of resources related to the introduction of the NMS needs to be accompanied with changes in teaching and learning practices in order to produce significant improvements (Lassnigg and Vogtenhuber, 2015: 25). A further challenge is to keep up the motivation of teachers for implementing these changes in the long term. The scientific evaluation of the NMS has shown weak to medium-strong positive effects of the NMS on educational quality, student support and learning climate, though not necessarily on learning outcomes. The positive effects are strong in those schools that have implemented the NMS concept more rigorously (Eder et al., 2015: 455).<sup>7</sup> Finally, the introduction of new teacher salary structures will likely create further resource pressures in the future. The starting salaries of young teachers under the new scheme will be significantly higher compared to the previous scheme. At the same time, older teachers, who have a right to stick to the old scheme, will receive higher salaries too thanks to the steep age-related wage profile of the previous salary schemes. It is difficult to pinpoint exactly the size of the spending increase, since an expected retirement wave of older teachers will free up some resources. Currently, 42% of teachers are aged 50 years or above, compared to an OECD average of 38% (OECD, 2015: 462) Also, younger teachers under the new scheme are required to teach more hours, which partly compensates for their higher salaries.

Nevertheless, the Austrian school system faces the challenge to continue to provide the resources needed to implement and follow through with the enacted reforms, in particular the introduction of the NMS, so as to reap the expected benefits in terms of improving overall performance and equity of learning outcomes, while avoiding cutbacks in other sensitive parts of the system.

### **Complex governance arrangements lead to a lack of transparency on resource flows in the system**

As discussed above, the governance structure of the Austrian school system is very complex, creating inefficiencies in the use of resources by obfuscating the flow of resources in the system (see also Lassnigg et al., 2007: 150-151). The federal government is the main funder of school education by directly financing the general academic secondary schools and by giving transfers to the provinces. However, current governance arrangements set incentives to over- and misspend as clear lines of accountability are lacking and existing monitoring systems are not yet sufficiently developed. This has also been repeatedly criticised by the Austrian Court of Audit (e.g. Rechnungshof, 2011a: 58-59; Rechnungshof, 2012).

In the compulsory school sector, the federal government has very limited means to control the use and distribution of resources at the provincial level. Teachers in general compulsory schools (*Landeslehrer*) are employed by the provinces according to the agreed staff plans. However, the provinces are free to hire more teachers than foreseen in the staff plan, and the federal government initially covers all costs. Towards the end of the year, the federal government can reclaim the additional costs (*Refundierung*) if actual spending

exceeds the level of spending foreseen in the staff plan. In 2013/14, the federal government was entitled to re-claim about EUR 70 million from the provincial governments (Rechnungshof, 2015b: 117). Between 2006 and 2010, the number of positions at general compulsory schools that were not included in the initial budget almost doubled from 1 039 to 2 063 positions (Rechnungshof, 2012: 11). Furthermore, the calculation of reimbursements agreed between the federal and the province governments is based on the low starting salaries, whereas actual expenditures are related to real salaries, which are significantly higher. This arrangement, therefore, allows provinces to hire more teachers and to secure at least a significant share of the additional expenditures from the federal government. This results in an estimated additional spending of EUR 30 million per year by the federal government (Bruneforth et al., forthcoming: 72).

Recent attempts by the federal ministry to change and confine this practice – even though backed by a recommendation to do so from the Austrian Court of Audit (Rechnungshof, 2015d: 116) – were met with strong political opposition from the provincial governments and stakeholders (such as unions and parental associations who opposed cutting back on teaching resources). Reform attempts, therefore, failed. From the perspective of the provinces, in fact, the resources provided through the general transfer scheme may not be sufficient to address all educational needs. This holds, in particular, in more rural provinces with many small schools (Chapter 3). In principle, it is possible to take into account specific education needs in the transfer payments, but these would have to be included in the general transfer scheme of the overall fiscal adjustment arrangements (*Finanzausgleich*). This is one of the reasons for the expansion of the number of earmarked education funding schemes covered in the fiscal adjustment agreements in recent years, contributing to further complexity.

Besides being unable to prevent provinces from hiring additional teachers, the federal government has no direct way of controlling or influencing the actual distribution of compulsory school teachers to individual schools, including the criteria that are applied in the selection and distribution of teachers (Bruneforth et al., forthcoming: 83; Rechnungshof, 2011a, 2012). As indicated by interviews with stakeholders at the provincial level, there seems to be little information sharing between the provinces on this point. In the academic secondary school sector, the degree of control over the distribution of teaching resources to individual schools should be higher since the provincial school boards are federal agencies. De facto, however, the influence of the federal ministry is limited here as well, also because the provincial school boards are connected to provincial politics via the collegiate boards and the heads of the provincial governments.<sup>8</sup> To give some examples, a recent report from the Austrian Court of Audit revealed a significant degree of overspending, even misuse of funds for official cars and representation purposes in the provincial school boards of Upper Austria and Tyrol (Rechnungshof, 2015b: 122). Furthermore, the collegiate boards of the provincial school boards effectively pre-selected the potential candidates for the executive leadership of the board so that the federal ministry only had a limited overview over the field of potential candidates (ibid.: 124). The federal ministry is not able in practice to determine the internal bureaucratic organisation and processes of the provincial school boards despite the fact that these are nominally federal agencies (ibid.: 125). Of course, there are systems in place to monitor the distribution of teachers, but these are rather fragmented and decentralised (more on this below), even if some of the monitoring systems at provincial levels have recently been somewhat harmonised. Both of these problems are addressed in the education reform

package of November 2015 (BMBF and BMWF, 2015), the final implementation of which, was, however, still in progress at the time of drafting this report.

Another example for the lack of transparency resulting from the split of regulatory competencies between the federal and provincial governments is related to the secondment of federal teachers (i.e. those employed in the academic secondary schools) to the New Secondary Schools as part of team teaching. In these schemes, teachers of both school types are supposed to team up in teaching within the New Secondary Schools, particularly in the basic subjects of German, mathematics and English. The salary costs for seconded federal teachers, however, are not included in the budget of the New Secondary Schools, but in those of their home school, which is typically an academic secondary school (Bruneforth et al., forthcoming: 101). This creates significant potential for obfuscation, a lack of transparency in resource use, and, as a result, a potential for misallocation.

In sum, giving authorities at the provincial level the authority to distribute resources across individual schools according to their own preferences has advantages and disadvantages. On the one hand, it can be argued that provincial agencies and offices have a better knowledge of local conditions and needs and are, therefore, better able to direct resources to where they are needed. Hence, there might only be a limited need for the federal government to get involved in the actual distribution of teacher resources. On the other hand, however, the lack of transparency on the use of resources creates mistrust among stakeholders, in particular when one actor – the federal government – is responsible for the financing, whereas the other – the provinces – is in charge of expenditures. This mistrust creates worries about the misuse and waste of resources at different levels of the administration. In addition, existing research on fiscal federalism shows that giving lower levels of government the power to spend without forcing them to raise their own revenues (by granting them autonomy in setting tax rates) sets strong incentives for overspending (Busemeyer, 2008). An example from the Austrian school system is the case of vocational schools, where the responsibility for financing is shared equally between the federal and the provincial governments and, as a consequence, overspending is much less of a problem (Rechnungshof, 2015d: 117).

