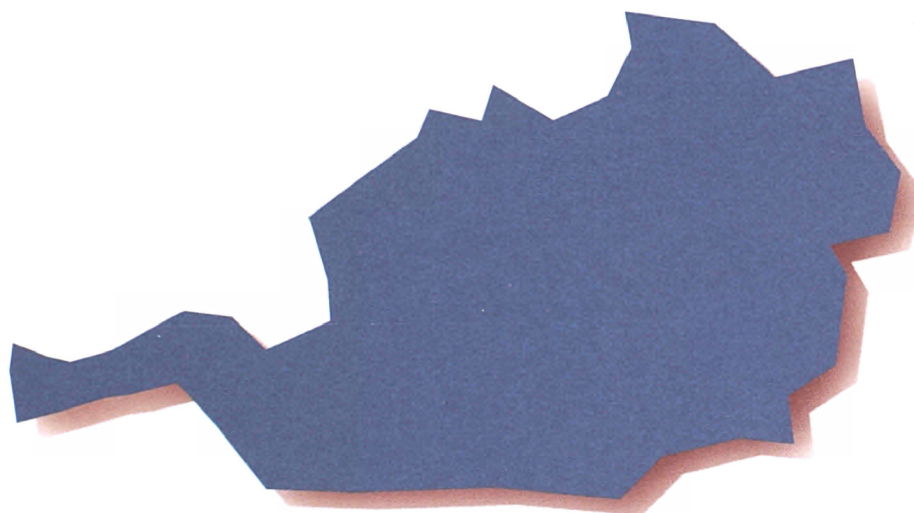


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A report by L&R Sozialforschung

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INTRODUCTION

This report provides an account of the labour market in Austria. It was produced for the European Commission, DGV (Directorate-General for Employment, Industrial Relations and Social Affairs) by L&R Sozialforschung, who carried out the research and drafted the report, which was edited by ECOTEC Research and Consulting Ltd.

This study is one of a series of reports covering all fifteen member states. Their aims are to take stock and analyse labour market developments in the EU in order to inform employment policies in the light of the conclusions of the Essen Summit:

- the promotion of investments in vocational training
- the increase in the employment-intensiveness of growth
- the lowering of indirect wage costs
- the increase in the effectiveness of labour market policy
- the strengthening of measures for groups particularly affected by unemployment

The report is structured in six sections:

Section 1 provides an analysis of the labour market situation in Austria. It examines the background to the labour market by considering: demographic trends; the structure of the workforce; trends in job creation, job loss and wages and salaries; and the causes of unemployment.

Section 2 describes the main labour market institutions, including public employment services, institutions of social partnership, and collective wage bargaining.

Section 3 examines labour market legislation. It includes a discussion of employment protection schemes, regulations on working time and minimum wages.

Section 4 describes Austria's labour market policies, in terms of both active and passive measures. Implementation of active measures by public bodies is discussed and the range of existing active labour market policy measures are described. This section concludes with an evaluation of good practice in active labour market measures.

Section 5 presents an overview of other policies which have an impact on the labour market and which are not discussed in Section 4. The discussion covers policies on education and training; taxation and social security; and industrial policies.

The final Section places the discussion in the report in the context of the national debate in Austria. It examines current debate in the area of labour market policy, and outlines the post-Essen process and the Austrian multi-annual programme. A short summary of the report is presented before Section 1.

SUMMARY

The Labour Market Context

Like most other Western European economies, the trend in Austria's demographic situation towards an ageing population. The imbalance between birth rates and increases in life expectancy has led to increasing dependency ratios, and is likely to have an impact on labour supply in the medium and long-term. Projections indicate that the number of those aged between 15-60 as a percentage of the total population is set to decline to 53% by the year 2050. The trend towards an ageing population is somewhat obscured by the inward migration of individuals of working age. In 1995 the number of foreign workers as a percentage of total employees was 9.8%.

The size of the population of working age (15-64) has increased continually since the collapse in employment in the early 1980s, and stood at 3.66 million in 1995. This growth can be attributed to an increase in labour market participation rates and the growing size of the population resulting from migration triggered by the opening of borders with the east.

The rise in labour market participation since the mid-1980s is primarily the result of the increase in female participation rates. These have risen from 52.8% in 1985 to 57.7% in 1995 (men's participation rates declined from 85.5% in 1980 to 77.1% in 1995). This increase was most evident in the 25-40 age group. The growth in female labour market participation is not insignificantly due to the increase in part-time employment. In 1994, 22.3% of women were working part-time; the equivalent figure for men was 2.4%. The extent to which this form of employment is used to compensate for the lack of full time posts or to mask unemployment is negligible. The rise in employment figures is primarily the result of an increase in dependant employment which went hand in hand with a fall in the number of self-employed individuals particularly in agriculture and forestry.

In 1991, 3% of men and 4% of women were employed on temporary contracts. There has been a particularly significant increase in the number of workers in limited part-time employment (4% of employees in 1994). This is significant because this group of employees is not covered for the purposes of sickness, unemployment and pensions benefits, and is not accorded the same employment protection under current legislation.

There has been a gradual change in the sectoral distribution of employment. The decline in employment in the secondary sector during the 1980s was compensated for by an increase in the tertiary sector. In the 1990s the public sector played an important role in the expansion of employment in the tertiary sector. This development particularly benefited graduates.

Until the early 1980s Austria had always been characterised by very low rates of unemployment, in fact it breached the so-called "full-employment barrier" of 3% for the first time in 1982. Since the collapse in employment in the early 1980s, unemployment has been rising steadily to reach 6.6% in 1995 (Austrian figures). However, in comparison, Austrian levels of unemployment still lie below the EU average. There is a considerable degree of fluctuation in employment which is reflected in

figures from 1995, which show that around 21% of all employees experienced at least one spell of unemployment.

An important characteristic of unemployment in Austria is the increase in long-term unemployment. The number of those out of work for more than one year rose from 10.8% in 1987 to 18.5% in 1994. This has an important impact on labour market policy as it can be shown that the duration of unemployment is clearly linked to success rates in finding employment. Unemployment in Austria is also far more seasonal in character than in most other EU member states, and the difference between highs (January) and lows (July) can be as much as 3.2%.

The 1980s witnessed a redistribution in the burden of unemployment between the younger and the older age groups. The percentage of unemployed over the age of 50 grew continuously and currently lies at 3% above the national average. The comparatively low level of unemployment among 15-19 year olds has been attributed to the transmission effects of the dual system of vocational training. There remains, however, a high percentage (20%) of individuals who leave school or vocational training without obtaining qualifications. The unemployment rate among those with nothing more than compulsory education was, at 9.2%, disproportionately higher than the national average of 5.4%. There are also geographical imbalances in Austrian patterns of unemployment. Because of the spatial distributions of different sectors of industry, the western counties traditionally experience lower levels of unemployment than the eastern ones.

There are other factors which have contributed to the comparatively low levels of unemployment experienced in Austria. As a result of the high level of coordination of wage bargaining, levels of cyclical wage flexibility are very high by international comparison.

The Essen recommendations highlight the importance of reducing indirect wage costs. At a cursory glance, social costs appear to be very high in Austria (1994: approx. 100% of net wage). This can, however, be attributed to the low level of taxation levied on the 13th and 14th monthly payment which is unique to Austria and which appears to shift the wage burden towards social costs. The competitiveness of Austrian industry and services in an international comparison has in fact increased steadily since the 1970s. Industrial unit labour costs have remained constant in the 1990s, while most of Austria's main competitors witnessed an increase in 1995/6.

Policy-makers as well as academics have long sought to find an explanation for the phenomenon of unemployment, particularly in times of economic upturn. Studies have shown that the relationship between economic growth and employment has remained stable in Austria over many decades, and the theory of jobless growth can therefore be regarded as being unfounded.

The rise in unemployment since the 1980s cannot be attributed to a single determinant but can be attributed to a number of factors:

- the increase in labour supply resulting from demographic trends, increasing female labour market participation and migratory flows;

- like other European countries, Austria has witnessed a growth in the social costs attached to labour;
- structural unemployment has increased as a result of dequalification resulting from long-term unemployment;
- empirical studies have shown a move to the right of the Beveridge curve and an increase in the NAIRU;
- the disproportionate increase in unemployment leads to discrimination by companies when filling vacancies (hysteresis).

Labour Market Institutions

The reform of the Austrian labour market administration came into force on 1st July 1994. The Labour Market Service Act provides for the establishment of an independent institution - in the form of a public corporation - responsible for labour market administration. The Labour Market Service (LMS) was thus removed from the direct responsibility of the Ministry, which now only sets broad financial and operational targets. The LMS commands its own budget and is overseen by a management board which involves the social partners. The LMS is made up of a central administration, Länder Directorates and Regional Directorates. The reform accorded far more responsibility than previously to the Land level to enable them to adapt their approaches to the needs of the local labour market. At the same time it also allowed private employment agencies to enter the placement market. However, due to the strict criteria applying to their operation, such agencies have been slow to appear on the market. One of the most important elements of the reform is the increasing involvement of the social partners in the decision making of public employment services.

The Austrian system of social partnership is part of the foundation of a polity which is characterised by a high degree of corporatism. This model includes the direct involvement of the social partners and other interest groups in the political process, in areas such as economic, income, social and labour market policy formulation. It is often argued that the balance of power in Austria is tipped in favour of labour rather than management. This is attributed to the make-up of industry and the dominance of small and medium sized enterprises, and, at the same time, a highly centralised and organised trade union structure. There are strong connections between trade associations, unions and political parties and few individuals occupy key positions in a variety of spheres of public life. Social partnership is institutionalised in a number of committees and consultative bodies (ie the Commission on Wages and Prices, *Kommission für Lohn - und Preisfragen*). Collective bargaining takes place between sectoral unions and economic chambers (*Wirtschaftskammern*), with the metalworkers usually acting as a motor for each collective bargaining round. Plant level agreements are subsequently reached on the basis of the framework collective agreements, allowing for control on income formation.

There is a long tradition of comprehensive labour legislation. Employer calls for deregulation have so far not entered the employment policy debates and any flexibilisation which has occurred has been on the basis of plant level agreements.

Labour Market Policies

Labour market policy in Austria is mainly funded (82%) through contributions to the unemployment insurance system. These amount to 6% of wages and are shared between employer and employee. The remaining 18% are provided by central government from general taxation. ESF funds have increased the budget for active labour market policy by 25%.

Austrian labour market policy is primarily characterised by expenditure on passive policies. In fact, between 1990 and 1993 the share of expenditure on active labour market policies has declined from 24% to 18%. Active labour market policy focuses mainly on the areas of counselling and guidance, placement and employment creation schemes:

- counselling and guidance mainly takes the form of individual sessions with guidance personnel primarily with the aim of careers guidance, choice of training or suitability for vacancies. Guidance functions for particularly disadvantaged groups are often performed by specialised outside agencies.
- with the reform of the Labour Market Service the existing priority accorded to placement services was strengthened. Contacts with companies were intensified and other measures became subordinate to the placement objective (job clubs etc)
- funding for employment creation is primarily concentrated on different forms of employment creation and initial and vocational training for the unemployed.

Long-term unemployed individuals, older workers, women with caring tasks and disabled people are particularly severely affected by the crisis in employment and these target groups are therefore of particular importance where labour market policy interventions are concerned. It remains to be seen whether the overarching placement objective of the Labour Market Service can cater for these special needs groups. Evaluations of labour market measures such as Action 8000 have shown potential for success of such active labour market policy interventions, which in this particular instance led to a continued employment rate of 50%.

Macroeconomic policies

Until the early 1980s Austrian economic policy was characterised by what has been termed "Austro-Keynesianism". This form of economic management consisted of an expansive fiscal policy to safeguard growth and employment, combatting inflation, the maintenance of a stable currency, and an incomes policy designed to prevent disproportionate salary increases. However, as the

budget deficit grew, the goal of full employment moved into the background. The crisis ridden nationalised industries (a cornerstone of Austro-Keynesianism) were successively privatised to generate revenue to combat the budget deficit. The aim of budget consolidation has received a new impetus with the Maastricht convergence criteria. High public deficits mean that Austria does not currently meet these criteria.

For the first time ever the government presented the 1996 and 1997 budgets together to ensure stability. The drive towards budgetary stringency falls into a difficult period in the economic cycle and it is possible that it could contribute to an extension of the recessionary trend. The attempt at budget consolidation falls into a difficult period in the economic cycle. For the years 1995-2000 an economic growth rate of 1.8% is anticipated which would lead to an increase in unemployment to 8% by 1998 and 7.5% in the year 2000. However, Austria has retained its competitive position in the international economy with stable unit labour costs.

Education and vocational training policies

Austria is one of the few countries which offers a dual system of vocational training. This system splits the 3-4 years spent as a trainee between vocational college based education and the workplace. The low level of youth unemployment in Austria is often attributed to the operation of this system in the transition between the educational system and employment. However, the system has been criticised for relying too heavily on trainee positions in small and medium sized companies which are often unable to adapt fully to technological changes thus being unable to convey flexible training in state of the art technologies; competencies which are required in an increasingly competitive labour market.

The dual system of vocational training generally demands a decision on career paths at the age of 15 or 16 and subsequently offers little general education beyond the elementary level. Empirical data have shown that while 25% of trainees receive high quality education and training, another 25% are mainly used as cheap sources of labour, with the rest being somewhere in between.

While the number of young people entering and successfully completing either higher vocational or general schools has increased, 21% failed to enter or complete vocational training. This group of non-completers generally faces the most serious problems when seeking to enter the labour market, and currently displays an unemployment rate of 50%. When in employment, they are more likely to be affected by redundancies and tend to be unemployed for longer periods, seriously impeding their chances for re-employment.

Nevertheless, in an international comparison of students achieving secondary level qualifications, Austria ranks more highly than the OECD average (87% and 79% respectively). Similarly, looking at the achievement of vocational qualifications, figures in Austria are 73% whereas the OECD average shows a mere 44%.

Enrolment figures in Universities and other institutes of higher education (the latter are of marginal importance in Austria) are rising, particularly among those who have already worked for a number of years. The average length of study was 13 semesters, three or four semesters above the minimum time required to complete an undergraduate degree. Approximately 40% of students supplemented their income with part-time work.

Tax and benefit

In Austria the tax wedge is traditionally high. In 1994 social costs amounted to 97% of net wages. However, if the 13th and 14th month payment is added to net wages, social costs are reduced to 65.4%. Although the government is keen to prevent any further increase in labour costs, the current deficit in sickness insurance may lead to an increase in the level of contributions.

In the debate on how to reduce labour costs, the introduction of an energy tax has been explored. It has been shown that if the levying of an energy tax is coupled with the lowering of social costs and the greater diffusion of energy efficient technologies, the effect on the economy and employment is likely to be most beneficial.

Income tax has recently been reduced thus benefiting employers as well as employees. The government is seeking to close the gaps in income through other forms of taxation.

The fact that the replacement rate of unemployment benefit has remained almost constant makes it difficult to support the argument that unemployment is somehow linked to the level of this benefit. Indeed, replacement rates are substantially lower than in a large number of other member states. The government is nevertheless seeking to tighten controls on benefits fraud. Austrian unemployment insurance does not guarantee a minimum income above the poverty line and there are a number of factors in operation which provide for the existence of a poverty trap (such as the loss of insurance benefits).

Although the statutory retirement age is 65 for men and 60 for women, actual retirement ages are in fact several years lower, early retirement being assisted by the availability of invalidity pensions. The government has recently become increasingly concerned about high levels of unemployment among older workers and shortfalls in contributions to fund the pension system. In order to encourage employers to maintain older employees in the workforce, and deter older employees from taking early retirement, the government abolished special assistance benefits and increased the number of contributions necessary to qualify for a full state pension. Further encouragement for the employment of older workers is offered by the "Bonus-Maius" system which offers employers a 50% reduction in contributions to unemployment benefit for employing a worker over 50 and a complete exemption for any hiring of a worker over 55. A fine is now payable for making an older worker redundant.

Industrial policies

Industrial policy was for many years held to be policy towards state owned industries. When the plan for those industries to be at the forefront of R&D and Austria's industrial and economic success floundered, nationalised industries were successively privatised. Although critics often bemoan the lack of an industrial policy, Austria has successfully completed a catching-up process. Elements of industrial policy include tax incentives, and support for R&D and other innovative investments. Revenue from privatisation is required to flow into funds for innovation and technology. Austria's industrial policy has changed dramatically from being an instrument for protecting sectors undergoing structural change to an instrument aimed at increasing the attractiveness of the Austrian location through tax reforms, international trade agreements, privatisation, reform of higher education and the financial support of multi-national as well as small and medium sized enterprises.

