



Skills Funding - Evidence from Austria

Skills2Capabilities – Blog post

December 2025

Terence Hogarth and Emily Erickson (Warwick IER)

Austria provides an example of a country which has a relatively stable vocational education and training system which, in conjunction with its system of wage bargaining, encourages employers and individuals to invest in skills. This is met in large part through the initial vocational education and training (IVET) system that is principally funded by the state. The system does potentially disadvantage those with low levels of educational attainment who face an increased chance of being unemployed. This has been countered by increase state investments in continuing vocational education and training (CVET) designed to improve the skills and employability of this group.

In Austria approximately 80 per cent of young people opt to enter into the IVET system. It comprises two equally important components: (i) a school-based training; and (ii) apprenticeships. IVET in Austria is funded by the state. The Public Employment Service (PES) is by far the most significant funding body for CVET through a variety of active labour market measures. It should be noted that the nine Länder also deliver their own upskilling and reskilling programmes.

The Austrian VET system is a stable system. The foundations of the modern VET system were laid in the late 19th century with the last major reform taking place in the 1960s. There has been, however, gradual institutional change with the introduction of second-chance education for unemployed people. Over time, Austria has shifted increasing towards an inclusive education system from a one where few people completed upper secondary education to now near universal completion at this level. IVET has absorbed much of the increase in post-16 education.

Public funding for vocational education and training (VET) for young people encompasses three distinct components: (i) the public expenditure associated with vocational schools; (ii) the costs of ensuring access to alternative pathways for those unable to secure a place in vocational schools or apprenticeships; and (iii) financial support provided to enterprises for offering apprenticeship training.



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Overall, public expenditure per VET student remained relatively stable between 2012 and 2021, increasing by 24 per cent over the period compared with a 21 per cent rise in consumer prices. In the 2021/22 academic year, estimated spending per VET student amounted to EUR 14,161.

Dual education, or apprenticeship, is a key component of Austria's upper secondary education system. The state funds the school-based component (including the preparatory year) and contributes to employers' costs. Enterprises bear the net costs of apprenticeships, that is the gap between the apprenticeship wages and the costs for training on the job (minus the public subsidy provided) and the productive contributions of apprentices.

For young people, who cannot find a regular apprenticeship place, the supra-company training centres were introduced. In 2023, support was provided in 14,485 cases (up from 9,823 in 2013). The proportion of apprentices within the supra-company system increased from 8.1 per cent in 2013 to 13.4% per cent in 2023. The PES expenditure on supra-company apprenticeships increased from EUR 27 million in 2013 to EUR 56 million in 2023; an increase of about 50 per cent when taking inflation into account. The need for alternatives for regular apprenticeship places is required because the number of apprenticeship places has been shrinking.

Prior to Austria's EU accession in 1995, public funding for adult learning was limited to a few narrowly defined areas and played a much smaller role than it does today. With rising participation in formal and non-formal adult learning, public contributions to learning costs have increased significantly over the past thirty years. The Public Employment Service is the main funder of adult learning. The Austrian Länder are responsible for supporting adult learning for employed people. At the national level, the Ministry of Education plays a supporting role, although its discretionary budget for adult learning is limited (EUR 54.5 million in 2023, or 0.01% of GDP).



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The skills system, and the wider system of centralised industrial relations system means there is little scope for employers to bypass sectoral wage standards. Because wages for unskilled workers are often only marginally lower than for the skilled, there are clear incentives to train / recruit skilled workers given their higher productivity. Because the system tends to disadvantage those without recognised vocational qualifications – they have unemployment rates above 20 per cent and high job insecurity – policy has responded through considerable public funding allocated to training schemes designed to overcome disadvantage.

FOR FURTHER INFORMATION SEE:

https://skills2capabilities.eu/files/results/papers/08_wp8_austria_case_study_on_template_for_website_v1final.pdf

Read the full working paper on Skill Formation Systems: www.Skills2Capabilities.eu

This Blog is part of the Skills2Capabilitiy Work Package 8 entitled 'Funding of VET and AL and the Sharing of Costs.' For more information please visit skills2capabilities.eu

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