### **The ambivalent role of the provincial school boards raises concerns**

As a result of the split between federal and provincial schools, the governance and administrative structure of the Austrian school system is overly complex. The overlapping roles between the provincial school boards and the school departments of the provincial governments may fuel conflicts about the distribution and proper management of resources (e.g. in the case of federal teachers being seconded to New Secondary Schools) and prevent a more unified and integrated approach in the governance of the school system (Lassnigg et al., 2007: 171-172; Lassnigg and Vogtenhuber, 2015; Rechnungshof, 2011a; Schmid, 2015). It also leads to the establishment of unnecessary parallel structures in personnel management.

The hybrid character of the provincial school boards as formally federal agencies with connections to provincial politics in many ways enhances complexity further (Schmid, 2015: 3). As mentioned above, the formal head of the provincial school board is the head of the provincial government (*Landeshauptmann/-frau*), who is represented by an executive president (*amtsführende/r Präsident/in*). It is obvious that the collegiate board, which oversees the activities of the provincial school board, has a political function as well, with its members being nominated by the political parties relative to their number of seats in

the provincial parliaments. Even though general assessment and aptitude tests have become more important in teacher and school leadership selection in recent years, there is a risk that appointments of teachers and, in particular, school principals is politicised, as was mentioned repeatedly in the review team's interviews (see also Rechnungshof, 2015b, and Chapter 4). The newly proposed education directorates also have a hybrid character and might suffer from similar complexities. However, the advantage of the new system as proposed in the reform package of November 2015 is that there would not be a parallel agency on the provincial level (the school departments of the provincial governments) which creates inefficiencies and duplications (e.g. in the case of teacher remuneration) as is the case now.

The provincial school boards are required to report both to the provincial parliaments and the federal ministry. On the one hand, this double role could help promote co-operation and co-ordination between the different levels of government. On the other hand, it is probably better understood as reflecting a certain lack of trust between the different levels of government. This lack of trust has led actors in the school system to establish and make use of a broad range of checks and balances, which sometimes reduce the flexibility of policy making.

The delegation of responsibilities from the school departments of the provincial governments to the provincial school boards, as is done in five out of nine provinces, promises to reduce the administrative complexity somewhat in the long term.<sup>9</sup> In the short term, however, it has the opposite effect. It increases the diversity of governance and administrative arrangements across provinces, further contributing to fragmentation and a lack of transparency. And despite the delegation of administrative responsibilities, the statutory regulations underpinning the dual structure have remained in place.

### **Current governance arrangements hinder coherent policies for the lower secondary level**

The split in administrative and fiscal responsibilities between federal and provincial schools poses significant problems (Schmid, 2015: 2-3). The split is especially problematic for lower secondary schools, where the curriculum is very similar across school types, but schools are run by different levels of the administration. As long as the split between federal and provincial schools is maintained, a full-scale integration of lower secondary education into a comprehensive system – which however also requires shared political willingness among all stakeholders – seems unlikely. This is problematic as empirical educational research has repeatedly shown that education systems with early tracking of students into separate school types at the lower secondary school level, as is done in Austria, exhibit higher levels of educational inequalities (Hanushek and Wößmann, 2006; Pfeffer, 2008) (see Chapter 3 for a more detailed discussion). The NMS was not introduced in a comprehensively reflected manner in order to deal with the problem of stratification related to early tracking, but it remained a political compromise as the introduction of a fully comprehensive secondary school was not feasible for political reasons (Altrichter et al., 2015: 24). In that sense, it practically replaced the previous general secondary school (HS) and, as mentioned above, the evidence of its effects is mixed so far. Furthermore, a unified system for strategic planning or infrastructure management is lacking, since the federal government holds responsibility for the academic secondary schools and provinces and municipalities do so for general compulsory schools (see Chapter 3 for a more detailed discussion). The government proposal on education reform

from November 2015 foresees the possibility of establishing fully comprehensive schools in pilot regions through collaboration between different school types limited to 15% of students and to 15% of schools in this province. This proposal has triggered a significant degree of political controversy since (BMBF and BMWFW, 2015).

### ***There are risks for resource inequalities between municipalities and schools***

As mentioned above, municipalities are responsible for financing maintenance and infrastructure costs (the latter generally with support from the provinces) in the general compulsory school sector. They are also responsible for providing additional resources for administrative personnel, janitors, and other support staff for these schools. However, based on the interviews conducted, the OECD review team formed the impression that many general compulsory schools lacked administrative staff support, which resulted in teachers and principals having to take over additional management and secretarial responsibilities. This is the result of municipalities holding the financial responsibilities for administrative staff. Municipalities may, however, have a considerable interest in supporting the maintenance of the school infrastructure (e.g. pay for janitors), but less of an interest for further expenditures that would be necessary to support pedagogical aspects of schools (see Chapter 4 for a more detailed discussion).

As a consequence of the central role of municipal governments in funding infrastructure, maintenance and administrative supportive staff, the wealth of municipalities appears to have an influence on the amount of resources available in schools, as became clear during the school visits conducted as part of the OECD review. While the involvement of provincial governments in large-scale infrastructure investments has a certain equalising effect, there are no general schemes that would equalise the amount of resources across municipalities. In the current arrangements, it is not fully transparent how funds provided by the provinces to the municipalities in addition to the funds provided by the federal level via the Fiscal Adjustment Act are distributed between municipalities. Although no exact data are available, differences in economic well-being between different municipalities (and provinces) seem to be reflected in different levels of educational investment.

Since teaching resources are distributed by the provinces and teachers are paid centrally, inequalities between schools depending on the municipality they are located in are more likely to develop in infrastructure and maintenance spending. In the medium to long term, however, these inequities can spill over and have an impact on teacher quality. Schools with a better infrastructure (including opportunities for all-day schooling and care, which is also partly financed by the municipalities) may be better able to attract high performing teachers and students, in particular when inequalities persist as the autonomy of schools to select their staff is enhanced as proposed by the government (BMBF and BMWFW, 2015).

Besides differences in economic well-being, local governments might also have different degrees of political commitment to supporting their schools. Furthermore, in particular in very small and rural schools, the availability of resources for maintenance and other support might depend on personal (or even political) connections between school leaders and the local administration. On the one hand, this might have certain advantages in the sense that the flexibility that social networks provide can compensate for the formal rigidities of the system. Also, giving municipalities a central role in supporting and financing “their” school could mobilise more resources compared to a situation when school funding entirely

depends on central decisions. More importantly, these arrangements introduce a certain element of arbitrariness and unpredictability, which might in the long run contribute to aggravating inequities in resource distribution between municipalities.

### **There are concerns related to school autonomy**

In general, Austrian schools have little financial flexibility (see Chapter 1 as well as BMBF, 2015; Lassnigg and Vogtenhuber, 2015; Schmid, 2015). They cannot save up and transfer funds from one year to the next, let alone take out loans. General compulsory schools, in particular, cannot generate additional income as is possible for academic secondary schools through renting out their facilities, for example. General compulsory schools do not have their own accounts and, therefore, depend entirely on the municipality for support in maintenance and operating costs.

Schools also have very little autonomy in choosing their staff since teacher selection is largely in the hands of the provincial school boards and the school departments of the provincial governments. In the general academic secondary school sector, the model project “Get Your Teacher” introduced in 2014, allows school leaders some influence on the selection of their teachers, but nothing similar has been introduced for the general compulsory school sector yet. As indicated by our interviews, individual school leaders can and sometimes do influence the decision-making processes at the higher level through personal connections with the provincial authorities. This is problematic, however, since it increases the lack of transparency and arbitrariness of decision-making.