The national debate

Austrian economic policy is characterised by the priority accorded to budget consolidation (in the light of the Maastricht convergence criteria). To soften the impact of the recently agreed package of savings, an employment offensive has been announced. At the same time, however, a freeze on further hiring in the public sector is to come into force, which will have a particularly severe impact on graduate recruitment. Meanwhile there is no strict enforcement of this measure.

Equally, the budget for active labour market policy has been frozen at the level of 5 million ATS. Innovations are measures for older workers, and the abolition of special benefits (*Sonderunterstützung*). Changes were made to benefit legislation restricting entitlements.

The social partners drew up a common paper highlighting their demands for labour market policy which includes a call for, and increase in, investments in infrastructure, support for exports to third countries, support for private investment, new business formation and measures to improve competitiveness and a more forward looking technology policy. Regarded as equally important is the achievement of improvements in training, particularly lifelong learning and dual vocational training, the expansion of active labour market policy particularly for most at risk target groups, changes in working time and a crackdown on benefits fraud and the employment of illegal immigrants. The social partners estimate that the implementation of these measures could create 80,000 jobs over 4 years. Many of these proposals have indeed found their way into government policy. Also under debate is the employment of unemployed individuals in "social services"; measures to reduce seasonal unemployment; and an increase in support for vocational training.

Austria has also formulated a multi-annual programme to implement the recommendations of the Essen Summit. However, its recommendations are not finalised because discussions with the social partners over proposals remain incomplete. The programme does not mention which indicators are to be used to assess the success or failure of measures. Nevertheless, for most of the indicators,

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developed in co-operation between the member states and the Commission, data are available in Austria, but are still to be applied within a full qualitative and quantitative evaluation.

1. The labour market situation in Austria

1.1 Demographic trends

The 1960s witnessed a period of strong population growth commonly referred to as the "baby boom". Within a period of ten years, Austria's resident population increased by 420,000. In the 1970s, the number of inhabitants stagnated, before rising again sharply in the 1980s. In 1994 the population crossed the eight million threshold for the first time, reaching a total number of 8,029,717 inhabitants. In 1995 the Austrian population stood at 8,052,609¹.

From the mid 1960s onwards the birth rate dropped steadily. In 1970 it fell below the basic replacement rate and in 1994 the net replacement rate was only 0.69, i.e. only 69 % of one generation were replaced by births in the following generation. Similarly, between 1963 and 1994 the fertility rate dropped from 2.82 to 1.44 children per woman of childbearing age. This process is partly the result of women's decisions to have children later. In addition, the percentage of unmarried mothers has also increased. The declining birth rate leads - *ceteris paribus* - both to a reduction in the resident population and to an increase in the average age, and therefore in the dependency ratio. Another long-term consequence of this process is a reduction in labour supply. So far, however, the influx of foreign workers has more than compensated for this shrinkage.

Over the last 40 years the percentage of under 15 year olds has dropped sharply, while the number of over 60 year olds has increased by 5 percentage points to 20 %, and the number of over 75 year olds has doubled since the 1950s. This ageing process is not yet complete, and would be even more marked if it were not for the immigration of younger population groups. The economically active population (ie individuals aged between 15 and 60), reached an all time low of 55% of the total population in 1970 and then rose again to 62.6 % in 1993. These changes in the age balance have so far primarily affected two ends of the spectrum, and there has not yet been any drop in the potential labour force. However, the end of this "period of grace" is already in sight. According to a forecast by the Austrian Central Statistical Office, the number of 16 to 59 years olds will drop to approximately 53 % by the year 2050, a trend which will have repercussions on the labour market.

¹ cf. Table 1 in Appendix

The percentage of foreigners in the resident population increased from 1.4 % in 1961 to 8.9 % in 1994. Expressed in absolute terms, 713,500 foreigners were legally resident in Austria in 1994. In the 1960s and 1970s, Austria actively sought to attract foreign workers, initially on a short term basis only. As early as the 1960s, however, this concept of a "rotating" foreign workforce was replaced by a longer-term concept designed to attract entire families. In view of the deteriorating situation in the Austrian labour market, and with the "baby boom" generations reaching working age, a freeze on further immigration was decreed in 1973. As a result, the number of foreign workers dropped by 40 % and stood at 138,710 in 1984. However, from the mid-1980s onwards numbers started to rise once again. The annual increase was particularly high after the opening up of Austria's eastern borders, ranging from 11 % to 30 % until 1991. Thereafter the annual growth rate fluctuated between 1 % and 5 %. In 1995, 300,300 foreigners were working in Austria.

The structure of the Austrian population is characterised by the presence of migrant workers, asylum seekers, exiles and other immigrants. However, Austria does not define itself as an immigration country, even though 16 % of its inhabitants were born abroad. This gives an indication of the extent to which Austrian immigration and integration policy is influenced by emotional and populist factors.

Analysed in regional terms, population trends in Austria show significant variations. The population in rural areas has been decreasing since the 19th century, while urban areas, with the exception of Vienna, have seen increases. After 1945, in addition to the steady migration towards the cities, two clearly distinct patterns emerged in the west and the east of Austria. It was not until the mid 1980s that the population in the eastern Länder and Vienna started to grow. In addition, Vienna has now become the main destination of the various waves of immigration, a trend which became even stronger after the opening of the eastern borders. In 1994 Vienna had a population of 1,595,768.

Assuming a total annual population growth of 25,000, resulting from immigration, Austria's population will have reached 8.5 million by the year 2021. This is the figure which would be required to counteract the shrinkage caused by the changing age structure and the drop in the birth rate².

² cf. Faßmann 1995

1.2 Employment and unemployment

1.2.1 Employment

An analysis of employment in Austria reveals two general trends. Firstly, the number of dependant employees among the working population has increased, mainly as a result of the drop in the number of people working in agriculture. Secondly, the size of the working population grew steadily during the 1970s and 1980s until approximately 1993. Between 1983 and 1993 the labour force (dependant employees, the self-employed and the unemployed) grew by 10.2 % to 3.668 million, and subsequently dropped back to 3.655 million in 1995. Significant influences on trends in the size of the potential labour force include the size and structure of the population, the migratory balance and changes in labour force participation rates. As has already been outlined in Section 1.1, the number of people of working age (15 to 65 years) grew steadily during the 1980s.

One clearly visible migration-specific factor in the growth of the working population was the marked increase in 1991/1992 due to the influx of immigrants caused by the opening up of the Eastern Bloc (cf. Section 1.1). In addition, labour force participation increased steadily from 1985 to 1992.

Table 1: Data on employment in Austria

Year	Labour force	Employees	Unemployed	Self-employed
1983	3,329,904	2,734,729	127,376	467,800
1984	3,336,478	2,744,506	130,469	461,500
1985*)	3,341,208	2,759,657	139,447	453,400
1986	3,376,176	2,780,204	151,972	446,100
1987	3,378,425	2,785,358	164,468	439,400
1988	3,392,210	2,810,478	158,631	433,200
1989	3,430,967	2,862,291	149,177	426,700
1990	3,510,355	2,928,662	165,795	421,700
1991	3,592,080	2,997,352	185,029	419,000
1992	3,650,110	3,055,810	193,098	413,600
1993	3,668,274	3,054,910	222,265	406,100
1994	3,666,772	3,070,732	214,941	398,000
1995	3,655,204	3,068,186	215,716	371,302

*) from 1985 data is based on 1991 census results
 Sources: Arbeitsmarktlage 1991, 1994 and 1995

Labour force participation rates

The early 1980s witnessed a decline in labour force participation³, particularly among men. Between 1980 and 1984 it dropped from 85.5 % to 79.1 %. At the same time female labour force participation rates increased significantly and only decreased marginally during the employment crisis.

With the increase in labour supply since the mid 1980s (following the employment crisis at the start of the 1980s), labour force participation rates also rose. Between 1985 and 1992 rates increased by 3 percentage points to 68.3 %. This rise was primarily due to the increase in female participation rates, which rose from 52.8 % in 1985 to 57.8 % in 1992. Throughout this period male labour force participation rates remained relatively stable (1992: 78.5%). While female participation rates continued to grow slightly, reaching 57.9 % in 1994, and only dropping back to 57.7 % in 1995, men's participation rates dropped by 1.4 percentage points to 77.1 % between 1992 and 1995. The overall labour force participation rate fell by 0.7% to 67.7%⁴.

The increase in labour force participation rates up to 1992 was most marked in the 25 -40 age group. The 15 - 19 and over 55 age groups have recorded a clear drop in labour force participation since 1991. The participation of under 20 year olds shows a powerful response to the prevailing economic climate which overlies the long-term trend towards decreasing labour force participation⁵. Due to the greater number of apprentices (counted as employees) the labour force participation rate for young men is much higher than that for young women. In 1995 the difference amounted to 9.5 %⁶.

The long-term downward trend is the result of the increasing length of time spent in education and further training. In the 1981 census, for example, 33.7 % of 23 year old women and 21.4 % of their male counterparts cited compulsory schooling as their highest level of education. By 1991 these figures had dropped to 24.7 % and 18.1 % respectively. In the 55 - 60 age group in particular the drop in labour market participation goes hand in hand with the increase in individuals taking early retirement and drawing invalidity pensions. In recent years, these two pathways

³ In the following the labour force participation rate used indicates the total labour force as a percentage of the resident population aged between 15 and 64.

⁴ cf. Table 7 in the Appendix

⁵ cf. Biffl 1995

⁶ cf. Tables 8a, 8b and 8c in the Appendix

towards early exit have played a considerable part in reducing the level of unemployment among older workers.

Employment status

After a slight fall between 1981 and 1983, the number of dependant employees increased steadily until 1992. The year 1993 saw another, albeit less significant drop, while 1994 was characterised by a clear increase in employment to a total of 3,070,732. In 1995 the number of employees in work fell slightly to 3,068,186. These figures are based on data supplied by the Association of Austrian Social Insurance Agencies (*Hauptverband der österreichischen Sozialversicherungsträger*). They are average annual figures for registered employees⁷.

The number of foreign employees in Austria has grown steadily since 1986. In 1986 they numbered 146,000 and the total currently (1995) stands at 300,303. This means that 9.8 % of all employees are foreign workers⁸.

In the period between 1980 and 1995, the number of self-employed workers dropped from 14.8 % to 10.8 % of the total number in employment. This trend is primarily the result of a decrease in employment in agriculture and forestry, which was not matched by an increase in the number of self-employed individuals working in trade and industry. In 1995, 62 % of all self-employed and family workers worked in the latter sectors and only 38 % in agriculture and forestry⁹.

In comparison with other OECD countries, Austria has a very low level of self-employment at 6.3 % (excluding agriculture and forestry). In Germany the rate is 7.9 %, in France 8.8 % and in the Mediterranean countries 20 % and over¹⁰. In recent years the number of newly formed companies has dropped in Austria while it has increased in other countries. Start-ups of limited liability companies alone dropped from 9,240 to 5,840 between 1992 and 1995. The funds paid out by the government's Guarantee Fund for Small Traders Credit Scheme ("Bürges") which grants loans for company start-up, stood at AS 90 million in 1990, and only AS 56 million in 1994.

The Advisory Council for Economic and Social Matters predicts a further shift away from self-employment towards employed status in the future. In the joint Social

7 cf. Table 2 in the Appendix

8 cf. Table 4 in the Appendix

9 cf. Tables 6, 29a, 29b and 29c in the Appendix

10 cf. OECD 1993a

Partners' Paper¹¹ on "Maßnahmen für eine beschäftigungspolitische Initiative" (Measures towards an Employment Policy Initiative) the promotion of self-employment is advocated as an instrument for broadening the employment base. However, it is an area which is still fraught with bureaucratic hurdles and a lack of financial assistance for people wanting to start up their own businesses.

Types of employment

*Part-time working*¹²

The level of part-time employment has experienced a high degree of fluctuation since the 1980s. Having grown to 6.9 % of all employment by 1983 it then proceeded to decline until 1986, not picking up again until 1987. In 1994 it stood at 10.7 %. There is a marked gender-specific difference in the part-time sector. During 1994 only 2.4 % of men in employment were engaged in part time work, while the rate among women was 22.3 %¹³.

In Austria - as in other countries - the expansion of part-time work has contributed to the increase in female labour market participation. In the first half of the 1980s the growth in the number of female employees was spread almost equally between part-time and full-time workers. The increase in the number of women in employment in the second half of the 1980s can be explained predominantly by the increase in part-time working. Even the increase in "marginal" part-time working was far more significant than the increase in full-time positions for women. It was not until the early 1990s that an increase in the number of full-time positions for women was registered.

During the evolution of the labour market in the 1980s, part-time working in Austria did not have a compensating function. Part-time jobs should therefore not be viewed as direct replacements for full-time positions. A survey of fully insured part-time employees shows that the majority of those involved chose this form of employment as a matter of preference and that part-time employment should not be seen as a hidden form of unemployment. According to an analysis based on a micro census carried out in 1991, and a representative survey from the same year, some 3 % of part-time employees would have preferred a full-time position¹⁴.

¹¹ cf. Sozialpartnerpapier 1996

¹² Part-time employment is defined as between 12 and 35 normal working hours per week.

¹³ cf. Tables 9, 10a, 10b, 10c, 11 and 12 in the Appendix

¹⁴ cf. Finder 1995b

An analysis of the development potential of part-time employment indicates clearly a lack of part-time job opportunities for well qualified women. This shortfall prevents the expansion of part-time positions in this sector. A further factor impeding the expansion of part-time employment, particularly for women returning to work after family responsibilities, is the lack of child care facilities.

Fixed-term employment

According to the results of a micro census survey in 1991¹⁵ some 55,000 (3 %) male and 50,000 (4 %) female employees were working on fixed-term contracts¹⁶. The proportion of individuals on non-permanent contracts was particularly high among the following two groups: skilled professionals who need to gain professional experience at the start of their careers such as doctors, teachers, etc.; and employees in sectors of the economy which are subject to strong seasonal fluctuations such as tourism and the construction industry. In addition to qualified professionals, this phenomenon also affects non-sector-specific professions such as clerical and administrative staff, drivers and cleaning staff. A comparison with data on earlier fixed-term contract patterns shows that these types of employment have increased significantly over recent years.

"Marginal" part-time employment

People with incomes under a certain level (1996: AS 3,600.00 per month) fall into the category of "marginal" part-time workers (*geringfügig Beschäftigte*). At the end of December 1994 they made up 4 % of all employees. In recent years the number of people employed in "marginal" part-time work has increased considerably. A gender-specific breakdown shows that the percentage of women working on this basis (6.6 %) is much higher than that for men (2 %). The number of women returners who fall into this category is particularly high.

By far the highest number of registered "marginal" part-time employees is to be found in domestic employment (33 %). The numbers working on this basis in personal hygiene and cleaning (11 %), property and legal/financial services (9 %), arts, entertainment and sport (8 %), health and care work, hotel and catering and agriculture and forestry (each approx. 7 %) are also considerable. These activities

¹⁵ cf. Wolf 1993

¹⁶ cf. Not including probationary periods at the start of employment.

are generally practised only occasionally or for a few hours a week, for example cleaning work or pay roll bookkeeping for small firms.

Within this form of employment there are clear distinctions in terms of entitlements to social insurance benefits. Approximately half were marginally employed and had no additional insurance cover. These people were in the majority women (83 %). With the exception of accident insurance (and possibly inclusion in a health insurance scheme), this group enjoys no protection from statutory social security provision and is therefore only entitled to minimal old age and invalidity pensions.

A further 28 % of those marginally employed also have jobs with compulsory social insurance and therefore social security provision. For another 26 % the "marginal" earnings represent additional income which supplements a pension or unemployment benefit¹⁷.

The underground economy

With the influx of foreign workers, the problem of the underground economy is becoming more important. Firstly, employers (companies or private households) who take on foreigners illegally gain an unfair competitive advantage over those employers who remain within the law. Secondly, illegal employment represents a situation for foreign workers which is highly precarious in terms of social provision. However, the extent of the illegal employment of foreign workers is very hard to determine. Estimates indicate some 80,000 to 100,000 illegal employees, or some 3 % of the labour supply¹⁸.

17 cf. Wörister 1995a

18 cf. Pichelmann 1994a

1.2.2 Unemployment

General development

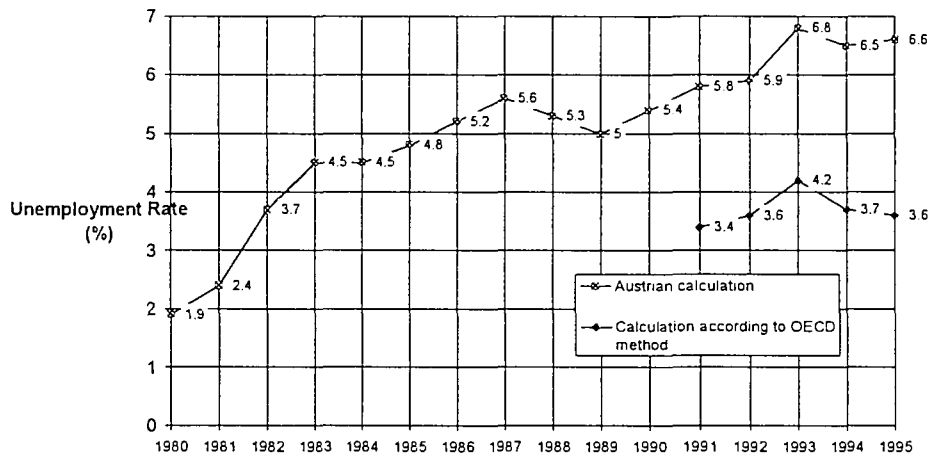
With an unemployment rate of 3.6 % (1995), the level of unemployment in Austria is way below the EU and OECD average¹⁹. According to the Austrian method of calculation unemployment stands at 6.6 %. However, trends in the 1980s have shown the growing need for measures to fight unemployment.

In the 1960s and 1970s unemployment was below 2 % (calculated using the Austrian method on the basis of registered unemployed). This low level prevailed until 1982 but the situation changed fundamentally with the employment crisis at the start of the 1980s. The average level of registered unemployment doubled from 53,000 (an unemployment rate of 1.9 %) in 1980 to 105,000 (3.7 %) in 1982. In 1982 unemployment rate crossed the 3 % barrier (commonly seen as the threshold for full employment) for the first time. The number of unemployed rose steadily to reach 164,500 in 1987, an unemployment rate of 5.6 %. After a small drop in unemployment in 1988 (5.3 %) and 1989 (5.0 %), jobless figures then jumped to 222,000 (6.8 %) in 1993. In the second half of 1994 the economic upturn was reflected in a slight fall in unemployment figures to 6.5%. However, it has since started to climb once again. After a slight increase to 6.6 % in 1995, trends in the first quarter of 1996 indicate a stronger average annual rise. The most recent forecast from the Economic Research Institute indicates an average level of 260,000 registered unemployed in 1997, which translates into a traditionally calculated unemployment level of approximately 8 %. This figure will probably fall slightly to 7.5 % by the year 2000.²⁰

¹⁹ According to the OECD measurement method.

²⁰ Marterbauer 1996 and Tables 16 and 17 in the Appendix

Figure 1: Unemployment rates - Austrian calculation and OECD method



Quellen: Labour Market Situation 1994, AMS (labour Market Service) data

Excursus: methods of calculating unemployment rates²¹

The rate of unemployment calculated using the Austrian method was 2.9 percentage points higher in 1994 and 3 percentage points higher in 1995 than the rate calculated using the EUROSTAT guidelines. These variations can be explained primarily by the differing definitions and the various methods used to collect labour force and unemployment data:

- The figures of the *Arbeitsmarktservice* (AMS) for those in gainful employment include employees and the unemployed only. The number of employees is based on the figure provided by the Association of Austrian Social Insurance Agencies. According to the "labour force concept" applied by ÖSTAT since March 1994 in their micro-censuses, the marginally employed, the self-employed and family workers are also counted as gainfully employed. There are also differences between the figures for employees provided by the Association of Austrian Social Insurance Agencies and the micro-census.
- The labour force concept defines the unemployed as persons who are not in gainful employment, are actively seeking work and available for work immediately. In the method used by the AMS, the unemployed are those registered as being unemployed with the AMS. Those not seeking work, such as the seasonally unemployed with a promise of being taken on again, are also included. Their availability in the labour market is not relevant. A comparison of

²¹ cf. Bartunek 1996

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data shows that the micro-census which operates on the labour force concept underestimates the number of registered unemployed for various psychological and technical reasons linked to data collection.

Compared with the 214,900 unemployed registered with the AMS in 1994, the micro-census recorded only 183,300 unemployed for the same period; of these, 13,700 were working, 32,100 were not seeking work, 28,400 were not available immediately and 29,300 were "hidden", i.e. unemployed but not registered with the AMS. This gives a total of 138,400 unemployed calculated according to the international criteria.

Due to the nature of the system, micro-census data do not become available until more than a year after the date of collection. The AMS therefore also calculates - alongside the "traditional" unemployment rate - an "internationally comparable rate" based on estimates and comparisons with the latest available micro census data using the labour force concept. This gives a provisional rate which is then verified and corrected as soon as the appropriate micro census data are available.

Table 2: Differences in definitions in the calculation of unemployment figures

	Micro census/LFC calculation	AMS calculation
Employed	<ul style="list-style-type: none"> · Self-employed and family workers · Employees including "marginal" part-time workers 	Employees as defined by the Association of Austrian Social Insurance Agencies
Unemployed	People who <ul style="list-style-type: none"> · are actively seeking work (not necessarily via the AMS) · are available to start work immediately · have done no paid work in the reference week 	All AMS registered unemployed including those not seeking work and regardless of availability

Abbreviations: LFC Labour Force Concept
Source: Bartunek 1996

Table 3: Calculation of international unemployment rates using 1994 data

	Working	Unemployed	Labour force	Unemployment rate
	in 1000			in %
Employed acc. to HV/unemployed acc. to AMS	3,070.0	214.9	3,285.6	6.5 acc. to AMS
"Marginal" part-time employees - methodological differences between HV and micro-census	+ 162.1	---	+ 162.1	---
Self-employed and family workers	+ 509.2	---	+ 509.2	---
Underestimation of registered unemployed in micro-census - methodological differences	---	- 45.3	- 45.3	---
Unemployed not immediately available for work	---	- 28.4	- 28.4	---
Registered unemployed not actively seeking work	---	- 32.1	- 32.1	---
Hidden unemployed	---	+ 29.3	+ 29.3	---
Working/unemployed according to LFC	3,742.0	138.4	3,880.4	3.6 acc. to LFC

Abbreviations: HV Hauptverband der österreichischen Hauptversicherungsträger
LFC Labour Force Concept

Source: Bartunek 1996

Long-term unemployment

Another characteristic of the development of unemployment in Austria is the increase in long-term unemployment. During the steady rise in unemployment in the 1980s inequalities in the distribution of unemployment became more pronounced. One group of unemployed who are increasingly experiencing problems finding work is responsible for a disproportionately large share of total unemployment days. In Austria those who have been unemployed for at least six months are categorised as long-term unemployed. Whereas in 1980 the number of long-term unemployed was 5,727 (August figures), in 1995 it had increased eleven-fold to 64,715. The ratio of this group to the total registered unemployed grew from 10.8 % in 1980 to 31.9 % in 1994. In 1995 it dropped to 30 %. Particularly striking here is the sharp increase in the number of unemployed who have been registered as unemployed for a year or more. This group is known as the chronically long-term unemployed. They represented 5.1 % in 1980, rose to 18.5 % in 1994 and then fell to 17.5 % in 1995.

Table 4: Unemployment structure according to period of registration

	Annual average	Registered unemployed for			
		less than 3 months	3 to under 6 months	6 to under 12 months	1 year and longer
1980	53,161	89.2 %*)		5.7 %	5.1 %
1985	139,447	80.6 %*)		10.1 %	9.3 %
1986	151,972	80.1 %*)		10.5 %	9.4 %
1987	164,467	56.6 %	21.2 %	11.4 %	10.8 %
1988	158,631	56.1 %	20.0 %	11.1 %	12.7 %
1989	149,177	57.1 %	18.7 %	11.0 %	13.1 %
1990	165,795	55.8 %	19.1 %	12.0 %	13.1 %
1991	185,029	52.6 %	19.1 %	13.1 %	15.2 %
1992	193,098	52.0 %	18.2 %	12.9 %	17.0 %
1993	222,264	50.6 %	19.2 %	13.1 %	17.0 %
1994	214,941	50.1 %	18.0 %	13.4 %	18.5 %
1995	215,716	51.9 %	18.1 %	12.5 %	17.5 %

*) 1980 to 1986 not shown separately.

Sources: Arbeitsmarktlage 1989 to 1994; Arbeitsmarktdaten 1995; own calculations

While in 1994 the average percentage of unemployed people in the Member States of the European Union who had been without work for over 1 year was 47 %, in Austria the figure was only 18.5 %. Although these figures are only partially comparable, due to differences in the methods of calculation, it is nevertheless true that Austria has a relatively low level of hard core unemployment.

Table 5: A European comparison of long-term unemployment (as % of unemployed)

Country	1991	1992	1993	1994
Austria	15.2	17.0	17.0	18.5
Belgium	60.5	59.1	52.9	58.3
Denmark	31.5	26.8	25.0	32.0
Finland	ND	ND	ND	ND
France	38.3	34.3	33.1	37.3
Germany	ND	33.1	40.0	43.9
Greece	46.3	49.5	50.5	50.5
Ireland	59.7	58.1	58.1	57.8
Italy	62.6	57.7	57.3	60.9
Luxembourg	ND	ND	50.0	33.3
Netherlands	38.8	42.4	45.4	43.5
Portugal	37.2	29.9	36.4	41.7
Sweden	4.1	8.7	12.3	ND
Spain	51.3	43.9	46.1	52.6
UK	28.4	35.4	42.5	45.4
EU average	ND	40.4	42.9	47.0

Abbreviation ND: No data available

Source: European Commission 1995

The majority of those affected by long-term unemployment are older people. Although young people lose their jobs more frequently, they remain unemployed for shorter periods of time than older people. When older workers become unemployed, for example as a result of internal restructuring, their search for a new job is longer than average. In the case of more highly qualified employees the reason for this lies in the fact that the people in this group are generally recruited through internal labour markets and it is hard for those approaching the market from the outside to find new positions. As their physical constitution deteriorates with age, older people find it increasingly hard to compete with younger workers.

When jobs are lost in regions heavily hit by economic restructuring, new jobs are often not created in the same geographical areas. Due to the relatively high costs involved and the importance of social networks for the unemployed, those seeking work are not generally as mobile as those in work.

Long-term unemployment in Austria shows strong occupationally-specific patterns. More than half of the long-term unemployed have previously worked in administration, metalworking/electricity, trade or unskilled sectors. The increased shift of production abroad has contributed to the high number of long-term unemployed in the textile, leather and clothing industry and among workers in the chemical and electrical industries. A further cause is the closure of production plants operated by multi-national groups in Austria. The use of computer technology has recently brought about an increase in the number of long-term unemployed in office jobs. The high level of long-term unemployment in the graphics and printing industries is due to technological change and rationalisation brought about by the process of European integration.

In 1994 the number of unemployed who had been out of work for more than 6 months differed from sector to sector, with some of the highest figures being 5.6 % in the clothing and footwear industry, 5.5 % in the leather industry, 4.1 % in the graphics and printing industry, 3.9 % in the textile industry and 3.8 % in the metal/electrical industries. Long-term unemployment figures were also above the average of 2.1 % in the arts, leisure and entertainment, sport, personal hygiene, cleaning, tourism, chemical, trade and paper sectors.

It is not generally the case that the more often a career is interrupted the greater the risk of long-term unemployment. Where repeated periods of unemployment are

a normal feature of a career pattern - as is the case in seasonal work, for example - periods of unemployment pose no obstacle to finding a new job.

It is, however, true that as the period of unemployment increases, the chances of re-entering the labour market decline. Companies generally assume that a person's capacity to work is diminished by unemployment and, when selecting staff, prefer candidates who have been unemployed for a relatively short period of time. When the supply of labour is sufficiently great companies see no reason to take on the long-term unemployed. The lack of opportunities due to competition for jobs further reduces the efforts the unemployed are willing to make to find work. This sets in motion a cycle of rejection and discouragement which few manage to exit successfully.

Gender-specific unemployment rates

The development of unemployment in Austria shows a gender-specific pattern. After the rise in unemployment in the early 1980s, for example, the unemployment rate among women was lower than among men. A counter trend has been evident since 1986, with the level of unemployment among women being consistently higher than among men. In 1991 female unemployment was 1.2 percentage points higher than male unemployment. In the intervening period the difference has dropped to no more than 0.5 percentage points.

The figures given in the following tables are annual averages. From December 1995 to April 1996 the unemployment rates for men are up to 4 percentage points above the average. From October 1995 to April 1996 the figures for women are above average, although the greatest difference was "only" 1.2 percentage points. These fluctuations in the course of a year are strongly marked by seasonal unemployment (cf. section on seasonal unemployment).

Table 6: Unemployment rates calculated using the Austrian method - total and by gender (number of unemployed as a % of potential labour force)

Year	Total	Men	Women
1980	1.9	1.6	2.3
1981	2.4	2.2	2.7
1982	3.7	3.8	3.5
1983	4.5	4.7	4.1
1984	4.5	4.7	4.3
1985	4.8	4.9	4.7
1986	5.2	5.1	5.2
1987	5.6	5.5	5.7
1988	5.3	5.1	5.6
1989	5.0	4.6	5.5
1990	5.4	4.9	6.0
1991	5.8	5.3	6.5
1992	5.9	5.7	6.2
1993	6.8	6.7	6.9
1994	6.5	6.4	6.7
1995	6.6	6.4	6.8

Sources: Statistisches Jahrbuch 1994 and 1995; Arbeitsmarktdaten 1988 and 1995, Arbeitsmarktlage 1989

Age-specific unemployment

As unemployment has increased, certain social groups have emerged as special risk groups. In the early 1980s, the increase in youth unemployment was above the average rate. This increase had relatively little effect on young people between the ages of 15 and 19 as a result of their involvement in the dual training system. Unlike countries where there is no provision for apprenticeships, in Austria the rate of unemployment among young men in this age group has always been below that of men of prime working age. Unemployment levels among girls and young women under 25, on the other hand, showed a substantial increases in the 1980s which clearly exceeded those of women over 25. The differences between young people in the 15 to 19 group and those in the 20 to 24 group are less strongly marked among women than men as women are far more likely to attend a medium-level vocational school for one or two years after compulsory schooling and therefore seek employment earlier than their male counterparts. It was not until fewer young women began to enter the labour market due to demographic changes that their unemployment rate began to drop, while the figures for older women continued to increase²².

²² cf. Biffi 1995

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By the end of the 1980s a clear shift in the age-related distribution of employment was evident. The number of unemployed people aged 50 and above in particular was rising steadily. In 1989 the unemployment rate for 50 - 54 year olds was half a percentage point above the average. In 1994 the difference grew to 3.2 percentage points, before falling again to 2.6 percentage points in 1995. More marked still is the difference in the 55 - 59 age group where rates of unemployment at 10.1 % in 1994 and 9.2 % in 1995 were 3.6 percentage points and 2.6 percentage points respectively above the overall figure for all age groups combined.

However, the high rate of unemployment among the 55 - 59 age group does not fully reflect the employment problems faced by this group. Since the end of the 1980s the increasing introduction of special support measures for older workers in regions most affected by economic change and the growing number of early retirements have had a significant compensatory effect.

Table 7: Unemployment rates by age (%)

Age	1989	1990	1991	1992	1993	1994	1995
15 to 18	2.4	2.6	2.6	2.5	2.9	2.8	2.9
19 to 24	5.8	6.1	6.5	6.3	7.2	6.8	7.0
25 to 29	5.7	6.1	6.5	6.2	6.8	6.5	6.7
30 to 39	4.9	5.2	5.5	5.5	6.2	6.1	6.3
40 to 49	4.4	4.6	5.0	5.2	6.0	5.9	5.9
50 to 54	5.5	6.2	7.2	8.5	9.9	9.7	9.2
55 to 59	5.8	7.5	9.1	10.4	11.1	10.1	9.2
60 and over	2.8	3.6	4.3	4.8	5.2	3.7	3.5
Total	5.0	5.4	5.8	5.9	6.8	6.5	6.6

Sources: Arbeitsmarktlage 1989 to 1995

Seasonal unemployment

The development of unemployment in Austria is characterised by seasonal fluctuations which are very high in comparison with European figures. The highest figures are reached in January and the lowest in July. For example, in 1995 the difference between the highest (8.5 %) and lowest (5.3 %) monthly unemployment figures was 3.2 percentage points. These fluctuations can generally be attributed to changes in unemployment in seasonal occupations.