The limited degree of autonomy has partly been compensated by the establishment of “pilot” or “model” projects in schools (*Schulversuche*), but at a risk of increasing the degree of fragmentation in the whole system. According to research from the Court of Audit, 50% of Austrian schools undertake some form of pilot project, either by introducing new pedagogical concepts and teaching subjects or by trying out organisational innovations (Rechnungshof, 2015c: 231). Many of these “pilot” projects have become institutionalised for a longer time period (up to several decades), which is an obvious contradiction to the original purpose of model projects. The Court of Audit found that the BMBF did not have a complete oversight over all pilot projects and, therefore, also did not know how much was spent on them. Furthermore, there was very little systematic evaluation of the success of the different pilot projects. This example demonstrates both the deficiencies in controlling resource use as well as the negative side effects of a limited degree of school autonomy. Even though pilot projects can be a useful instrument to promote innovations, the extensive use of this instrument in the case of Austria clearly points to serious structural weaknesses in the governance of the system. Schools make use of the instrument of “pilot projects” in order to compensate for the rigidity of formal regulations.

In the current debates about governance reform in Austria, the concept of school autonomy is not well-defined and not all stakeholders appear to be talking about the same aspects of autonomy. In general, autonomy seems to be mostly regarded as an issue related to administrative rather than pedagogical autonomy. However, this may also be a consequence of the fact that the Austrian system actually does allow a rather high degree of teacher autonomy in choosing teaching methods and for schools and teachers to develop new teaching subjects (Chapter 4).

There are also concerns among teachers that increasing school autonomy might strengthen the role of school principals *vis-à-vis* teachers, which is problematic in a context

in which policies have not yet been successful in building professional pedagogical leadership. In addition, some school leaders the review team interviewed were rather sceptical of school autonomy in administrative terms, as they feared this would further increase their workload and overburden them with additional tasks. This indicates that strengthening school autonomy would also require a shift in the culture of school leadership. School leaders need to be better qualified and prepared in order to be able to use the full potential of school autonomy, and require sufficient support to fulfil their role and dedicate themselves to their role as pedagogical leaders (e.g. through support staff and teacher leaders) (see Chapter 4).

### **Information and quality assurance systems are fragmented across provinces and school types**

As hinted at above, there are multiple information and quality assurance systems in place, which make a comprehensive approach to monitoring the quality and the performance of the system difficult. First of all, due to split competencies, there are two different systems for monitoring teaching staff in the federal schools and the provincial schools respectively. The monitoring system for federal schools (*Unterrichtspersonalinformationssystem*, UPIS) is different and separated from the system used in provincial schools. The monitoring of teacher resources at the provincial level is set out in the Regulation on Controlling for Provincial Teachers (*Landeslehrer-Controlling-Verordnung*), which contains stipulations on the kind of data to be delivered to the federal government. However, each of the provinces uses different software in order to monitor the use of teacher resources and, based on the interviews conducted, the OECD review team formed the impression that there was little co-ordination across provinces on this point. Furthermore, the controlling software for the use of teacher resources is not systematically connected to the other elements of the quality assurance and monitoring system. For federal schools, it could be expected that controlling processes would be more integrated. The Austrian Court of Audit, however, found in a report from 2011 a large degree of heterogeneity in the organisation of controlling processes across the provincial school boards and a lack of central co-ordination from the federal ministry (Rechnungshof, 2011b: 191-194). The report states that even in federal schools, seven different software programmes were used to administer students.

The BIFIE collects information about students (e.g. their performance in national educational standards, socio-economic and parental background, migration status and language). It also collects data on teachers and resources by means of background questionnaires. Thus, there is a lot of data available in the system. While there is co-operation between different institutions, there is room for deepening the collaboration between the work of BIFIE, the work of Statistics Austria, and the statistical section of the Federal Ministry of Education and Women's Affairs. What is missing is an institutional broker or agency which would better connect and analyse the different streams of data. There are also concerns about the difficulty of sharing information about students' transitions from one school type to another, in particular, but not only, at the transition from early childhood education to primary schools. In a follow-up to its 2011 report, the Court of Audit welcomes the recent changes in the controlling system, in particular the introduction of the SQA process and the installation of a unified IT structure in federal schools (Rechnungshof, 2014: 339-341). Despite these advances, the Court still sees many deficiencies such as the lack of written performance agreements between the ministry and its subsidiary agencies.

Thus, there is a clear and ongoing need for developing one integrated system that brings together data on teachers, students and learning outcomes. This is necessary in order to get a measure of the effectiveness of the use of resources, i.e. an indicator of how resource use is related to output and performance and whether particular groups of students are disadvantaged. In general, the culture of transparency, evaluation and accountability needs to be further developed in Austria, also to promote the better use of all the information that is already available for decision-making at different levels of the system and by different stakeholders, including schools.

### ***The school inspectorate could pay a stronger role in improving the quality of education***

For all schools, the school inspection is under the responsibility of the federal authorities and organised by province. School inspectors are federal officials located in the provincial school boards, but, as mentioned above, there are different school inspection regimes for the general compulsory schools, on the one hand, and the academic secondary schools, on the other, and school inspectors are appointed for these specific school types. There is only one “layer” of provincial school inspectors (*Landesschulinspektor*) for academic secondary schools. In the case of general compulsory schools, there is an additional layer of inspectors (inspectors for compulsory schools, *Pflichtschulinspektoren*) below the level of the provincial school inspectors. This is related to the legacy of the former district school boards (abolished in 2013). Inspectors for compulsory education are usually located in so called “education regions” which replaced the former district-level inspectorates and are organised differently depending on the provincial school board. Also, even though resources for the school inspection are limited overall, the number of schools per inspector is much larger in the compulsory school sector compared to the academic secondary school sector (Eurydice, 2015).

According to the review team’s interview partners, resources for school inspections are too few to allow for regular school visits. One inspector might be responsible for as many as 100 schools. Hence, school visits only occur when there are concrete reasons for inspection. Therefore, the school inspectorate mainly provides external advice and consulting services in case of concrete problems. It does not conduct thematic reviews on specific themes or aggregate the information collected from individual schools to conduct system-wide analyses as is done in various other countries. As the *OECD Review on Evaluation and Assessment Frameworks* pointed out, external school evaluation mechanisms have the possibility to collect a rich set of evidence on different qualitative aspects of schooling (OECD, 2013b). In Austria, qualitative information collected by the inspectorate (e.g. during the SQA process) is not well connected to quantitative data provided by Statistics Austria, the Ministry and the BIFIE. Thus, a systematic and comprehensive analysis of the relative performance of individual schools is difficult (see also Schmid, 2015: 5). Furthermore, there are no systematic mechanisms in place that would trigger certain policy reactions depending on the findings from quality monitoring systems (e.g. giving additional resources to low-performing schools). In general, the school inspectorate could play a stronger role in improving the quality of the Austrian school system (see also Rechnungshof, 2011a: 59).

## **Policy recommendations**

### ***Monitor resource flows and make sure resources are used efficiently***

A prime objective of the reform of education governance and financing should be to enhance the transparency of resource flows in the system. The division of labour between

the federal and the provincial governments in the financing of school education sets problematic incentives. The current funding arrangements allow province governments to spend more than budgetary planning actually allows for, with little consequences. Decentralisation of spending powers to provincial and municipal levels, as it currently exists in Austria, needs to be combined with adequate accountability and reporting mechanisms. In the current system, this is achieved only partially. In particular, there is insufficient reporting at the provincial level on the use of federal resources, also in relation to expected performance.