In 1995, 215,182 workers in agriculture, forestry and the construction and tourist industries, i.e. 30 % of the total unemployed, were out of work at least once. Almost half of these seasonally unemployed people had a firm commitment from their employers that there was work for them to come back to. As a result they were not

really actively seeking work and were not therefore unemployed according to the ILO definition. However, this group did have an impact on the AMS budget in that they received more in social security benefit payments than they had in fact paid in contributions.

Unemployment in the construction industry and in agriculture and forestry reaches its peak in January. In the building industry the unemployment rate is over 20 % on average during the winter months regardless of the state of the construction market. In contrast, there are seasonal employment peaks in both winter and summer in tourism, with workers receiving support during the intervening periods. Even in July, at the height of the tourist season, the level of unemployment in the tourist sector is 9.4 %. This is due to the regional mismatch between unemployed people and vacancies and the high percentage of job seekers in this sector who find it difficult to find work due to restricted mobility²³.

New measures to combat seasonal unemployment are currently under discussion, centring around working hour models with longer calculation periods. In the construction industry the social partners have already agreed that overtime will be paid as time off in lieu rather than in the form of overtime. This measure aims to reduce winter unemployment in this sector and achieve savings in the unemployment insurance budget.

Qualification-specific unemployment risks

The risk of unemployment clearly depends on levels of education and training. The highest rates of unemployment are found among those workers who merely completed compulsory schooling. In this group the 1992 rate was 10.3 % in comparison to an average level of only 5.9 %. The unemployment rate among university graduates, on the other hand, is clearly below average at 2.1 %.

23 cf. Geldner/Walterskirchen 1992

Table 8: Unemployment rates by qualification and gender*

Qualif.	1989			1990			1991			1992			June 1993		
	T.	m	f	T.	m	f	T.	m	f	T.	m	f	T.	m	f
Compuls. schooling	8.3	8.1	8.5	9.4	9.2	9.5	10.1	9.9	10.4	10.3	10.5	10.2	9.2	9.0	9.5
Apprent., MCE	4.3	3.9	5.4	4.5	4.0	5.7	5.0	4.5	6.2	5.2	4.9	6.2	4.7	4.3	5.8
MVS	2.8	1.7	3.3	3.0	1.9	3.6	3.2	2.0	3.9	3.1	2.1	3.7	3.1	2.1	3.7
GSS	3.0	2.6	3.5	3.0	2.8	3.2	3.3	3.2	3.3	3.1	3.0	3.1	2.9	2.8	2.9
HVS	2.4	2.1	3.0	2.6	2.3	3.1	2.9	2.5	3.5	3.1	2.9	3.4	3.5	3.7	3.3
University	2.1	1.8	2.7	2.1	1.7	2.6	2.2	1.9	2.5	2.1	1.9	2.2	2.1	2.2	2.0
Total	5.0	4.6	5.5	5.4	4.9	6.0	5.8	5.3	6.5	5.9	5.7	6.2	5.7	5.3	6.2

* Data from 1994 no longer available

Abbrev. MCE Master Craftsman's Exam
MVS Medium-level Vocational School
GSS General Secondary School
HVS Higher-level Vocational School

Sources: Arbeitsmarktlage 1989 to 1993

Regional differences in unemployment

If we look at unemployment across the various Federal states an east/west distinction becomes apparent. Unemployment is lower in the western than in the eastern Länder. This is related to the specific economic structure and the different patterns of development in the various sectors. Vorarlberg in the west shows the highest level of employment in the secondary sector, and the textile and clothing industries are particularly predominant. The increasing shift of production to Austria's neighbours in the East has caused a sharp increase in unemployment in this state. A similarly high rate of unemployment is to be found in industrialised Upper Austria. Structural change has caused significant job losses in heavy industry (iron, steel, etc.) but this has been compensated for to some extent by the expansion of industries supplying the German automobile industry.

This compensation has not occurred in Steiermark which has similarly well developed primary and heavy industries, leading to this state having the highest rate of unemployment in Austria. Steiermark and Burgenland are the two Länder with the highest rates of employment in agriculture and construction. Agriculture often assumes a buffer function. When order books are full in the construction industry many agricultural workers find employment as labourers and when they start to dwindle they return to full-time work on the land.

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A similar compensatory relationship exists between the hotel and catering industries and agriculture. Particularly in the tourist regions of the Tirol, Salzburg, Kärnten and Steiermark these compensatory patterns are characteristic of female employment.

The labour markets in Vienna and the neighbouring areas of Lower Austria form the Vienna economic area. Here the expanding services sector has prevented the rise of unemployment. In comparison with other European cities, however, Vienna has not yet embarked upon a structural transformation towards higher quality services. The greatest area of employment growth has been in the lowest qualified segment of the service sector²⁴. In the industrial regions of the South Vienna basin and the *Waldviertel* area unemployment levels are above average²⁵.

Table 9: Total unemployment rates by Federal state

Federal States	1980	1985	1990	1994	1995
Burgenland	3.4	8.9	7.6	7.7	7.8
Kärnten	4.7	7.0	7.0	8.1	8.5
Lower Austria	1.8	5.3	5.4	6.5	6.4
Upper Austria	1.4	4.1	4.4	5.4	5.1
Salzburg	1.5	3.9	3.4	4.0	4.2
Steiermark	2.2	5.4	6.4	8.1	8.2
Tirol	2.0	4.4	4.8	5.6	5.8
Vorarlberg	0.5	2.7	2.8	5.7	5.3
Vienna	1.5	4.5	5.8	7.1	7.2
Total	1.9	4.8	5.4	6.5	6.6

Sources: ARBEITS-LOS 1994; Statistisches Jahrbuch 1994; Arbeitsmarktlage 1990, 1994 and 1995; own calculations.

Vacancy situation

In order to give an accurate picture of the labour market situation in Austria it is necessary to illustrate the vacancy rate as well as the unemployment rate. This rate is expressed in terms of the number of registered vacancies as a percentage of the potential labour force.

Table 10 provides an overview of the development of unemployment (according to the national definition) and situations vacant in Austria for the period 1980 to 1995. Whereas unemployment has risen steadily since the start of the 1980s, the vacancy rate shows fluctuations within a relatively narrow margin. The vacancy rate rose in the second half of the 1980s and then fell again in the 1990s, indicating the drastic increase in pressure on the available positions.

24 cf. Krajcsits 1993

25 cf. Faßmann 1994

Table 10: Unemployment rates - Positions vacant - Vacancy rates

Year	Unemployment rate	Situations vacant	Vacancy rate
1980	1.9	36,470	1.28
1981	2.4	25,320	0.88
1982	3.7	17,276	0.60
1983	4.5	15,181	0.53
1984	4.5	17,166	0.60
1985	4.8	22,273	0.77
1986	5.2	24,693	0.84
1987	5.6	26,836	0.91
1988	5.3	31,184	1.05
1989	5.0	45,599	1.51
1990	5.4	55,622	1.80
1991	5.8	49,448	1.55
1992	5.9	44,126	1.36
1993	6.8	32,906	1.00
1994	6.5	30,197	0.92
1995	6.6	24,986	0.76

Sources: Statistisches Jahrbuch 1994 and 1995; Arbeitsmarktdaten 1988 and 1995; Arbeitsmarktlage 1989

Trends in unemployment²⁶

Effects of unemployment

The average number of registered unemployed and the unemployment rate based thereon give only a statistical picture of unemployment. These indicators do not reveal the trends which lie behind it. In 1987, for example, an annual average of 164,468 people were registered as unemployed. In the same year, however, at least 544,844 people were affected by unemployment at least once. This represents 18.8 % of the potential labour force. In 1995 the percentage of those affected was 20.9 %. This means that one in five employees experienced at least one episode of unemployment.

Multiple spells of unemployment

The extent to which individuals suffered multiple spells of unemployment can be analysed using a person-specific longitudinal analysis of the body of data with benefit recipients for the period 1981 to 1994. In the period of observation, 1.94 million people were affected by unemployment at least once. Just under 40 % were affected once only and another 20 % were affected on two occasions. Around 5 % of all those surveyed were unemployed eleven times or more. This shows clearly that multiple breaks in employment are a component of working careers, especially in

²⁶ For entries and departures see Section 1.5.

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seasonal occupations. In fact, in this group repeated unemployment does not lead to a deterioration in re-employment opportunities as is shown in a comparison with the structure of long-term unemployment²⁷.

Table 11: Multiple spells of unemployment 1981 to 1994

Episodes/person	Men (%)	Women (%)	Total (%)
1	35.5	43.9	39.3
2	18.8	21.1	19.8
3	11.8	11.6	11.7
4	7.9	6.9	7.5
5	5.6	4.4	5.1
6	4.2	3.0	3.7
7	3.2	2.1	2.7
8	2.6	1.5	2.1
9	2.1	1.1	1.6
10	1.7	0.9	1.3
11 and over	6.5	3.5	5.1
Total	100.0	100.0	100.0
Persons	1,064,155	873,278	1,937,433

Source: SYNTHESIS-Arbeitslos, March 1995

27 cf. Frühstück et al. 1995

1.3 Trends in employment dynamics

Sectoral development

Although the pattern of overall employment in Austria shows only minor changes, the fluctuations are nevertheless based on a fairly high job turnover rate. Between 1980 and 1990 the number of employees in work increased by 3.8 %. Within the individual sectors of the economy, however, there have been a number of clear changes in various directions. In the secondary sector the number of employees²⁸ fell by 10.6 % between 1980 and 1990. In the tertiary sector a rise in employment levels of 161,000 (or + 16 %) was recorded for this period. The greatest decreases in the secondary sector were seen in the leather production and processing (- 38.4 %), textile (- 29.4 %) and clothing (- 34.9 %) industries. Employment levels also fell sharply in the nationalised industries. Between 1980 and 1988 employment fell by some 25 %. This was not, however, due to privatisation which started only in 1988, but rather to the heavy losses sustained, particularly in the steel industry.

These losses were compensated for by an increase in employment in the tertiary sector, particularly in financial services and the property sector (+ 37.8 %), the health and care sectors (+ 28.5 %), in arts, entertainment and sport (+ 26.1 %) and personal hygiene and cleaning services (+ 24 %). Increases of 18.8 % were also observed among state insurance funds, social insurance agencies and interest groups.

This trend continued until 1992. In subsequent years, employment in the tertiary sector went through a period of stagnation. In the 1990s in particular the public sector and those sectors of the economy closely related to it (education/research, health/care, transport/communications) played a significant part in the increase in employment levels. Indeed, 51 % of total employment growth occurred in these sectors.

A freeze on new recruitment has been decreed in the public services until 1997. As 70% of job opportunities for graduates, come from the public sector, a drastic increase in unemployment among academics is feared.

Job turnover

These general trends in labour market dynamics are the result of a number of short- and medium-term changes in employment patterns. They can be attributed both to

²⁸ Not including those doing military service and receiving maternity allowance.

measures taken at company level and to personal decisions by workers. Job turnover rates and the turnover process in employment have been examined in a random sample analysis of employer accounts and employee data provided by the Association of Austrian Social Insurance Agencies²⁹.

In the companies included in the random sample, the total number of new jobs in growing companies and job losses in shrinking companies each year represented some 12 % of the average job total. During the period from the end of 1991 to the end of 1992 more jobs were created overall than were lost. The job creation rate was 6.7 %, the job loss rate 5.4 %. In the 1992/1993 recession the job creation rate was 4.7 % compared with a job loss rate of 6.9 %. The majority of job turnover can be attributed to the reallocation of jobs within the individual sectors of the economy. The highest turnover rates were seen in the construction industry, the hotel and restaurant sector and in trade and commerce.

Sectoral turnover is also connected to the structure of company sizes in the various sectors of the economy. Large companies have lower turnover rates as fewer jobs are lost or created in relation to the overall number. However, large companies account for more job turnover than small- and medium-sized companies. In the 1992/1993 period, for example, approximately a quarter of all jobs lost were in companies with over 100 employees. There is also a high level of concentration. Over half the job losses were recorded in just 10 % of all shrinking businesses. This concentration also applies to job creation.

The trend towards the concentration of job turnover in large businesses is also reflected in the increasing number of large company insolvency. According to information provided by the Association of Credit Protection, the number of employees affected by insolvency proceedings has increased significantly since 1990. Whereas 9,200 people were affected in 1990, by 1995 the figure had risen to 29,500³⁰.

In addition to job turnover, employee fluctuation is also a characteristic element in the dynamics of the labour market. In 1993 the average monthly fluctuation rate was 8 %. This means that on average one in 13 employees either took up or left a job every month.

²⁹ cf. Hofer/Pichelmann 1996b

³⁰ cf. Statistik des Kreditschutzverbandes 1996

The change in employment levels and the restructuring of jobs between companies results in the destruction and re-creation of employment relationships. An analysis of labour force mobility for 1993³¹ shows that in 1993 over 670,000 existing employment relationships were terminated and some 643,000 new ones created. In relation to an annual average level of 1.98 million employees in the market-oriented sector this means that between one third (if each loss corresponds to a new creation) and two thirds (if there is no relation between losses and new creations) of employees were affected by a change in their employment status. This corresponds to a mobility index of 66 %.

31 cf. Frühstück et al. 1994

1.4 Flexible real earnings

Austrian wages and incomes policy is characterised by a long standing tradition of negotiations between the social partners. One important feature of the Austrian wage formulation process is the high level of co-ordination of these negotiations which allows considerable attention to be paid to macro-economic objectives (growth, price stability, full employment, competitiveness). Cyclical wage flexibility is therefore very high in Austria compared with other countries. Both real and nominal wages respond more strongly to fluctuations in employment than is the case in the other OECD countries³².

Table 12: Gross average monthly wage per capita per month (1980-1994)

Year	Income in AS	Nominal growth %	Real growth %
1980	13,540		
1981	14,560	7.5	0.0
1982	15,430	6.0	- 0.1
1983	16,140	4.6	1.1
1984	16,810	4.2	- 1.4
1985	17,690	5.2	1.8
1986	18,700	5.7	3.6
1987	19,440	4.0	2.9
1988	19,990	2.8	1.3
1989	20,910	4.6	1.8
1990	21,990	5.2	2.0
1991	23,424	6.5	2.9
1992	24,731	5.6	1.7
1993	25,779	4.2	0.5
1994	26,560	3.1	- 0.1
1995	27,569	3.8	1.5

Sources: Statistische Nachrichten 6/1993; Wirtschafts- und sozialstatistisches Taschenbuch der Bundeskammer für Arbeiter und Angestellte 1995 and 1996

A paper by Elmeskov and Pichelmann contains an international comparison of wage responsiveness in the period from 1970 to 1991³³. If the variance between real wages and the trend is compared to the variance between unemployment and the trend, three categories of country can be clearly distinguished: those with a regression coefficient of less than -3, i.e. with relatively high responsiveness (Sweden, Switzerland, Japan), Austria with a large degree of flexibility at -2.6 and finally all other countries with lower wage flexibility which have a regression coefficient of greater than -1.64.

32 cf. Hofer/Pichelmann 1996b

33 cf. Elmeskov/Pichelmann 1994

Table 13: Economic wage responsiveness (1979 - 1991)

	Responsiveness of real wages to unemployment
Sweden	- 3.92
Japan	- 3.29
Switzerland	- 3.24
Austria	- 2.59
Germany	- 1.64
Norway	- 1.22
France	- 0.93
Great Britain	- 0.78
Spain	- 0.65
Italy	- 0.47
USA	- 0.46
Portugal	- 0.29
Denmark	+ 0.02

Source: Elmeskov/Pichelmann 1994

The estimates for macro-economic wage/price equations for the period 1968 to 1994 put forward by Hofer/Pichelmann³⁴ also show that unemployment clearly has a dampening affect on wage trends. As unemployment has risen, however, the number of unemployed people with diminished labour market effectiveness, such as the long-term unemployed for example, has increased which has in turn decreased the wage-reducing effect of unemployment, other factors being equal.

Despite the famous "Benya formula" (Benya was the President of the Austrian Federation of Trade Unions for many years) according to which growth in real wages should reflect growth in productivity, in the 1970s real wage increases were significantly higher than increases in productivity, while in the 1980s they were below them. In certain years (e.g. 1986, 1987, 1991) wage rises far outpaced increases in productivity.

One current theory explaining the increase in unemployment claims that in formulating their pay claims the unions are failing to pay sufficient heed to the slowing down of increases in productivity and attempting to achieve excessive real pay rises. In his examination of industrial wages from 1956 to 1993, Stiasny found no empirical evidence to support this theory³⁵. If anything, the falling growth in productivity has reduced the rate of real wage rises in industry.

34 cf. Hofer/Pichelmann 1996a

35 cf. Stiasny 1996

Labour costs

While Austrian wage and incomes policy is universally regarded as an important bulwark in the fight against unemployment, for some years now a heated debate has been raging on the level of non-wage labour costs and their effects on Austria's international competitiveness.

The cost of labour includes not only the wages paid directly to the employee, but also the additional costs in the form of employers' social security contributions, taxes, training, social provisions, etc. According to the classification operated by the Statistical Office of the European Union, total labour costs are divided into direct wages and additional personnel costs (non-wage labour costs). Direct wages consist of remuneration for hours worked in a company in the form of basic pay, overtime payments, shift payments and scheduled bonuses. Non-wage labour costs are defined as remuneration for time not worked (leave, bank holidays, sickness pay, etc.), other payments to the employee (holiday and Christmas pay, severance pay, other special payments, perks, etc.) and costs not paid directly to the employee (social security contributions, wages tax, social provisions, vocational training).

In 1994 one working hour in Austrian industry cost AS 248.00, comprised of AS 125.00 direct costs and AS 123.00 non-wage labour costs³⁶. In comparison to other countries the direct wage is relatively low. This is due, amongst other factors, to the fact that significant tax concessions apply to the 13th and 14th months pay in Austria and therefore the employee's total income is shifted in relation to this special payment which is a non-wage labour cost. This phenomenon is specific to Austria. Whether or not the non-wage labour costs are too high, however, is irrelevant to the assessment of international competitiveness. Much more important is the question of total labour costs and labour productivity, i.e. unit labour costs. Finally, compared with other countries, the development of exchange rates is also important since the figures examined always have to be expressed in a given basic currency. It is also important to take into account the way in which the welfare state is financed in the individual countries. In countries where the social security system is financed primarily by employer and employee contributions, non-wage labour costs are considerably higher than in those countries where social expenditure is financed

36 cf. Hofer/Pichelmann 1996a

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through taxation. International comparisons should therefore be based on trends in unit labour costs over time rather than their absolute levels.

The OECD data (Table 14) show that Austria's relative competitiveness is set to improve in 1995/96 as the other European countries examined are experiencing strong upward trends in unit labour costs.

Table 14: International competitiveness - Relative unit labour costs in industry in common currency (1991 index = 100)

Year	Austria	Germany	Belgium	Denmark	N'lans	S'land	Sweden
1980	112	90	135	87	122	71	99
1985	107	84	92	85	98	83	85
1990	102	103	101	104	102	98	96
1991	100	100	100	100	100	100	100
1992	100	107	100	101	104	97	98
1993	100	114	99	105	106	99	72
1994	101	113	102	105	103	108	72
1995*	101	122	106	110	106	116	72
1996*	101	123	106	111	106	118	79

* Estimates

Source: OECD Economic Outlook

There is another aspect to the debate on the level of non-wage labour costs, apart from the question of international competitiveness. There is an argument that unemployment is directly related to the economic cycle, but rather that it is caused by the placing of an excessive tax burden on employers for employing workers and an overly rigid wage structure. It claims that increasing labour costs would depress employment in two ways: firstly by damping growth due to a loss of international competitiveness and secondly by reducing the employment intensity of growth (substitution effect)³⁷.

As far as the influence of labour costs on the employment intensity of growth is concerned, Walterskirchen diagnoses that the real wage dynamic has not had significant effect on this. Even the additional costs associated with employment, which have increased significantly in recent decades, in the form of employer contributions, etc. has not shifted the employment intensity of growth in the long term.

37 cf. Walterskirchen 1994

1.5 Causes of the increase in unemployment since 1980

One of the biggest problems for current macro-economic policy is the persistently high level of unemployment across Europe. Unemployment rises with each downturn in the economy and subsequently falls again only marginally as the economy recovers. As a result, unemployment rates remain high despite satisfactory economic growth. Unemployment which was originally caused by economic conditions is transformed into structural unemployment and confronts policy makers with an increasing need for action.

A widely held theory states that economic growth now has no, or at least a less significant influence on employment than was previously the case ("jobless growth"). The unemployment rate in Austria has been rising since the mid 1970s, even during periods of economic growth. Economic growth has been unable to reduce unemployment. Walterskirchen³⁸, however, argues that there is still a significant, stable and close relationship between economic growth and employment. Two thirds of employment increases can be explained by a growth in GDP, and when adjusted in line with the 1990/ 1991 supply shock this figure rises to over 80 %. Economic growth of 2 % is required to keep the size of the labour force constant since technical and organisational changes increase productivity constantly. If long-term growth were to increase by 3 %, employment could grow 0.4 percentage points more quickly. If one looks at industry alone, an increase in value-added of 4.5 % is required to keep employment levels constant.

The relationship between economic growth and unemployment is less stable than that between growth and employment because of the decisive role played by changes in supply. Employment trends explain only three quarters of changes in unemployment. In a long-term average from 1970 to 1993 the unemployment rate did not stabilise until employment was increasing by 0.8 % per annum³⁹. In the 1980s a 1 % acceleration in growth rate reduced the rate of unemployment by one third of a percent. An economic growth rate of 3 % was required to stabilise the level of unemployment. However, the concrete, numerical parameters of this relationship depend to a critical extent on supply side trends.

38 cf. Walterskirchen 1994

39 cf. Walterskirchen 1994

Over the last couple of decades there has therefore been no structural interruption in the relationship between growth and employment. Nor has the rationalisation process in industry speeded up in the long-term. Equally, the relationship between industrial production and employment has not changed since the 1960s⁴⁰. This means that economic development cannot provide an adequate explanation for the dramatic increase in unemployment since the start of the 1980s. What then are the other possible explanations?

In Austria there are two competing explanations for the continuing increase in unemployment:

- the NAIRU (non-accelerating inflation rate of employment) has increased
- Labour supply has increased.

Trends in the NAIRU

In the recent theoretical literature, balanced unemployment, i.e. the non-acceleration inflation rate of employment (NAIRU), is determined by the price setting behaviour of companies and the wage bargaining behaviour of the parties in the labour market, assuming imperfect markets. In this model, balanced means that the situation in the labour market is not producing any stimuli to accelerate or depress inflation. If the wage setting curve moves to the right in the real wages - unemployment area (or the price setting curve moves downwards), the NAIRU increases. The following potential factors have been identified as causes of a movement to the right of the wage setting curve⁴¹:

- (1) More militant wage setting strategies by the unions and/or less cross-sector coordination of trade union wage claims.
- (2) Changes in employment structure in favour of employees' groups with a reduced risk of unemployment.
- (3) Incomplete passing on of cost factors driving a tax wedge between producers' real wages and consumers' real wages (e.g. taxes, social security contributions).

40 cf. Wallerskirchen 1994

41 cf. Pichelmann 1993

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- (4) Increasing mismatch between the human capital profile of those affected by unemployment and the qualifications required for situations vacant coupled with a failure to adjust relative wage structures.
- (5) Increasing mismatch in regional terms also coupled with a failure to adjust the wage structure.
- (6) More rigid employment protection provisions.
- (7) More generous systems for income support during unemployment.

The following mechanisms may cause the price setting curve to move due to an increase in the desired price mark-up:

- (8) A reduction in the intensity of competition in compulsorily structured goods markets.
- (9) Increasing volatility of expected sales causing an increase in production risk.

Hofer and Pichelmann's⁴² estimates for developments in aggregate producers' wages in the period 1968 to 1994 show a sharp increase in the NAIRU during the period observed. While the NAIRU fluctuated between 2 % and 3 % in the 1960s and 1970s, since the end of the 1970s it has grown steadily, reaching somewhere in the region of 5 % in the 1990s. Based on the theoretical approach, this trend can lead us to conclude that a high percentage of current unemployment can be attributed to structural factors.

⁴² cf. Hofer/Pichelmann 1996a

Table 15: Unemployment rate and NAIRU in Austria 1966 - 1994

Year	Unemployment rate (national definition)	NAIRU
1966	2.5	2.1
1967	2.7	2.1
1968	3.0	2.2
1969	2.8	2.4
1970	2.4	2.4
1971	2.1	2.3
1972	1.9	2.2
1973	1.6	2.1
1974	1.5	2.2
1975	2.1	2.4
1976	2.0	2.6
1977	1.9	2.8
1978	2.1	3.2
1979	2.0	3.3
1980	1.9	3.5
1981	2.4	3.4
1982	3.7	3.5
1983	4.5	3.8
1984	4.5	4.3
1985	4.8	4.4
1986	5.2	4.3
1987	5.6	4.4
1988	5.3	4.7
1989	5.0	4.7
1990	5.4	4.6
1991	5.8	4.8
1992	5.9	5.2
1993	6.8	5.3
1994	6.5	5.5

Source: Hofer/Pichelmann 1996a

The tax wedge

In terms of the empirical relevance of the possible factors listed, Hofer and Pichelmann find that an increase in the direct taxes and contributions of between 30 % and 40 % payable on the factor work has been passed on, in the form of higher real labour costs. This at least partial passing on of increasing direct taxes and contributions does not appear to be restricted to Austria. Pichelmann⁴³ quotes a series of international studies which have produced similar results for many OECD states. He represents the opinion that the tax wedge has played an important role in labour market developments in Europe over recent decades.

Mismatch phenomena

The increase of non-inflation-sensitive unemployment is attributed to increasing functional problems in the labour market, amongst other factors. It is claimed that the disparity between the qualifications held by job seekers and the qualifications required by employers is increasing. Christl⁴⁴ documents an empirical study examining this theory. The Beveridge curve is a simple method for illustrating the relationship between unemployment and vacancies. It shows by how many percentage points the vacancy rate has to rise, *ceteris paribus*, in order to absorb an increase in unemployment rate of one percentage point. The principle of this curve is based on a matching function which takes the rate of jobs filled as a function of the likelihood of their being filled, the rate of unemployment and the vacancy rate. It also presupposed a (long-term) equilibrium in the labour market characterised by equality of persons entering and leaving the unemployment register. The Beveridge curve deduced from these suppositions the relationship between vacancy rates and unemployment rates at a given entry rate and likelihood of filling a position.

If it is also assumed that the matching function has constant scale yields and the entry rate is constant, the position of the curve is determined by the likelihood of filling a position alone. If the likelihood of filling the position falls, the rate of situations vacant at a given rate of unemployment must increase in order to absorb the steady addition of unemployed, i.e. the Beveridge curve moves outwards. This fact is interpreted as an increase in the structural problems of the labour market.

43 cf. Pichelmann 1993

44 cf. Christl 1992

An empirical analysis of unemployment and vacancy rates in Austria from 1975 to 1991⁴⁵ provides the following picture. In the 1980s unemployment increased considerably, due primarily to a dramatic drop in the probability of leaving the unemployed register, while the entry rate to the register remained constant. In addition, the increase in unemployment was accompanied by a marked increase in the number of vacancies. The econometric estimate of the Beveridge ratio also shows a shift in the curve for the period from 1985 to 1991 in relation to the period 1975 to 1984. In the second half of the 1980s the unemployment rate was some 4.5 percentage points higher than in the preceding period at a given vacancy rate. As empirical studies indicate that in Austria the job filling function is actually linearly homogenous, we can conclude that there was an increase in structural unemployment in the said period.

Christl identified the primary cause for the shift to the right of the Beveridge curve as de-qualification processes due to long-term unemployment which, in his estimation, explained 1.9 percentage points of the increase from 2.4 % to 5.9 % in the rate of unemployment during the period from 1981 to 1991. A further 0.5 percentage points can be attributed to an increase in qualifications mismatch, while the regional mismatch was reduced slightly in the period of study. Christl estimates the so-called natural unemployment rate at which the number of situations vacant is as high as the number of unemployed at 4.4 % for the period from 1984 to 1991 while it was considerably lower in preceding years. He therefore draws the conclusion that the increase in unemployment in the 1980s is attributable predominantly to an increase in structural unemployment.

The Beveridge curve has not yet been re-assessed using the observations made between 1992 and 1995. A look at Figure 2, however, shows at first sight that the curve should have moved further to the right during the first half of the 1990s. This points to a further increase in structural unemployment in Austria.

45 cf. Christl 1992

Figure 2: Beveridge curve (1980 - 1995)



The structure of unemployment

A further result of Hofer and Pichelmann's analysis relates to the influence of unemployment on the development of wages. Although wage developments produced clear dampening effects, increasing unemployment was linked to a growing number of long-term unemployed and the wage-dampening effect of unemployment has therefore decreased.

None of the other factors listed above as potential explanations of the NAIU increase should play a role in Austria. The main result of Hofer and Pichelmann's analysis reveals that in essence two factors contributed to the increase in the NAIU: the incomplete passing on of increasing social security contributions and the increase in the number of market participants with reduced labour market effectiveness, similar to that manifested in the rise in long-term unemployment. The authors urge caution with the introduction of further burdens on employers in the form of wage related labour costs. They also believe that greater flexibility at the low wage end of the income structure could create additional jobs.

Labour supply

Certain authors⁴⁶ see not the rise in the NAIRU, but rather the rising in the potential labour force as the major cause of increased unemployment (in contrast with Biffi 1996). Unemployment has risen steadily since the mid 1970s, but the size of the labour force has risen at the same time and in fact outstripped the growth in the number of jobless. Between 1973 and 1993 the level of unemployment rose by 191,000, while the number of employees increased by 473,000 and the labour force grew by a total of 308,000⁴⁷. In 1990/1991 the liberalisation of the influx of foreigners even caused a supply shock.

The explanation of the increase in unemployment, through the rise in labour supply is not satisfactory in economic terms. Why did the increase in supply not lead to falling wages and therefore falling inflation and employment growth? Tichy cites several reasons. Above all, he refers to the well-known argument that wages and prices take a long time to adjust. In his opinion, the tried and tested pay formula used by the social partners in Austria, by which the negotiated wages were supposed to grow by the rate of inflation plus increases in productivity, could have played a role in the sluggish adjustment of wages. Furthermore, the lack of reaction in the labour market could also be caused by capital rigidity, the view of employers that in the long term labour becomes relatively more expensive than capital and that redundancies involve large transaction costs, and the lack of popularity of low paid jobs among workers. Finally, his analysis leads to the conclusion that approximately 1-1.5 percentage points of the increase in the rate of unemployment in Austria in the 1980s should be attributed to purely economic factors and the rest predominantly to the rising labour force and the sluggishness of adjustment to the new shortages in the factor markets.

In the fight against unemployment Tichy recommends that all subsidies aimed at reducing the cost capital as a production-factor, the reduction of taxes and other contributory burdens on labour as a production-factor, and the limitation of overtime pay and wage increases in areas where the resulting savings could be employed to create new jobs.

46 cf. Tichy 1994 and Walterskirchen 1994

47 cf. Tichy 1994

Structural unemployment

These two explanations for the rise in unemployment in Austria since the start of the 1980s appear to be very different. On closer examination, however, one can conclude that their findings are not entirely incompatible, and that they can be regarded as complementary rather than competing theories. However, what neither theory can, in our opinion, explain satisfactorily are the causes of the dramatic increase in long-term unemployment. The massive shift in the structure of unemployment towards a higher percentage of long-term unemployment is not restricted to Austria. While the vacancy rates in Europe are roughly similar to the 1960s, total unemployment rates are three to four times higher. An international comparison of 1981 and 1995 (Table 16) shows clearly that in most countries short-term unemployment (not defined as in our definition as under one year) is in the region of 3 % to 6 %. This level should be necessary to prevent the labour market being "overheated" by excessive pay demands, and thereby inflation⁴⁸.

Table 16: International unemployment rates 1981 - 1995

	Total unemployment	Unemployed for less than one year	Unemployed for over one year
US	6.9	6.3	0.6
Japan	2.5	2.1	0.4
Europe (12)	9.7	4.7	5.0
Belgium	10.1	2.8	7.3
Denmark	8.3	5.8	2.5
West Germany	5.8	3.2	2.6
Greece	7.9	4.4	3.5
Spain	19.0	8.0	11.0
France	9.6	5.4	4.2
Ireland	16.3	7.0	9.3
Italy	10.1	3.6	6.5
Netherlands	9.6	4.9	4.7
Portugal	6.3	4.1	2.2
Great Britain	9.6	5.4	4.2
Sweden	3.8	3.5	0.3
Austria	3.5	3.1	0.4
Australia	8.4	6.2	2.2
New Zealand	6.3	5.7	0.6

Sources: European Economy, No. 56, 1995;
 OECD, Economic Outlook, No. 56, December 1994;
 "Preventing Long-Term Unemployment in Europe", R. Layard, 1995.