On the other hand, the province governments feel constrained by the existing regulations. From the perspective of the provinces, the current fiscal arrangements grant them little flexibility in devoting more resources to particular priorities as identified by local stakeholders since all earmarked funding for specific educational needs has to be formally agreed upon in the fiscal adjustment negotiations. The factor that could most likely contribute to breaking this vicious circle is the development of mutual trust between the federal and the provincial governments, allowing the provinces more flexibility in resource use while establishing improved accountability and controlling instruments at the same time, which would enhance the transparency of resource flows.

One concrete instrument to achieve this is to bring together the different information systems and merge them into an integrated system that links data on students, teachers, schools and resource flows. The current system is fragmented between different departments and institutions (the Ministry of Education and Women's Affairs, Statistics Austria and BIFIE), different levels of government (federal and provincial) and different school types. An integrated system would overcome this kind of fragmentation by connecting information on educational performance and students (currently collected by BIFIE) with data on the use of teacher resources (currently monitored by two different systems in federal and provincial schools, of which the latter is further hampered by the fact that each province uses a different software) as well as the rich qualitative information available through the quality assurance system (SQA for general schools, QIBB for vocational schools). Such an integrated system would allow drawing conclusions about the effective use of resources and, therefore, the relative performance of particular schools, which in turn facilitates more targeted policy reactions (see also Rechnungshof, 2011a: 58-60, 170-171). As a recent *OECD Review on Evaluation and Assessment Frameworks* highlighted, making the best use of the evidence generated by different evaluation and assessment activities depends to a large extent on the development of a coherent information management system. This should include the collection of data on students, teachers, schools and their performance over time and make adequate arrangements for sharing this information with multiple stakeholders to meet different information needs. Bringing together the different data in one single platform would also help to facilitate the analysis of this information for improvement (e.g. by facilitating independent research and analytical studies). The development of a brokerage agency, or equipping an existing institution with this function (e.g. BIFIE), constitutes one option to facilitate the process of sharing information and data. Such an agency could also help to promote the use of data, evidence, research and evaluations for decision-making (OECD, 2013b; OECD, 2007).

The unification and centralisation of the framework conditions for the school system would further support the transparency of resource flows. Policy makers in Austria have already taken important steps in this regard in recent years, e.g. with the introduction of national education standards, the reform of the teacher service code, the reform of initial

teacher education and the establishment of systematic education monitoring. These initiatives have to be sustained and further developed. At the same time, responsibilities for the implementation of these measures need to be further clarified at the provincial level and further possibilities for expanding school autonomy should be explored (see below). The administratively complex system of dedicated allowances for school-level staff, which lacks transparency, also needs to be reconsidered (Chapter 4).

Efficiency of resource use can also be promoted by establishing systematic processes of evidence-based policy evaluation. The recent introduction of goal-oriented budgeting as a general principle in fiscal policy is already a significant step in this direction. For the most part, however, the institutions and processes that could be used to monitor the effectiveness of resource use are weakly developed. A negative example for this is the wide-spread use of school pilot projects which are not systematically evaluated.

### **Explore different ways to introduce needs-based formula funding**

Funding should be distributed according to clearly defined criteria (OECD, 2012: 75). In the system currently in place in Austria, the bulk of funding is distributed according to student numbers. A significant (and growing) share of funding is devoted to particular educational needs, but total funding for these needs is capped at a relatively low level and needs to be (re-)negotiated in the complex fiscal adjustment arrangements (*Finanzausgleich*). Being confronted with the relative rigidity of the existing financing arrangements, provincial and local governments have found ways to work around the confines of the existing system to a certain extent. The provincial governments' overspending on teacher resources and partial refunding from the federal government is an example of such a "workaround". Ultimately, these mechanisms hurt the principle of transparency of resource flows and contribute to the development of mistrust between different levels of government.

To address these challenges, policy makers should explore different possibilities to introduce more elaborate needs-based formula funding for the distribution of teaching and other resources. A previous OECD study describes the introduction of needs-based funding formulae as a highly efficient and transparent method of funding schools when tackling inequities in the provision of education (OECD, 2012: 72; see also Fazekas, 2013). There are a number of examples from other countries where formula-based funding has been introduced successfully, e.g. in Hamburg, the Netherlands, the Swiss cantons of Berne and Zurich as well as in Toronto (Canada) (see Box 2.3 for details).

In the Austrian context, a number of proposals for the design and implementation of index-based formula funding have already been developed and are being discussed (Bacher, 2014; Bruneforth, 2014; Kuschej and Schönflug, 2014). Common to these proposals is the idea that the funding formula according to which resources are distributed between schools should contain elements in addition to simple student numbers that take into account the characteristics of the student population, e.g. by considering the socio-economic composition of the local population in terms of education and income, the share of children with a migration background or the share of non-German-speaking children (for overviews see Fazekas, 2013; Kuschej and Schönflug, 2013). In principle, the funding formula can be extended to include other elements, e.g. a factor that would give rural schools additional funding if this is seen as a political priority. As the review by Fazekas (2013: 16-18) shows the choice of variables included in the funding formula is crucial with regard to its impact on equity of funding. However, the degree of redistribution and equalisation between different types of schools (rural vs. urban, socially disadvantaged)

### Box 2.3. The international debate on formula-based funding

In its study on equity and quality in education, the OECD recommended – among other things – the introduction of “formula funding using a needs-based group of variables” (OECD 2012: 75) as the most effective and transparent way of tackling inequalities in the provision of resources between schools with different student populations. Additional resources provided through formula-based funding should be used to “provide further help for pupils such as additional teaching time, specialised learning material and in some cases smaller classes” (ibid.: 75). The concrete set of variables to be used in the funding formula depends on the availability of data in a particular country as well as political priorities. There are some examples from other countries where needs-based funding formula have been introduced.

**The Netherlands** have introduced formula-based funding for both primary and secondary education. The funding formula contains two elements: the first provides extra funding for students whose parents have a weak educational background, the second is dependent on the socio-economic profile of a particular school community. Thus, the index has a micro- as well as a macro-level component. This is an example of an encompassing index-based system, although the share of index-based funding as percentage of total education funding is low (about 4.5%, see Kuschej and Schönflug 2013: 43).

**Toronto (Canada)** applies a “Learning Opportunities Index” (LOI) to govern the distribution of resources across schools in the municipal school district. The funding needs of schools are evaluated based on six variables: 1. Median income in the students’ residential area; 2. the share of low-income families in a particular area; 3. the share of families receiving social assistance; 4. the share of adults without high school diploma; 5. the share of adults with a university degree; and 6. the share of single parents. Students are matched to neighbourhoods based on postal codes. Similar to the Netherlands, the share of resources distributed according to the needs-based formula only amounts to about 5% of total education spending.

**The Swiss canton of Zurich** uses a social index to distribute teaching resources across schools since 2004/05. The social index contains three elements based on official statistics: first, the share of foreigners (not counting foreigners from Austria, Germany and Liechtenstein), the share of children receiving social assistance, the share of tax payers with a low income. Different from the other indices, this index does not provide additional resources for disadvantaged students, but uses the index to distribute regular teaching resources.