⁴⁸ cf. Layard 1996

The sharp increase in long-term unemployment has a significant impact on the economy. If employers prefer the short-term unemployed when filling their jobs, the short-term unemployed have a better chance of finding work again, while it becomes more and more difficult for the long-term unemployed. It is therefore possible that high numbers of vacancies and high unemployment can co-exist, if many unemployed have already been out of work for a long time. However, this also means that the labour market can be under strain despite unemployment being high, therefore failing to provide for a reduction in inflation. An analysis of the dynamics of the Austrian labour market gives further insight into this situation.

The dynamics of the labour market

One empirically well documented characteristic of the dynamics of the Austrian labour market is the hysteresis (or persistence) phenomenon. According to the theory of hysteresis, unemployment is dependent not on the current labour market situations, but rather on past unemployment⁴⁹. In this way unemployment trends are almost given a life of their own, independent of the factors which have triggered them. Unemployment initially caused by economic conditions becomes a permanent phenomenon. The literature discusses various transmission mechanisms which can lead to hysteresis⁵⁰:

(1) **Insufficient non-monetary capital reserves:** Both private and public investment was curbed in the wake of the oil price crisis and as a result capacity bottlenecks now occur at times of economic upturn and the labour supply can no longer be fully utilised. The second half of the 1980s saw both high levels of capacity utilisation and high unemployment in many OECD countries. This argument may be relatively unimportant in times of recession, but in the medium-term a lack of non-monetary capital can act as a brake on growth.

(2) **Lack of human capital reserves:** The loss of a job can be linked to considerable depreciation in terms of human capital. Job-specific training is no longer possible and long-term unemployment is also often accompanied by problems of de-motivation and de-skilling. Once a person has been unemployed, the chance of becoming unemployed again increases as the

49 cf. Stiasny 1996

50 cf. Pichelmann 1993

stabilising element of seniority disappears and redundancy becomes cheaper. For this reason, turnover rates increase in those sectors of employment where the focus of reallocation falls. As the examination of the Beveridge curve shows, this cause should not be without importance in Austria.

(3) **Changes in preference:** Individual assessments of the value of work against leisure time are changing at the expense of income and at times of high unemployment are reinforced by a higher level of social acceptance. In our opinion, this argument does not generally apply to the long-term unemployed in Austria. However, it should bear some relevance in the case of the older unemployed. The actual retirement age is significantly higher than the official retirement age and so the opportunity to opt for early retirement is often taken. Under the terms of the Special Benefit Law employees can receive unemployment benefit for one year before they take early retirement.

(4) **Functional structure of the labour market:** Unemployment distorts the relevant market signals, thereby making matching processes more costly and reinforcing existing insider/outsider mechanisms. During sustained high unemployment the market signals normally given out during periods of relative shortage are blurred. This can affect the productivity assessment of job applicants or the qualification and mobility decisions taken by job providers, for example. The further division of the employment system into employed insiders and unemployed outsiders can also cause the parties in the labour market to discount these outsiders to an ever greater extent in their pay negotiations.

An empirical analysis of the dynamics of the Austrian labour market⁵¹ shows that the gross allocation of jobs and labour is far higher than that expressed in the changes in the employment figures (cf. the presentation of turnover rates in Section 1.3). It is estimated that in Austria some one million jobs are lost or found every year. Unemployment figures feature an enormous number of entries into and departures from work (Table 17). The most notable result of the analysis is, however, the fact that in a period of economic downturn not only entry rates but also departure rates increase. This indicates that higher unemployment during periods of economic difficulty is also linked to increased replacement processes within the employment system.

51 cf. Pichelmann 1993

Table 17: Unemployment flow dynamics in Austria, entry and departure rates 1970 - 1993 (average monthly figures)

	Entries into unemployment as a % of the labour force	Departures from unemployment as a % of the labour force	Departures from unemployment as a % of total unemployment
1970	1.2	1.3	55.5
1971	1.1	1.1	56.7
1972	1.1	1.1	57.5
1973	0.8	0.8	52.1
1974	0.8	0.8	52.4
1975	1.0	1.0	48.6
1976	1.0	1.0	53.3
1977	1.0	1.0	57.5
1978	1.2	1.2	58.1
1979	1.1	1.2	60.0
1980	1.1	1.1	61.4
1981	1.4	1.3	57.2
1982	1.7	1.6	46.6
1983	1.8	1.8	41.1
1984	1.7	1.7	38.7
1985	1.6	1.6	33.2
1986	1.6	1.5	29.7
1987	1.4	1.5	26.6
1988	1.4	1.5	26.9
1989	1.4	1.4	27.6
1990	1.4	1.4	26.7
1991	1.4	1.5	25.3
1992	1.5	1.5	26.0
1993	1.6	1.6	24.0

Source: Pichelmann 1994b

It is therefore possible to put forward the hypothesis that in times of high unemployment - originally caused by economic factors - supported by a significant increase in labour supply, it is more likely that a company will fill a vacancy with a suitable candidate. Features such as period of unemployment, age, etc. are used as screening devices, thereby increasing the number of people with a poor chance of finding employment again. This process leads to an increase in long-term unemployment and thereby to an increase in the rate of unemployment. Once this process is set in motion the continuing number of long-term unemployed cannot be reduced by means of a **general** reduction of labour costs such as social security contributions, for example. As long as companies continues to use length of unemployment as a selection criterion only a relative reduction in costs can cause companies to take on the chronically long-term unemployed.

Conclusions

The analyses described above give the following picture of trends in the Austrian labour market since the start of the 1980s:

- 1) The jobless growth theory can be rejected. The relationship between economic growth and employment in Austria has been stable for many decades.
- 2) Labour supply has increased significantly due to the increased labour participation of women and the influx of foreigners. The rigidities of the price setting process offer the only explanation for the failure to absorb these additional labour resources. In view of the high wage flexibility in Austria the supply theory appears inadequate on its own.
- 3) Empirical estimates show an increase in the NAIRU (non-accelerating inflation rate of employment). The primary factor identified as the cause of this trend is the increased burden on the labour factor (social security contributions). In addition, the increasing number of long-term unemployed has brought about a fall in the wage-curbing effects of unemployment.
- 4) An analysis of the Beveridge curve also points towards an increase in structural unemployment. This trend is attributed primarily to a process of de-qualification among the long-term unemployed and a (relatively small) increase in the skills mismatch. The regional mismatch has decreased slightly.
- 5) The increase in long-term unemployment can also be explained by the phenomenon of hysteresis. Employer discrimination in filling vacancies has led to a more pronounced segmentation of the labour market. Companies' have even more choice in recruitment due to the significant increase in labour supply.

The increase in unemployment is therefore predominantly designated as a structural phenomenon (Pichelmann⁵² estimates that roughly three quarters of current unemployment is caused by structural factors), while economic components are attributed little significance - Tichy estimates the latter at approximately 1

⁵² cf. Pichelmann 1994

percentage point. Structural unemployment has also acquired a new quality. It is not predominantly unemployment caused by economic structural change, but rather unemployment caused by movements in the functional structure of the labour market.

The effects of entry into the EU

Austria's entry into the European Union marks the end of a long process of *rapprochement* with the institutions of western European integration⁵³. The most important stages had already been completed with Austria's integration into the EFTA and EC free trade zones set up in the 1960s and 1970s, the tying of the Austrian schilling to the German mark and finally, in 1994, Austria's participation in the European Economic Area. Membership of the EEA had already subjected large sectors of the economy to European competition, thereby limiting the direct consequences of entry into the EU. However, full integration means above all a far-reaching break in economic policy. The fundamental aspects of Austria's formerly autonomous economic policy, particularly at macro level, were transferred to the Union. This does not, however, apply to incomes and labour market policy. Wages policy therefore remains the essential control mechanism for balancing out the various different national levels of competition - this fact could enhance the Austrian social partnership.

Viewed in the long-term, until now Austrian wages and prices policy has always made a successful contribution to the stabilisation of the economic and labour market situations. Integration with Western Europe and also the opening up of Eastern Europe present a range of new challenges to be mastered⁵⁴. In addition, a new division of work will be established which will have the effect of accelerating the reallocation process. Pay negotiations could be complicated by an increasing pressure to adjust. In particular, the traditional practice of increasing low incomes disproportionately will have to be considered as it is probably the low income segment which will be subject to the pressure to adjust.

On the basis of a model simulation which assesses the consequences of entry into the EU against simply remaining in the EEA, the Austrian Institute for Economic

53 cf. Kramer 1994

54 cf. Hofer/Pichelmann 1996a

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Research forecasts higher economic growth and a rise in employment⁵⁵. It also forecasts that by the year 2000 real gross domestic product will be 2.8 % higher than it would be if Austria were to remain outside the EU, that employment could grow 0.2 percentage points per annum faster and will increase by 42,000 people by the year 2000. Throughout the period of the simulation the wage rate should remain below the reference scenario while the unemployment rate will fall only slightly in relation to the reference scenario.

⁵⁵ cf. Breuss et al 1994

1.6 The Austrian economy: economic policy and forecasts

From Austro-Keynsianism to budget consolidation

Austrian economic policy has always been characterised by a high degree of pragmatism⁵⁶. The Austrian policy mix, known as Austro-Keynsianism, was characterised, on the one hand, by its intention to stabilise the long-term expectations of the economic players by setting predictable economic policy conditions and on the other the unconventional allocation of instruments as objectives of economic policy. Fiscal policy, however, included very few discretionary measures, relying rather on the effect of automatic stabilisers. The hard currency policy was curbed by moderate pay increases and interest subsidies. The most important contribution, however, was the incomes policy formulated by the social partners (see Section 2.2). Another important element in the Austrian economy was its ownership structure: a not inconsiderable number of companies belonged to the public sector and were used as instruments of employment policy, albeit not through explicit government orders.

The mid 1980s saw a radical change in the formulation of economic policy. The rapidly growing level of government debt and increasing obligations for debt servicing narrowed the room for manoeuvre in economic policy making and the goal of full employment took backstage and was replaced by that of budget consolidation. At the beginning of the 1980s the nationalised industries in Austria entered a serious structural crisis requiring large subsidies from the budget and massive adjustments in the employment sector. As the goal of budget consolidation increased in importance the proceeds from the sale of nationalised industries were diverted to this end. As a result, the large public sector, one of the cornerstones of Austro-Keynsianism, gradually diminished in importance through a series of successive privatisations. Today Austrian nationalised industry has practically disappeared from the economic debate. Once the nerve centre of the group, ÖIAG is now nothing more than a holding company.

⁵⁶ cf. Nowotny 1985

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Since entry into the EU, the objective of budget consolidation has received renewed impetus. Austria is a net contributor and this places a direct burden on the budget. But still more important for the economic institutions is the attainment of the Maastricht criteria which laid down an upper limit for levels of public borrowing in those states wishing to join the economic and monetary union. Thanks to its two decades of sustained hard currency policy Austria has been accepted as a candidate for participation in the union from 1999. However, its public finances do not currently fulfil the Maastricht criteria in terms of budgetary policy. In addition, following the recession the public budget recorded massive deficits and it would also therefore appear to be in the national interest to prioritise budget consolidation.

Between 1987 and 1992 Austria's rate of new government borrowing was reduced from 4.3 % to approximately 2 % of GDP. In 1993, a year of downturn, the automatic stabilisers came into effect and the new borrowing rose to 4.1 % again. In 1993 the rate of new government borrowing, which had remained stable at roughly 58.5 % over the previous four years, rose to over 60 %. Although 1994 saw another upturn, tax reforms precluded any further drop in the rate of new government borrowing. Entry into the EU in 1995 finally led to a new increase in this rate to 6.1 % of GDP⁵⁷.

Table 18: Federal financial indebtedness

Year	New indebtedness		Borrowing level	
	AS millions	% of GDP	AS millions	% of GDP
1980	16,947	1.7	371,489	37.3
1985	33,342	2.5	681,385	50.5
1990	38,729	2.2	1,050,636	58.3
1991	50,382	2.6	1,130,622	58.7
1992	38,723	1.9	1,193,590	58.3
1993	87,975	4.1	1,334,414	62.8
1994	101,298	4.5	1,471,456	65.0
1995*)	145,000	6.1	1,632,400	69.2

*) Provisional results.

Sources: Statistische Übersichten 2/1996 and 7/1996

The coalition parties recently agreed a comprehensive package of measures giving priority to budget consolidation. In 1997, according to the Maastricht agreement, new public sector borrowing should not exceed 3 % of GDP. The government's consolidation programme includes both cuts in expenditure (AS 66.7 billion) and increases in income (AS 33 billion). In order to compensate for the expected

⁵⁷ cf. Schebeck 1996

contracting effects of the savings package an "employment drive" and a plan to enhance the attractiveness of Austria as a place for business have also been agreed. The goal of the economic policy is not to finance jobs directly through taxation but rather to provide incentives for companies to create and safeguard jobs.

The most important measures include:

- Financing of infrastructure projects to the tune of AS 90 billion over the next four years, extra-budgetary investment of AS 60 billion for Austrian Railways
- Promotion of industrial and company start-ups
- Easier access to risk capital for export-intensive small- and medium-sized businesses
- Support for the building industry through increased promotion of residential building and facilitation of environmental investment and building refurbishment
- Allocation of the proceeds of privatisations (Bank Austria, Creditanstalt Bankverein, Böhler-Uddeholm) to the promotion of research and technology
- Fixed-term tax concessions for long-term investments.

Including tax relief, this should bring the economy an additional AS 20 billion which will in turn allow 80,000 jobs to be created or safeguarded by the year 2000. The entire armoury of labour market policy instruments will be implemented in the battle against unemployment. For example, a special programme for the long-term unemployed is being launched which will refund 20 % of the gross wage for up to one year for every registered long-term unemployed taken on by employers.

It is notable that for the first time the government will put the Federal budgets for 1996 and 1997 before parliament for adoption together. This will cement the outcome of a long process of agreement and increase the transparency of the measures for the economy.

The economic situation in Austria

The new approach to budget consolidation comes at a difficult time in the economic cycle. The economic climate in western Europe has deteriorated noticeably since early 1995. It is not beyond the realms of possibility that the synchronisation of restrictive budgetary policy in the majority of EU states will contribute towards a further economic decline. In Austria the sluggish growth in production and the low level of labour force utilisation, even in the services sector, has brought about an increase in unemployment. This can be offset by reducing the size of the available work force by allowing early retirements, a tried and tested method of controlling labour supply, as long as this possibility is not restricted in the course of budgetary savings. This latter scenario will lead to a sharper increase in unemployment caused by economic factors. Whereas the long-term forecast of the Austrian Institute for Economic Research was still based on an average annual economic growth of 2.4 %⁵⁸, in April of this year the average forecast for the period 1995/2000 was only 1.8 %⁵⁹. For the unemployment rate as calculated by the national definition this means increases of 8 % for 1998 and 7.5 % for 2000.

Until now employment has remained relatively stable throughout the economic cycle, while productivity has tended to fluctuate. This relationship is set to change direction. Growth in productivity will steady due to pressure to rationalise caused by increasing competition, and employment will fluctuate more. The intended job shedding in the public sector will play a significant role in this phenomenon. The real wages received by employees in the private sector will grow significantly more slowly than productivity and pay levels will continue to drop until 2000. Price increases will be triggered by neither imports nor wage costs. On average inflation should remain under 2 % throughout the five years of the forecast.

58 cf. Schebeck, 1995

59 Schebeck, 1996

2. Institutional framework

2.1 Public and private sector employment services

Both public and private organisations are involved in the planning and implementation of labour market policy in Austria.

The Employment Service (AMS)

On 1st July 1994 the Austrian Employment Service Administration was separated from the Federal administration and set up as a service company governed by public law called the *Arbeitsmarktservice* (AMS, Labour Market Service). The private provision of employment services was legalised at the same time. The government's employment service monopoly had already been removed in 1992, when private executive employment agencies were licensed.

The AMS is responsible for the following areas of activity:

- The implementation of active labour market policy measures in order to achieve the objective of full employment and to prevent unemployment. This includes employment promotion as well as placement and advisory services.
- Within the framework of passive labour market policy the AMS is also responsible for the administration of earnings-replacement benefits under unemployment insurance legislation.
- The AMS also has certain statutory duties including the granting of work permits for foreign nationals.