Source: Fazekas, M. (2012), “School Funding Formulas: Review of Main Characteristics and Impacts”, OECD Education Working Papers, No. 74, <http://dx.doi.org/10.1787/5k993xw27cd3-en>; Forum Wien Welt Offen (2014), *Themendossier Sozialindizierte Stärkung von Bildungsstandorten: Österreichische Beiträge & Positionen sowie internationale Modelle [Thematic Dossier Social-index-based Improvement of Schools: Austrian Contributions and Positions as well as International Models]*, [http://wienweltoffen.at/wp-content/uploads/2014/09/Dossier\\_Sozialindizierung.pdf](http://wienweltoffen.at/wp-content/uploads/2014/09/Dossier_Sozialindizierung.pdf); Kuschej, H. and K. Schönflug (2013), *Indikatoren bedarfsorientierter Mittelverteilung im österreichischen Pflichtschulwesen: Vorläufiger Endbericht, Studie im Auftrag der Kammer für Arbeiter und Angestellte für Wien [Indicators for Needs-based Resource Distribution in the Austrian Compulsory School Sector: Preliminary Final Report, Study Commissioned by the Chamber of Labour Vienna]*, Institute for Advanced Studies, Vienna; OECD (2012), *Equity and Quality in Education: Supporting Disadvantaged Students and Schools*, <http://dx.doi.org/10.1787/9789264130852-en>.

vs. privileged, etc.) is fundamentally a political and societal discussion and cannot be decided by scientific criteria. Furthermore, there is a trade-off between “transparency-simplicity and sensitivity to local conditions-complexity” (ibid.: 21). Simple funding formulae, which include only few indicators, are transparent and easy to administer, but do not necessarily pay sufficient attention to the peculiarities of local needs.

Furthermore, a shift towards a formula-based funding system would also require a decision on the share of school funding that comes from formula-based funding relative to basic funding. Obviously, a significant share of the total funding needs to be based on student numbers in order to ensure the stability of basic funding from year to year, topped up by additional funding as determined by needs-based funding formulae. Bacher (2014) proposed that individual schools should be able to decide freely on how to spend this additional funding, while local stakeholders such as parents, teachers, local governments and students should have a greater say on how these funds should be spent. This would strengthen the connection between local schools and communities, in particular parents, and it would disburden higher levels of governments from administrative oversight.

In general, formula-based funding has the advantage that the criteria used to distribute funds across schools are made explicit and, therefore, subject to political scrutiny (Fazekas, 2013; OECD 2012: 72). This is a significant improvement in terms of transparency compared to a regime with more implicit than explicit criteria for distribution. As part of the discussion about funding formulae, current differences in spending per student across provinces, different geographical areas and school types should be made transparent as well. Transparency is a central precondition for informed debate and priority-setting.

### ***Align financing and spending responsibilities in one hand***

A major challenge in the current governance and funding arrangements is the division of responsibilities between the federal and the provincial governments in financing schools (Lassnigg et al., 2007: 174-175; Lassnigg and Vogtenhuber 2015; Rechnungshof, 2011a; Schmid, 2015). This is particularly problematic in the case of lower secondary education, where all school types actually follow the same curriculum and – as part of the New Secondary School – are encouraged to co-operate with each other. The complex administrative dual structure of provincial school boards and provincial school departments creates inefficiencies in the management of resources, contributes to obfuscating funding flows and nourishes a culture of mistrust and struggles over competencies.

Ideally, the governance and funding for all levels of education should be placed under the same regulatory regime, which would imply ending the formal divide between federal and provincial schools (as well as between federal and provincial teachers) (see also Rechnungshof, 2011a: 60-61). The dual structure of provincial school boards and school departments in the provincial governments should be transformed into a unitary structure, which will, out of necessity, have a hybrid character with shared responsibilities. While the federal government has the formal competencies to pass major legislation in education policy (with the provinces being limited to interpretive regulation), there is a need for regional flexibility in the implementation of federal laws. In this context, the expert commission on school reform (BMBF, 2015: 20-22) proposed to create a new type of education directorate (*Bildungsdirektion*) (see Schmid, 2015: 19ff. for a similar proposal). These directorates would be directly responsible to the heads of provincial governments and indirectly responsible to the federal government. Thus, they would also be a hybrid organisation, similar to the current provincial school boards. These proposals have largely been included in the government reform package of November 2015 (BMBF and BMWFW, 2015). Given the complex and hybrid nature of the education directorates, there is still a certain danger of administrative inefficiencies and politicisation, and a risk that the new structure fails to effect real change. However, there would be only one agency (instead of

two) in charge of both federal and compulsory schools and teachers in each province which would be a significant advantage of the new system compared to the current one.

In principle, it is less important whether the newly created institutions are formally provincial or federal agencies, which is ultimately a political decision. Some argue clearly in favour of putting the federal government in charge of the overall governance system (Lassnigg et al., 2007: 176; Schmid, 2015). The proposals of the expert commission on administrative school reform also pointed in this direction (BMBF, 2015: 17). However, given the legacy of Austria's school system, it will always have a partially hybrid character. The abolition of the traditional provincial school departments would go along with the reform of the provincial school boards, which are then put in charge of both federal and provincial schools. These new education directorates would still be federal agencies, but would incorporate personnel and political leadership from the provincial level, similar to the provincial school boards before. The most important point is that a unitary governance structure is created, which is able to overcome the formal division between federal and provincial schools, which hinders integrated and strategic policy making, especially at the lower secondary school level. Employment conditions as well as educational curricula should be governed by the same regulatory regime independent of level of education and school type. Absent any new legal reforms, there will be at least three such regimes in the coming years, because the new teacher service code will take a considerable amount of time to be implemented. The new education directorates should be responsible for teacher recruitment, while giving schools some autonomy in choosing their personnel (see below, and also Chapter 4), as is also proposed in the government's reform package of November 2015 (BMBF and BMWFV, 2015). This would help align financing and spending responsibilities through involvement of the federal level in the joint allocation of all teacher resources in the new institutions.

To increase transparency and effectiveness of funding flows, all teachers should be employed by the same employer (e.g. the new education directorates) according to the same standards. The recent reforms of initial teacher education and the teacher service code have already set important legal preconditions in this regard. The distribution of teaching (and other) resources should be based on funding formulae, which take into account additional factors besides student enrolment such as socio-economic need or – if politically desired – topography (see above and Chapter 3). The distribution of resources across different schools needs to be made more transparent. All funding for teachers should be provided directly by the federal government via the new education directorates. The complex transfer arrangement of teacher funding through provincial administrations would then become unnecessary.

Municipalities and provincial governments could continue to be involved in financing maintenance costs and infrastructure investments, but to facilitate strategic planning for each educational level this involvement should not depend on school type. One option could be to ensure that municipal governments are more strongly involved in the financing of primary schools, the provinces in lower secondary education and the federal government in upper secondary education. This option has the advantage of maintaining the strong connection between municipalities and “their” primary schools, often accompanied by the belief of municipal leaders that maintaining primary schools would have a positive influence on the demographic development of a local community. As became obvious during the visit of the OECD team, primary schools in rural areas occupy a central place in local communities as meeting places for students, parents and all kinds of associations. Municipal

governments might be more engaged in mobilising fiscal and other resources for schools when they still have a formal role to play in their funding compared to a situation when all funding decisions are made at a higher level of government. However, if municipalities continue to play a strong role in the provision and financing of education, it would be important to establish some kind of fiscal equalisation scheme on the provincial level (e.g. an investment fund) and to make the distribution of provincial funds to municipalities more transparent to prevent fiscally weaker municipalities from falling behind.