The AMS comprises one Federal, nine state and 108 regional offices. The organisation is structured on these three levels as outlined below:

- The management organs: at Federal level the Executive Board (2 members), at state level the state director and at regional level the regional office managers.

- Representative bodies with monitoring and decision-making authority: at Federal level the Administrative Board, at state level the state directorate and at regional level the regional committee. These bodies involve employees' and employers' representatives in the decision-making process.

The management function at Federal, state and regional level is supported by the respective offices.⁶⁰

ORGANISATION OF THE AMS

FEDERAL ORGANISATION	Administrative Board	Executive Board	Federal Offices
	Representatives of: BMAS (2), BMF (1), EME (3), EMR (3), AMS-EME (1)	2 members	1 office
STATE ORGANISATION	State Directorate	State Director	State Offices
	Members of: AMS (2), EME (2), EMR (2)		9 offices
REGIONAL- ORGANISATION	Regional Committee	Director of Regional Offices	Regional-offices
	Members of: AMS (1), EME (2), EMR (2)		108 offices

Abbreviations:

AMS Arbeitsmarktservice (Employment Service)
 BMAS Federal Ministry of Employment and Social Affairs
 BMF Federal Ministry of Finance
 EME Employees
 EMR Employers

⁶⁰ cf. Bundesministerium für Arbeit und Soziales 1994

The Federal organisation is responsible for devising the general framework for the local implementation of labour market policy. It also fulfils the following functions:

- Co-ordination and monitoring
- Organisation of labour market observation and research
- Personnel training

The state organisations are responsible for the planning and implementation of labour market policy in the various states. This includes the formulation of policy priorities and decisions on budgetary allocations. The AMS's client-related services are provided at regional level. Labour market policy is implemented by the regional offices in accordance with the criteria laid down at Federal and state level.

Objectives set by the Federal Minister for Employment and Social Affairs

The objectives of the AMS are set down in legislation in only the very broadest terms. In essence it must play its role in matching supply and demand in the labour market and ensure economic subsistence in the case of unemployment. This general objective is then fleshed out by the Federal Minister for Employment and Social Affairs in the form of "labour market policy targets". Further details are then provided in the multi-annual budgets set for ESF and AMS funding by the Federal Ministry for Employment and Social Affairs. The targets are contracts to be delivered by the AMS.

The main role of the AMS is to maintain social standards and achieve full employment. These goals should be achieved primarily by means of labour market measures targeting older people, women, the long-term unemployed, the disabled and young people, training measures designed to mitigate structural change and integration measures for non-national workers. As additional implementation aids the AMS is expected to develop appropriate monitoring and evaluation tools designed to measure the effectiveness and efficiency of the measures implemented.

The Minister is assisted in the field of labour market policy by the former Central Office for Employment Administration within the Ministry (Section III).

The infrastructure of the AMS

In 1995 the AMS employed a workforce of 4,156, including 130 at Federal level. The majority of the workforce, 2,000 people in total, is engaged in the area of services and promotion. A further 1,180 people are employed in insurance-related services while another 294 are responsible for statutory matters, and 812 people work in internal organisation (administration/management).

Table 19: AMS figures for 1995

Offices per 1000 employed people	0.03
Employees per unit	35
AMS personnel per 1000 employed people	1
AMS personnel per 1000 unemployed	19.2

Source: Bundesgeschäftsstelle des AMS

To administer its placement service the AMS runs a computer system which documents all placement, advice and support activities. It also offers self-access facilities (known as SAMSOMATEN) which allow AMS clients to look for jobs and access information independently.

Private employment agencies

In addition to the public employment service, since 1994 various forms of private employment agencies have also been set up. It should be borne in mind, however, that no one organisation may engage both in the placement and the contracting-out of employees. Private employment agencies must be licensed to carry on their activities. People working in employment services must prove their professional suitability before a committee made up of one representative from the Chamber of Commerce, one from the Federal Labour Chamber and one officer from either the Federal Ministry of Employment and Social Affairs or the AMS.

There are also specific principles which govern private employment services. For example, advice and placement services must be provided free of charge to the job seeker. Fees may be charged to employers only. As a result of previous

experiences relatively few private companies have applied for licenses to trade as private employment agencies. In March 1995 there were 16 registered employment consultants authorised to work exclusively in executive recruitment. Five agencies only have been granted licences to work in commercial and industrial recruitment. In 1995 private employment agencies placed a total of 932 people in vacant positions (including executive recruitment). It is assumed that it is the strictly controlled licensing procedure which dissuades many people from registering. In addition to private agencies, in 1995 another 31 agencies were licensed to operate as commercial agents for artists in Austria.

Since 1988, the sub-contracting of employees has been permitted. Workers are employed by personnel contracting firms and then contracted out to work for other companies. In 1994 in Austria 537 such companies contracted out some 10,500 workers. The number of these contract employees as a percentage of the total workforce is 0.5 %.

In 1994, the AMS in Upper Austria set up a non-profit making temporary employment agency which contracted out people registered as long-term unemployed to work for a range of firms. So far this company has employed 530 unemployed people. According to press reports 170 people managed to find a permanent position after this period of contract work.

The AMS and co-operation

In dealing with specific problem groups (in particular women, ex-prisoners, special school leavers, the disabled, drug addicts) the AMS uses the support of external organisations (advice and support services, trainers and employment initiatives). In addition to the provision of labour market policy advice, non-profit making organisations also organise training and employment projects under the auspices of the AMS. The conditions under which these organisations operate and the interfaces to the AMS's support programme are laid down in promotion and support contracts. The AMS buys in the services provided by the organisations. This takes the form of the funding of all or part of their wage and non-wage labour costs for one year. The state offices calculate the cost of the service on the basis of a given hourly rate for

each unit of advice. Although placement was not one of the original elements in the briefs of these external organisations, in recent years the placement role of these external agents has expanded. The contacts which these organisations have built up with companies who are potential employers of problem groups have proved very useful.

The AMS's share of the placement market

In the 1996 employment forecast, companies reported that they sought the help of the AMS in filling 43.5 % of positions vacant. However, they sought to fill only 7.5 % of managerial positions vacant through the AMS. Similarly, in the case of high level technical and service personnel they used the AMS in less than 25 % of cases. However, 65 % of vacant positions for unskilled workers were filled through the AMS.⁶¹

The market position held by the AMS can be compared with those of the other job seeking and recruitment channels. This relationship was analysed by means of a survey of employees in the state of Kärnten.⁶² Between 1992 and 1994 the AMS's market share fluctuated between 14.5 % and 18.5 %. The private agencies held a market share of between only 0.3 % and 1 %. The percentage of employees who found jobs through neither public nor private sector agencies was therefore somewhere in the region of 80 %.

Of greatest significance was information received from friends and acquaintances (32.2 % to 34.9 %) and personal applications (with no external information, merely by contacting companies listed in the yellow pages etc.) (27 % to 28.1 %). Rather less significant were replies to newspaper advertisements (10.8 % to 16 %), company advertising (4.2 % to 7 %) and advertisements placed by the job seekers themselves (0.1 % to 0.8 %).

⁶¹ cf. Arbeitsmarktservice Österreich, Arbeitsmarktvorschau 1996

⁶² cf. Cesnik/Stromberger 1995a

Objectives and results of the reform

During the employment crisis the effectiveness and efficiency of the Labour Market Administration came under ever greater criticism. Most of this criticism came from the employers and centred upon the lack of business orientation which characterised the placement service. One indication of this was the length of time for which certain positions remained vacant. However, these criticisms failed to take into account the prevailing conditions - increasing unemployment with no adequate response in terms of personnel, infrastructure or budget. Demands for a new model of labour market administration and the licensing of private employment agencies came from both the employers and the Austrian People's Party.

Within the framework of preparations for structural reform, the Federal Ministry of Employment and Social Affairs commissioned an efficiency analysis of the Labour Market Administration. The proposals put forward by the "Institute for Policy Research" (Netherlands)⁶³ included comprehensive structural reform focusing on decentralising decision making, relieving the AMS of functions which were secondary to its core tasks and the greater involvement of employers' and employees' interest groups.

According to the findings of this analysis, the lack of efficiency was due to the overloading of the Labour Market Administration with tasks only indirectly linked to the labour market and which detracted from its core activities of information, advice and placement. When it became independent numerous administrative tasks were shifted to other institutions (sickness insurance providers, the Federal Offices for Social Affairs and the Disabled, etc.). Contract work, the licensing and regulation of private employment agencies, bad weather compensation for workers in the construction industry, the administration of insolvency benefit payments and the control of illegal foreign workers all belong to these separate areas in one way or another.

⁶³ cf. Institute for Policy Research 1992

Since the reorganisation, the decision making processes within the service have been restructured. At the very core of the changes are the greater involvement of the social partners in the decision making processes and the decentralisation of decision-making structures. The social partners are now involved in the decision making process at Federal, state and regional level. This has in turn brought about substantial changes in the decision making processes themselves. Previously the various packages of measures were devised and planned by specialist departments at the Ministry and then implemented by order of the various state offices. Interest groups did not learn about concrete individual measures and concepts until they reached the advice stage in the Committee for Labour Market Policy. This gave the Minister and the experts in the specialist departments a significantly greater role in shaping the measures than they have in the new model.⁶⁴ Now the Federal Minister for Employment and Social Affairs sets "labour market policy targets" for the AMS. These projects are then fleshed out and converted into concrete measures by the AMS at Federal and state level with the collaboration of representatives from the various interest groups.

This has brought about a change from "management by regulations" to "management by objectives". The state offices are now given specific targets as guidelines. These targets may lay down specific reference values for the reduction of long-term unemployment, for example. The strategies used to achieve these targets, however, are left to the state offices. They can select the tools (training schemes, employment measures, advice, etc.) they wish to use to realise their targets on the basis of the specific characteristics of the regional labour markets and regional labour market policy priorities.

One important prerequisite for the implementation of management by objectives is the existence of mechanisms for the evaluation and control of results. The AMS is in the process of developing a controlling system which will enable it to provide information on the performances and results of the regional and state offices at any time. This ongoing reporting system will enable the state and Federal offices to monitor their levels of success constantly.

⁶⁴ cf. Lechner et al. 1993

The most controversial issue in the talks on the reorganisation of the AMS proved to be that of funding. Here the most striking innovation is the Service's new found ability to use extra-budgetary loans to finance labour market policy. This means that it can now develop an anti-cyclical approach to labour market policy, which in turn means that at times of high employment the range of integrating measures on offer can be extended in order to counteract the prevailing trends.

The consequences of the reorganisation of the AMS on the content of labour market policy are not yet clearly visible and have not been subject to detailed scrutiny. However, the first effects of the reorganisation are beginning to make themselves felt. Since the AMS became independent in mid 1994 the criticisms of the AMS, which had always come primarily from employers, have largely been silenced. The Service's performance is also perceived more positively by the media than it was before the reform. This is no doubt linked to the fact that employers' representatives were allowed a large degree of input into the reform-making process.

The AMS is also making every effort to project an image of itself as a professional and efficient service provider. An essential component of this professionalism is the rethinking and intensification of contacts with individual companies. This is intended to ensure that the nature of job vacancies is clearer and that only applicants who fit the job profile are put forward. It should also help to counter the widely-held view that the AMS simply sends along applicants who are largely unsuited to the job, without any prior selection.

In addition, more emphasis is being placed on an active placement service than was previously the case. With the coming into force of the amended Employment Protection in 1993, even before the separation of the AMS, emphasis was placed on the sanctioning of unemployed people who failed to look for work or refused to take suitable job offers. Placement activities were intensified by the increase in initiatives such as job search, activity groups and out-placement. By contrast, measures designed to reintegrate disadvantaged groups in the labour market, such as targeted courses or employment initiatives took back stage (see Section 4 Labour Market Policy). This development was apparent before the reform but has clearly accelerated since, due to the decentralisation of labour market policy. These

restrictions on active labour market policy have been partially compensated for by the objectives laid down under the terms of the European Social Fund which require the greater involvement of groups who are particularly disadvantaged in terms of the labour market.

In the past innovative labour market measures were carried out by independent organisations. The funding of these organisations has now been taken over by the AMS. Since the social partners have their own training establishments, schemes can be expected to shift away from independent organisations and towards those run by the social partners,⁶⁵ as they become more heavily involved in promotional decisions funds for training. According to critics, this threat has been caused by an improper cross-over of responsibilities since the social partners, along with the Economic Promotion Institute and the Employment Promotion Institute, are on the one hand the largest providers of training courses and on the other closely involved in the decisions on the distribution of funds through their representatives on the regional committees and state directorates.⁶⁶

⁶⁵ cf. Buchinger 1995

⁶⁶ cf. OECD 1996a

2.2 The industrial relations system

Austria, where the system of social partnership is a fundamental element in the political system of the Second Republic, represents a corporatist model of interest intermediation. One of its main characteristics of the model is the participation of interest groups representing both labour and capital in policy formulation in areas as important as economic, incomes and social policy. The essential players in the system are the large Associations of the Federal Labour Chamber, the Austrian Federation of Trade Unions, the Austrian Chamber of Commerce, the Association of Industrialists and the Presidential Conference of Chambers of Agriculture.

The principles and institutional framework of social partnership

Consensus finding in the process of the harmonisation of interests is determined largely by the balance of power. Comparative national analyses repeatedly emphasise the relative strength of the worker representatives and the relative weakness of employers in Austria. The fact that the employers' representatives hold the weaker position is due to the business structure of the Austrian economy which is characterised by the low number of large companies and the high percentage of small businesses and nationalised industries.⁶⁷ The strength of the employees' representatives is reflected in the centralised structure of the associations and their organisational density. The level of trade union organisation is 44 % (1992).⁶⁸ Employees are represented by two associations, the Federal Chamber of Labour and the Austrian Federation of Trade Unions (ÖGB). The Austrian Federation of Trade Unions is divided into 14 individual trade unions on the basis of the industrial groups. However, this principle is not always applied consistently as there are different unions for salaried and waged employees. The individual trade unions are responsible for the negotiation of collective agreements. In this area the role of the Austrian Federation of Trade Unions is limited to the informal co-ordination of pay development through its executive organs. Membership of the Chamber of Labour is obligatory for all employees.

⁶⁷ cf. Traxler 1992

⁶⁸ The official statistics indicate a level of organisation of 55 % but include pensioners. cf. Karlhofer 1993

On the employers' side there is a greater variety of associations. The Austrian Chamber of Commerce stands at the head of all the local chambers in Austria and covers a sub-system of some 900 regional and specialist organisations. At Federal level it is sub-divided into specialist associations and at state level into various specialist groups and representative bodies. The various functions performed by the Chamber are dealt with at a practical level in the appropriate sub-units, with collective bargaining matters, for example, being handled by the appropriate section. Due to the wide diversity a high degree of internal organisation and co-ordination is required. It is obvious that the system of employees' associations in Austria is far less diverse and has a far higher level of centralisation, than that of the employers' associations. This imbalance is seen as the reason why employers are so keen to take part in the collective bargaining process.⁶⁹

The process of the harmonisation of interests is characterised by a personal network of contacts between interest groups, political parties and government. The interconnection of functions facilitates the flow of information and informal co-ordination at the various political levels. The presidents of the dominant interest groups are also members of parliament and have leading party functions. In addition to the personal interconnections there are also institutional and organisational links between parties and associations. One example of this is the party political positions of the Austrian Federation of Trade Unions, the Federal Labour Chamber, Chambers of Commerce and Chambers of Agriculture. While the organisations representing the employees tend to side with the Social Democratic Party, the employers are more oriented towards the Austrian People's Party. One characteristic of the bargaining culture of social partnership is that interests are frequently negotiated within the closed confines of the top executive positions to the exclusion of the public. In many cases this allows the negotiation of compromises which would never have been achieved in the public forum. However, this lack of openness also receives criticism for its lack of political democracy.⁷⁰

⁶⁹ cf. Traxler 1992

⁷⁰ cf. Unger 1993

The higher the level of concentration of an association, i.e. the greater the number of members and roles which it involves, the more diverse and potentially conflicting are the various positions it has to represent.⁷¹ In the course of the harmonisation of interests it is necessary to condense these diverse positions into a set of universally binding objectives, which can often be very difficult. This difficulty also applies to the need to persuade members to adhere to the agreements which are concluded. It is only possible to satisfy those positions which deviate from the main direction when the members in question can see a long-term improvement in their position. This is made possible through a policy of forced economic growth. This strategy of a growth coalition is pursued both by the trade unions and by the Federal Chamber of Commerce, encouraging them both to adopt co-operative policies.