Alternatively, the federal government could devolve all funding responsibilities for infrastructure and maintenance to the provinces and concentrate on teacher funding only. In this new division of labour between the provincial and the federal governments, both provincial and the federal governments would continue to be involved in the funding of schools, but the former would be in charge of all infrastructure and maintenance expenditures, whereas the latter would be responsible for financing and allocating all teacher resources. While the funding and organisation of the school offer and infrastructure would require co-ordination between the different provinces, the division of labour would be better defined compared to the current situation in which both levels do a little bit of both, depending on the school type. Given the history of political struggles between the federal and the provincial governments, any future arrangement will most likely have to be a political compromise in the sense that both levels will have to be involved to a significant degree, i.e. the whole-sale delegation of funding for both teachers and infrastructure to either the federal or the provincial government will be politically difficult. Given this state of affairs, a clear division of labour, e.g. putting provincial governments in charge of all investments and maintenance and the federal government in charge of the funding and allocation of all teachers, could be a feasible compromise.

### **Rebalance funding across different types of school staff**

The overarching goal should be to bring more consistency and transparency to the funding of staff. If a unified system of teacher funding along the lines sketched out above should not be feasible and the current system of federal and provincial teachers is maintained, some of the unintended incentives that this system produces should be corrected. For one, if the system of provincial refunds for overspending on teachers (*Refundierung*) is maintained, the refunding of teacher costs to the federal government should be based on actual salary costs rather than nominally low salaries. Alternatively, it would be possible to introduce an equal split between the federal and provincial governments in funding teachers for all general compulsory schools as is done in the case of vocational schools, where no or very little overspending occurs (Rechnungshof, 2015d: 117). This is likely to reduce incentives for overspending. Ideally, however, as discussed above, the responsibility for financing and allocating all teachers should be in one hand through the new education directorates, independent of the school type or level of education.

A related problem, which is also discussed in Chapter 4, is that, in the current system, the responsibility for hiring teachers and school leaders, on the one hand, and administrative staff, on the other, is fragmented between the municipal, the provincial and the federal level. The availability of administrative staff appears inadequate as teachers and school leaders have to take on many administrative responsibilities in addition to their regular teaching load. In some cases, these administrative responsibilities are counted towards fulfilling their teaching requirements. In other cases they are entirely voluntary. In principle, administrative staff should be hired and employed by the same institutional

entity that is in charge of hiring teachers. This would help prevent shortages of such staff in schools and avoid inequities in the distribution of personnel resources, which are too dependent on local fiscal and political conditions in the current system (in the sector of compulsory schools).

It is crucial to ensure that schools are provided with adequate administrative staff so that school leaders and teachers can focus on improving teaching and learning. Schools in the academic secondary sector seem to receive more dedicated funding for administrative support. In the general compulsory schools, the local and provincial governments would need to provide these additional resources, which leads to a lack of administrative staff as well as an unequal distribution of personnel. Policy makers should strive to harmonise and equalise the funding conditions for administrative staff across school types and levels of education. It would be worthwhile to consider the introduction of minimum regulations on administrative staff and to centralise the responsibility for recruitment of administrative staff to the same level as teacher recruitment (e.g. in the hands of the new education directorates).

Besides administrative staff, there is a clear need to increase the availability of professionals who can support schools in their work with young people, i.e. social pedagogues, psychologists and social workers. In line with changing educational needs, family patterns and increasing diversity and heterogeneity in schools and within classes, these professionals play an important role in supporting the teaching staff. The current need to integrate a large number of young refugees and asylum seekers into the education system might aggravate the current shortcomings further in the near future. Hence, policy makers should review the possibilities to create more positions for these types of professionals working in schools, even if it would imply decreasing the number of regular teachers (see Chapter 4). It will be important to ensure that the kind of professionals that are made available meet schools' needs and that schools have some level of influence over such allocation decisions. Schools that need such professionals the most should be given priority in allocation decisions. Furthermore, schools can and should be encouraged to reach out to and collaborate with relevant agencies outside of schools.

### **Review the role of municipalities in education**

Municipalities play an important role in providing for and financing general compulsory schools, and primary schools, in particular. These schools, in turn, can be a focal point for local activities and associations. Nevertheless, the current arrangement of over 2 000 municipalities each managing their own schools is very resource-intensive, as these schools often operate below their optimal size. For a more detailed discussion regarding the organisation of the school offer, see Chapter 3. With regard to governance and funding of education, a consolidation of the number of small schools could be achieved by supporting the establishment of larger associations of municipalities (*Gemeindeverbände*), which are jointly responsible for the management and financing of a particular school. This would also imply larger catchment areas, in particular for lower secondary education. Associations of municipalities would help to simplify the complex system of transfers between municipalities when children from one municipality choose to attend school in a different one. This would be an important precondition for successfully increasing school autonomy. Very small schools might be overburdened with the management requirements associated with greater school autonomy. But if associations of municipalities (or schools) are in charge of resource management instead of individual schools, even very small schools can benefit from greater autonomy.

A consolidation of the local school landscape can and should go along with a redefinition of the role of municipalities as school providers. Such a consolidation frees up resources, which can be reinvested in newly expanding sectors of the schooling system, i.e. early childhood education and care as well as afternoon care and all-day schooling, which are increasingly demanded by parents.

***Enhance school autonomy while creating the conditions for autonomous schools to perform well and while taking steps to prevent inequalities from emerging***

It is important to ensure that schools become learning-centred organisations, which take responsibility for both improving educational results and reducing the impact of socio-economic background on learning. Enhancing the autonomy of schools can be an important tool that helps to achieve both goals provided that the right conditions are in place (Lassnigg et al., 2007: 172; Hanushek and Wößmann, 2010; Hanushek et al., 2013; see also BMBF, 2015; Rechnungshof, 2011a: 61-62; Schmid, 2015). The effect of delegating more autonomy to schools depends on schools' ability to make use of this autonomy in a constructive way and thus requires a strengthening of school leadership and management structures (see Chapter 4). Furthermore, autonomous schools need to be embedded in a comprehensive regulatory and institutional framework in order to prevent further inequalities between schools.

By international comparison, Austrian schools have little autonomy, particularly for resource management. A reform of school governance should give schools more autonomy in selecting their personnel, i.e. teachers. Being able to select teachers according to particular criteria (e.g. teaching methods, extracurricular activities, etc.) would allow schools to more effectively shape their profiles. One option would be to allow schools to select part of their teaching force while institutions above the school level (i.e. provincial authorities) remain in charge of recruiting and assigning the remaining part of the teaching force in order to ensure that common standards are applied and that particular schools are not systematically disadvantaged. In Germany, the use of such a mixed system is quite common.<sup>10</sup> Schools are allowed to advertise for positions at their own institutions in databases managed by the *Land* government. This is only possible for a certain share of the open positions in a given year, often related to particularly urgent needs or special profiles of the school. The remainder of the positions is assigned by bureaucratic agencies above the school level, similar to Austria. Applicants for teaching positions can, therefore, choose between applying directly for open positions at schools and submitting an application to the general large pool of applicants. Giving schools the full autonomy in hiring teachers carries the risk of amplifying differences between schools, since the more attractive schools will be able to attract the better teachers. Vice versa, not allowing schools any influence on the selection of teaching personnel can lead to misallocations and frustrations and prevent schools from developing a particular profile. Schools should also receive more autonomy in financial matters. Allowing the general compulsory schools a degree of financial autonomy similar to the academic secondary schools would be an important first step in mitigating inequalities between different school types. General compulsory schools would, then, be able to tap into own sources of revenue as well as to maintain their own accounts and operational budgets.

Increased school autonomy needs to be accompanied by effective accountability mechanisms (Lassnigg et al., 2007: 172-173; Hanushek and Wößmann, 2010: 26-27; Hanushek et al., 2013; Schmid, 2015: 15). The quality assurance framework (SQA)

established in 2011 is a good starting point in that respect, but if school autonomy increases, the role of external school evaluation – in a reformed school inspectorate – would also need to be strengthened. In the OECD PISA 2012 study, only 20.3% of 15-year-olds were in a school whose principal reported that their school had participated in an external evaluation (OECD average: 63.2%) (OECD, 2013a, Table IV.4.32). Information generated through the quality assurance system needs to be systematically connected with resource management decisions and accompany the process of giving schools greater autonomy. This would allow concentrating additional support to schools that are identified as underperforming in the quality monitoring system or to schools struggling with their new autonomy. The proposal of the expert commission on school governance reform envisioned the establishment of a central quality assurance office as well as a joint political group and a joint steering group of experts (BMBF, 2015: 19, 23). These three institutions would jointly supervise and accompany the gradual transformation of existing into autonomous schools. Depending on the concrete design of monitoring processes and institutions, in particular the central quality assurance office, this could be one feasible way of enhancing the autonomy of Austria's schools.

Besides accountability, there are other factors that need to go along with school autonomy. First of all, expanding school autonomy requires a redistribution of resources, in particular higher investment in administrative personnel and school leadership capacity (see Chapter 4 for a more detailed discussion). For obvious reasons, a critical school size is also necessary in order for schools to be able to effectively use their autonomy. If schools are too small, delegating more responsibilities to the school level may simply overwhelm school leaders with additional work tasks. Hence, considerations about increasing school autonomy should go together with discussions about increasing the average school size (more on this in Chapter 3). As an alternative to increasing school size, different kinds of providers (*Träger* or *Schulerhalter*) could be put in charge of schools: For instance, one provider (such as a regional education centre, a larger municipality or an association of local governments) could be put in charge of administering several schools (see above).

## Notes

1. In contrast to Germany, the spending of private businesses on vocational training is not included in the official education budget.
2. The methodology changed from *Education at a Glance 2014* to *Education at a Glance 2015*. While spending on educational institutions covered all levels of education for *Education at a Glance 2014* including pre-primary education and undistributed programmes based on ISCED-97, *Education at a Glance 2015* covers primary to tertiary education only, excluding pre-primary education and undistributed programmes, based on ISCED 2011.
3. Actual salaries for teachers aged 25-64 refer to the annual average earnings received by full-time teachers aged 25-64, before taxes. It includes work-related payments, such as annual bonuses, results-related bonuses, extra pay for holidays and sick-leave pay. Income from other sources, such as government social transfers, investment income, and any other income that is not directly related to their profession, are not included. Statutory salaries refer to scheduled salaries according to official pay scales. The salaries reported for the OECD *Education at a Glance* publication are gross (total sum paid by the employer) less the employer's contribution to social security and pension, according to existing salary scales. Salaries are "before tax", i.e. before deductions for income tax.
4. Personal communication with Stefan Vogtenhuber and Lorenz Lassnigg, October 20, 2015. See also Rechnungshof, 2013b.
5. In part, this is, of course, taken into account in the NMS reform. Compared to the AHS, per-student spending at the NMS is significantly higher, and the NMS is a school type in which children from disadvantaged socio-economic backgrounds are over-represented. However, the distinction

between the two school types of NMS and AHS is very crude and neglects differences in the socio-economic profile of students between rural and urban areas.

6. Data from OECD PISA 2012 point to the need to support schools further to make better use of assessment data (OECD, 2013a, Figure IV.4.11 and Table IV.4.30). Only 62.6% of students were in a school whose principal reported that assessments were used to monitor the school's progress from year to year compared to an OECD average of 81.2%, only 39.1% of students were in a school whose principal reported that assessments were used to make judgements about teachers' effectiveness (OECD average: 50.4%), and 69.5% of students were in a school whose principal reported that assessments were used to identify aspects of instruction or the curriculum that could be improved (OECD average: 80.3%).
7. Since the NMS reform has only been implemented recently, these preliminary findings need to be confirmed in the future. The NMS concept requires a long-term cultural change from teachers and school principals and it might, therefore, take some time before effects can be observed.
8. Furthermore, there is some limited leeway for redistribution between schools for specific purposes, which is granted on purpose.
9. In a recent report, the Austrian Court of Audit provides a comparative estimate of costs for administering one teacher position in these two different regulatory regimes (Rechnungshof, 2015b). The report compares administrative procedures in the province of Tyrol which has maintained the dual structure, and the province of Upper Austria where the provincial office has delegated the bulk of its responsibilities to the provincial school board. The report finds differences in administrative costs for federal teachers, although this should be the same since they are administered by the provincial school board in both cases: Upper Austria spends about 20% more than Tyrol (EUR 247 compared to EUR 206). However, with regard to provincial teachers, the situation is reversed: In this case, administrative costs per teacher were EUR 237 in Tyrol compared to EUR 215 in Upper Austria (ibid.: 22). The Court of Audit states that part of these differences may be explained by differences in the age structure of personnel. However, it could also be related to different administrative structure, indicating that administrative costs might be lower in provinces that have delegated responsibilities to the federal agencies. Of course, this comparison is merely based on two cases and can, therefore, not be generalised.
10. See [https://verwaltung.hessen.de/irj/Verwaltung\\_Internet](https://verwaltung.hessen.de/irj/Verwaltung_Internet) (accessed 8 October 2015) for the case of Hesse and [www.lehrer-online-bw.de/Lde/Startseite/Stellen](http://www.lehrer-online-bw.de/Lde/Startseite/Stellen) (accessed 8 October 2015) for the case of Baden-Württemberg, for example.

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## ANNEX 2.A1

## Data for Chapter 2

Table 2.A1.1. **Comparative data on per student expenditure on education, OECD countries, ISCED 2011, 2012**

	Pre-primary education (for children 3 years and older)	Primary education	Lower secondary education	Upper secondary education	Primary to tertiary (including R&D activities and undistributed programmes)
Australia	10 298	7 705	10 574	9 581	10 347
<b>Austria</b>	<b>7 716</b>	<b>9 563</b>	<b>13 632</b>	<b>14 013</b>	<b>13 189</b>
Belgium	6 975	9 581	11 670	12 210	12 135
Canada	..	9 680		11 695	..
Czech Republic	4 447	4 728	4 312	7 119	5 235
Denmark	n/a	10 953	7 902	9 959	7 684
Estonia	n/a5	5 668	6 524	7 013	6 878
Finland	9 998	8 316	12 909	8 599	11 030
France	6 969	7 013	9 588	13 070	10 450
Germany	8568	7 749	9 521	12 599	11 363
Hungary	4 539	4 370	4 459	4 386	5 564
Iceland	10 250	10 003	10 706	7 541	10 287
Ireland	..	11 087	11 087	11 564	10 740
Israel	3 416	6 931	n/a	n/a	7 903
Italy	7 892	n/a	8 905	8 684	8 744
Japan	5 872	8 595	9 976	10 360	11 671
Korea	5 674	7 395	7 008	9 651	9 569
Luxembourg	19 719	20 020	20 247	20 962	22 545
Mexico	n/a	2 632	2 367	4 160	3 509
Netherlands	8 176	8 185	12 227	12 368	12 211
New Zealand	9 670	7 069	8 644	10 262	9 443
Norway	9 050	12 728	13 373	15 248	15 497
Poland	6 505	6 682	6 682	6 419	7 398
Portugal	5 713	6 105	8 524	8 888	7 952
Slovak Republic	4 694	5 415	5 283	5 027	6 072
Slovenia	7 472	9 015	9 802	6 898	9 031
Spain	6 182	7 111	9 137	9 145	9 040
Sweden	12 212	10 312	10 966	11 329	12 742
Switzerland	5 457	13 889	16 370	17 024	17 485
Turkey	..	2 577	2 448	3 524	3 514
United Kingdom	10 699	10 017	10271	9 963	12 084
United States	10 042	11 030	11 856	13 059	15 494
<b>OECD average</b>	<b>8 008</b>	<b>8 247</b>	<b>9 627</b>	<b>9 876</b>	<b>10 220</b>
EU21 average	8 146	8 372	10 040	10 011	10 361

Note:

.. Missing value

n/a Data not available

Source: OECD (2015), *Education at a Glance 2015: OECD Indicators*, <http://dx.doi.org/10.1787/eag-2015-en>, Tables B1.1a and C2.3.

Table 2.A1.2. Data on expenditure by primary and secondary educational institutions, by resource category, OECD countries with available data, ISCED 2011, 2012

Notes	Primary education						Secondary education					
	Percentage of total expenditure		Percentage of current expenditure				Percentage of total expenditure		Percentage of current expenditure			
	Current	Capital	Compensation of teachers	Compensation of other staff	Compensation of all staff	Other current expenditure	Current	Capital	Compensation of teachers	Compensation of other staff	Compensation of all staff	Other current expenditure
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
<b>OECD</b>												
Australia	81.3	18.7	62.9	15.1	78.0	22.0	88.3	11.7	59.2	16.2	75.4	24.6
<b>Austria</b>	<b>98.1</b>	<b>1.9</b>	<b>60.7</b>	<b>12.6</b>	<b>73.3</b>	<b>26.7</b>	<b>98.2</b>	<b>1.8</b>	<b>68.0</b>	<b>8.6</b>	<b>76.5</b>	<b>23.5</b>
Belgium	96.2	3.8	69.7	19.3	89.0	11.0	97.5	2.5	72.4	16.5	88.9	11.1
Canada	92.6	7.4	62.6	15.0	77.5	22.5	92.6	7.4	62.6	15.0	77.5	22.5
Chile	..	..	..	..	..	..	..	..	..	..	..	..
Czech Republic	90.1	9.9	46.1	16.5	62.6	37.4	92.1	7.9	46.8	12.4	59.2	40.8
Denmark	94.7	5.3	63.4	17.0	80.5	19.5	93.0	7.0	39.0	20.7	59.8	40.2
Estonia	..	..	..	..	..	..	..	..	..	..	..	..
Finland	91.7	8.3	55.6	9.5	65.1	34.9	91.0	9.0	51.1	12.7	63.8	36.2
France	91.6	8.4	56.8	20.4	77.2	22.8	90.6	9.4	58.4	24.0	82.5	17.5
Germany	90.8	9.2	x(5)	x(5)	82.1	17.9	90.2	9.8	x(11)	x(11)	81.5	18.5
Greece	..	..	..	..	..	..	..	..	..	..	..	..
Hungary	94.1	5.9	x(5)	x(5)	72.8	27.2	93.8	6.2	x(11)	x(11)	74.7	25.3
Iceland	93.0	7.0	x(5)	x(5)	74.5	25.5	95.2	4.8	x(11)	x(11)	75.4	24.6
Ireland	92.0	8.0	76.5	12.4	89.0	11.0	94.5	5.5	70.2	8.9	79.1	20.9
Israel	91.5	8.5	x(5)	x(5)	85.2	14.8	94.0	6.1	x(11)	x(11)	83.9	16.1
Italy	96.6	3.4	62.4	19.0	81.3	18.7	97.2	2.8	64.7	18.7	83.4	16.6
Japan	88.1	11.9	x(5)	x(5)	85.8	14.2	88.6	11.4	x(11)	x(11)	86.2	13.8
Korea	87.4	12.6	54.6	14.9	69.4	30.6	86.6	13.4	56.5	12.5	68.9	31.1
Luxembourg	85.8	14.2	78.4	3.7	82.1	17.9	91.1	8.9	77.0	12.9	89.9	10.1
Mexico	97.4	2.6	86.4	8.2	94.6	5.4	96.8	3.2	78.8	12.0	90.8	9.2
Netherlands	88.0	12.0	x(5)	x(5)	83.6	16.4	88.6	11.4	x(11)	x(11)	81.6	18.4
New Zealand	..	..	..	..	..	..	..	..	..	..	..	..
Norway	89.3	10.7	x(5)	x(5)	79.8	20.2	87.6	12.4	x(11)	x(11)	79.8	20.2
Poland	94.1	5.9	x(1)	x(1)	x(1)	x(1)	95.9	4.1	x(7)	x(7)	x(7)	x(7)
Portugal	98.7	1.3	80.0	13.9	93.9	6.1	98.7	1.3	80.7	10.2	90.9	9.1
Slovak Republic	92.6	7.4	51.1	13.8	64.9	35.1	94.8	5.2	52.4	14.0	66.4	33.6

Table 2.A1.2. Data on expenditure by primary and secondary educational institutions, by resource category, OECD countries with available data, ISCED 2011, 2012 (cont.)

	Notes	Primary education						Secondary education					
		Percentage of total expenditure		Percentage of current expenditure				Percentage of total expenditure		Percentage of current expenditure			
		Current	Capital	Compensation of teachers	Compensation of other staff	Compensation of all staff	Other current expenditure	Current	Capital	Compensation of teachers	Compensation of other staff	Compensation of all staff	Other current expenditure
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Slovenia	1	92.4	7.6	x(5)	x(5)	81.2	18.8	93.5	6.5	x(11)	x(11)	76.8	23.2
Spain	3	94.9	5.1	71.0	9.7	80.7	19.3	94.7	5.3	74.9	8.3	83.1	16.9
Sweden		93.5	6.5	52.7	16.7	69.4	30.6	92.3	7.7	50.7	14.9	65.6	34.4
Switzerland	1, 3	90.5	9.5	66.6	16.6	83.2	16.8	92.0	8.0	73.0	12.2	85.2	14.8
Turkey	3	96.3	3.7	x(5)	x(5)	89.3	10.7	91.9	8.1	x(11)	x(11)	84.8	15.2
United Kingdom	3	93.7	6.3	54.4	29.0	83.4	16.6	94.0	6.0	59.8	22.0	81.8	18.2
United States		91.2	8.8	54.6	26.6	81.3	18.7	91.2	8.8	54.6	26.6	81.2	18.8
<b>OECD average</b>		<b>92.3</b>	<b>7.7</b>	<b>63.3</b>	<b>15.5</b>	<b>79.7</b>	<b>20.3</b>	<b>92.9</b>	<b>7.1</b>	<b>62.5</b>	<b>15.0</b>	<b>78.4</b>	<b>21.6</b>
EU21 average		93.1	6.9	62.8	15.3	78.5	21.5	93.8	6.2	61.9	14.6	77.0	23.0

Note:

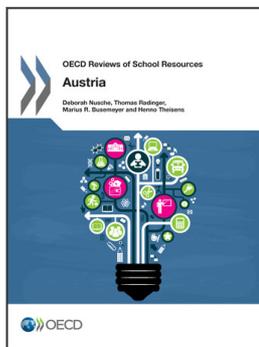
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x Data included in another category or column

1. Some levels of education are included with others. Refer to "x" code in Table B1.1a for details.
2. Year of reference 2010.
3. Public institutions only.
4. Year of reference 2012.

Source: OECD (2015), *Education at a Glance 2015: OECD Indicators*, <http://dx.doi.org/10.1787/eag-2015-en>, Table B6.1.





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