In addition, the various interest groups within the social partnership are supported by means of national organisational privileges. For example, the chambers can fall back on the principle of compulsory membership which is enshrined in law. Similarly, it is the associations which are authorised to conclude the collective agreements, which companies are not allowed to violate.

The golden age of social partnership as a participatory decision making system was the 1960s and particularly the 1970s. Since the 1980s, there has been a change in trends which has also affected the political role of social partnership. This can be seen in changes in the stable economic and political environment which provided ideal conditions for the social partnership in the 1960s and 1970s. Changes in the economic climate and thereby in the political options (budget consolidation, departure from Keynesian control of demand, prioritisation of supply) have made collaboration between associations and the harmonisation of interests within associations more difficult. Rising unemployment and the move away from the state control of demand caused shifts in the power balance to the disadvantage of the trade unions. A process of decentralisation within the party system has loosened the relationships between the associations and the parties they are close to. This makes it more difficult to harmonise interests and reach a consensus at association level and reduces the influence of the associations in the political decision making process. Changes in the party system have also brought about changes in attitudes

⁷¹ cf. Traxler 1992

to the social partnership. During intensive public debate the associations are increasingly confronted with problems of self-justification.

However, the change in the shape of political responsibilities within the social partnership in a changing environment does not mean that the institution of social partnership lacks continuity. The Austrian social partnership is still a fundamental element of Austria's political system. An inclination towards common interests and economic objectives still forms the main focus of the consensus of interests among the social partners. Representatives of the associations are still involved in negotiations with the governing parties and at the bureaucratic level. The shaping of parliamentary bills is still determined to a large extent by compromises reached between the associations.

Seen in general terms, there is no reason to forecast the collapse of the Austrian model of corporatist interest politics. More likely is a narrowing of the scope of action and significance of consensus in the political decision making process. In the course of this functional transformation, changes in organisational structure are also to be expected.⁷²

The institutions of social partnership

The relationships between the interest groups are institutionalised in several areas. At the heart of the harmonisation of interests is the Parity Commission for Price and Wage Matters which was formed in 1957 and which can be seen as an example of "selective elite co-operation at umbrella organisation and government level"⁷³ This commission has no constitutional basis and exists simply as a result of voluntary agreements made by the parties involved.

The *plenary meeting* of the Parity Commission comprises four representatives of the Federal government, two representatives each from the Chambers (Federal Labour Chamber, Austrian Chamber of Commerce, Presidential Conference of Agricultural Chambers) and two representatives of the Austrian Federation of Trade Unions

⁷² cf. Tálos 1993 and Talos/Karlhofer 1996

⁷³ cf. Tálos/Kittel 1995

(ÖGB). The general secretaries of the interest groups, experts and civil servants also attend the plenary meeting which numbers a total of 25 to 30 members. Only the presidents of the four leading associations are entitled to vote. Informal meetings of the commission take place on average once a month. These deal with issues which are not resolved at meetings between the social partners. The so-called "employment summit" was the last formal meeting held by the Commission. These meetings are held somewhat sporadically.

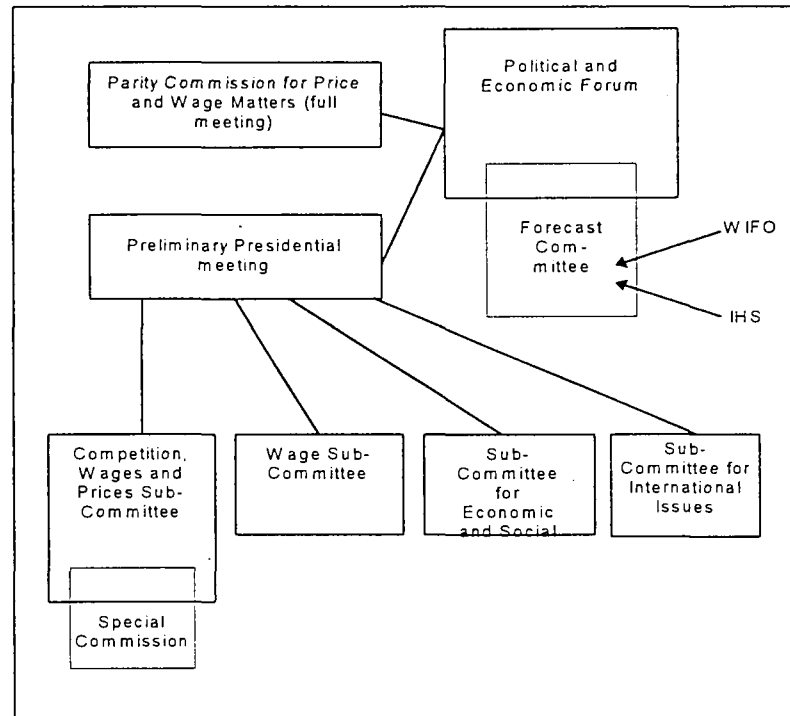
The *preliminary presidential meeting* is an important instrument in the process of agreement between the major social partners. This form of harmonisation of interests takes place behind closed doors with neither agenda nor minutes. At this level attempts are made to reach compromises on those questions which there is no longer any hope of resolving at full meetings of the Parity Commission.

The Parity Commission has two sub-committees, the *politico-economic forum* and the *associations committee*. The associations committee is an advisory organ of the Ministry of Finance. The "politico-economic forum" is largely identical to the Parity Commission and provides a forum for politico-economic debate.

A further element of the Parity Commission, introduced in 1963, is the *committee for economic and social questions* which comprises representatives of the social partners and ministries and experts from research establishments and universities. The purpose of this institution is to carry out studies on themes of current socio-political relevance.⁷⁴ Before the results and recommendations are published, the studies have to be approved by the presidents of the Chambers and the Austrian Federation of Trade Unions. The budget working party and the environmental committee are permanent bodies which report to the committee. In addition there are also ad hoc working groups such as the recent ones on employment matters and the reform of the health service, and sub-committees such as the regulation committee, for example, which are dissolved when their work is complete.

⁷⁴ Recently: ancillary wage costs; EU - a new framework for Austrian economic and financial policy; in preparation: employment policy

Figure 3: Basic structure of the Parity Commission for price and wage issues



Source: MISEP Maßnahmen 50

The Commission also has a *sub-committee on prices and wages* which deals with matters relating to the setting of pay and prices. Since its formation, however, the prices sub-committee has increasingly lost significance. In the 1960s and 1970s, roughly one third of all consumer prices were co-ordinated by the prices sub-committee. As a result of entry into the EU, company imports and exports are now subject to the price mechanisms operating in foreign markets and so have very little power to regulate prices. In 1992 this committee was renamed the competition and prices sub-committee and its primary area of responsibility is now to observe competition in the various branches of the economy and to set competition policy.

The wages sub-committee is responsible for the timing of pay negotiations. Its task is to set the timetable for wage agreements and the dates of new wage rounds. However, this committee has no influence on the content and results of pay negotiations.

In 1992 an additional sub-committee was set up for international questions.

Other forms of collaboration

In addition to the institutional framework and the Parity Commission, the system of social partnership is also characterised by a broad spectrum of other forms of collaboration in the process of policy formulation. At the pre-parliamentary stage the interest groups have one basic policy-shaping tool which allows them to put forward proposals on economic and socio-political matters. In the Federal administration, the opinions of the social partners are sought before ministerial drafts are drawn up. Another level of harmonisation of interests is the presentation of expert reports by the interest groups within the framework of a number of committees and commissions. If no agreement can be reached in the Council of Ministers, the social partners are invited for further consultation. In the light of this comprehensive involvement of the interest groups in the pre-parliamentary process, the actual passing of resolutions in parliament appears as merely "rubber stamping".⁷⁵

At parliamentary level, too, the social partners play a significant role in decision making. A great amount of parliamentary work takes place in committees and sub-committees in which experts representing the interest groups are involved. In parallel to this committee work, the social partners hold meetings amongst themselves which then contribute to concrete work.

⁷⁵ cf. Tálos et al. 1993

Collective agreement negotiations as a central area of policy shaping

In Austria collective agreement negotiations are held between the trade unions and the Chambers of Commerce. The various individual unions hold their negotiations individually with the relevant section of the Federal Chamber of Commerce, while the four trade unions in the public sector deal directly with government representatives. The Austrian Federation of Trade Unions (ÖGB) itself is not directly involved in the negotiations. Despite the heavily centralised organisation of the representative associations, Austria has neither central pay negotiations covering the whole economy nor pay guidelines stipulated by the government. However, the results of pay talks in the metal-working sector are taken as an unofficial yardstick. The results achieved in these negotiations are used by other trade unions as a guide for their own claims.

The negotiations deal with two sorts of pay. Firstly, collectively agreed levels of pay for waged and salaried employees are set for the various skill categories. This is a minimum level below which wages cannot fall - even with the approval of the employees. Although there is no statutory minimum wage in Austria, the collective agreements - unlike Germany - have legal status. In addition to this minimum pay level, an increase in the actual pay rate is also set for employees working in manufacturing (trade and industry) (just under one quarter of employees in the private sector). These are the actual wages paid above the collective agreement pay level. Actual rates of pay generally rise more slowly than collective scale rates.⁷⁶

On the basis of the results of the collective agreement talks actual wages are then negotiated at company level, either individually or between management and the works council, within the framework of a works agreement. This multi-layered pay setting process means that different actual wage levels can be agreed sector by sector and company by company taking into account the individual economic and productivity situations prevailing in the various environments.

Contrary to the expectations of many economists, in the past the guiding function of the wage agreements reached in the metal working industry has led to moderate

⁷⁶ for development of wages see Section 1.4

increases. The reason for this lies in the heavy losses sustained in the nationalised metal industry. The trade unions refrained from making high wage claims in order not to jeopardise their competitiveness. This shows that Austria's pay policy relies heavily on the self-discipline of the trade unions and that this self-discipline has been maintained to the present day.

Pay negotiations make particular reference to changes in prices and productivity and forecasts of economic growth. The main aim of the trade unions is to achieve pay settlements in line with the price increases since the last pay round. Higher wage claims are made only when the economic situation permits. The primary aim of this strategic concept is the safeguarding of jobs.⁷⁷ Distribution of wealth plays very little role in the negotiation calculations of the trade unions. As a result pay claims are based neither on redistribution of profits as pay nor redistribution from high to low incomes. The relative continuity of wage rates and the continued lack of pay parity between the sexes are indicators of the low value placed upon distribution. However, this flexible pay policy which is operated in line with monetary policy is an important factor in Austria's relatively healthy economic development.

Designed to safeguard jobs, this pay policy gives prosperous companies and sectors sufficient leeway to allow wage rises above the agreed scale rates. This produces a pay policy based on an abandonment of solidarity, which assists in the safeguarding of jobs. One consequence of this strategy in comparison with other countries is the higher pay differentials between sectors. In 1985 the relative spread of hourly rates from one sector of industry to another was 19 %. Only Great Britain and Finland had similarly high levels. In Germany, the Netherlands and Denmark, the spread was noticeably lower, at 14 %. The lowest differential of 10 % is encountered in Sweden as a result of its "equal pay for equal work" policy. If one includes the service sector, Austria with a spread of 27 % sets itself even further apart from other corporatist countries like Sweden (10 %) and Denmark (14 %) with clearly egalitarian pay structures.⁷⁸ Pay differentials can be expected to grow even further as individual sectors, regions and companies are affected to a greater or lesser

⁷⁷ cf. Guger 1993

⁷⁸ cf. Guger 1993; current data not available

extent by the increasing opening up of markets in the East and in the European Union.

Due to the growing number of one company agreements it can also be expected that works councils will assume increasing importance and that the influence of the central associations on both employers and employees will continue to shrink.

The pay policy described above has done little to stimulate the process of economic structural change. In sectors with low productivity gains below average pay settlements have ensured continuing competitiveness. This strategy has been made possible by the high level of protectionism practised at company level. However, as more and more markets open up it will become increasingly difficult to guarantee the competitiveness of Austrian companies by reducing wages.

3. Legal framework

3.1 Provisions relating to notice

Austria has a very long tradition of employment protection. Many of the provisions relating to contracts of employment were enshrined in the Austrian General Civil Code of 1812. The Salaried Employees Law came into force in 1921. The precedents of Austria's Supreme Court of Justice also play a very significant role in the settlement of matters of employment law.

In Austria, deregulation is largely the result of developments in practice which are characterised by the efforts of the contracting parties to circumvent provisions often perceived as overly rigid.⁷⁹ Companies demanded greater flexibility in employment law and deregulation so that they could adjust capacity utilisation to reflect the state of their order books and thereby reduce costs. These demands were then reinforced by unfavourable economic developments. This was also the reason that Austria was forced to slow down its employment law reforms in the 1980s.⁸⁰ However, not until now have the economic and political players in Austria regarded the implementation of full scale deregulation measures as an effective strategy for raising levels of employment in Austria.

Individual termination provisions

In principle, both employee and employer may terminate a contract of employment informally subject to certain periods of notice. In Austria, however, different provisions apply for waged and salaried employees. Salaried employees can be dismissed with 6 weeks' notice at the end of a quarter. This period of notice increases to five months in line with their length of service. The date of notice can also be either the 15th or the last day of the month, rather than the end of a quarter. Salaried employees may give one months' notice to quit at the end of any month. This month-long period of notice may be extended to up to six months provided that the period of notice applicable to the employer is no shorter. Other changes are permissible only where they work to the advantage of the employee.

⁷⁹ The company agreement of an electronics group recently stipulated that extra hours worked should be remunerated by time off in lieu rather than overtime payments.

⁸⁰ cf. Reithofer 1995

Table 20: Periods of notice for salaried employees

Length of service	Period of notice
less than 2 years	6 weeks
2 to 4 years	2 months
5 to 14 years	3 months
15 to 24 years	4 months
over 25 years	5 months

Source: Mayerhofer 1995

If the employment of waged employees falls under the terms of the Industrial Code (e.g. tradesmen, waiters, factory workers, unskilled workers), the period of notice for both parties is 14 days. Other provisions can also be agreed in the form of collective agreements, works agreements and contracts of employment. Other employee/ employer relationships not governed by the Industrial Code or other specific legislation fall under the provisions of the General Civil Code. Depending on the manner of remuneration, type of activity and term of the contract of employment, periods of notice may vary from one day to four weeks.⁸¹

Individual redundancy and resignation provisions

Premature redundancy or premature resignation from a contract of employment is permissible with immediate effect and at any time on serious grounds. These grounds are listed (exhaustively) in the Industrial Code and (by way of example) in the Salaried Employees Law and are not always the same. The General Civil Code includes a general clause which stipulates that there must be important grounds for dismissal and/or resignation. Grounds for dismissal may include maltreatment, gross defamation of character and withholding of earnings. Grounds for redundancy include unsuitability for service or persistent neglect of duties.

Fixed-term employment contracts

Fixed-term contracts are concluded for a specific period of time after which they end automatically. Like open-ended contracts, fixed-term contracts can be terminated prematurely by dismissal, resignation or by common consent. It is also

⁸¹ cf. Achitz et al. 1995

possible to alter the provisions for termination by contract in accordance with the legal framework. Where there is no possibility of termination there can be no protection against termination. As yet there is no legislation in Austria governing length of term and so-called "chain employment contracts", although previous judgements have deemed the conclusion of several, consecutive fixed-term employment contracts to be inadmissible.⁸²

Probationary employment

A period of employment generally starts with a probationary period. In comparison to other EU states this "test phase" is relatively short in Austria. In most positions the probationary period is limited to a maximum of one month. The period can, however, be shortened by agreement. Any such agreement must be made at the start of the employment relationship. There are exceptions, as in the case of apprentices, for example, where the probationary period is set at two months.

Special protection against dismissal and redundancy

Individual groups of employees enjoy special protection against dismissal and redundancy. For example, from the start of pregnancy until 4 months after birth (where no maternity leave is taken) or 4 months after maternity leave, mothers can only be dismissed or made redundant with the approval of the Court of Employment and Social Affairs.⁸³

An apprenticeship can only be terminated on good grounds and in writing and apprentices who are minors require the permission of their parents. Termination by common consent is permissible only after completion of the apprentice's training by order of the Chamber of Employees or the Court of Employment and Social Affairs. Moreover, the employer is bound to continue to employ the apprentice for at least four months after the end of the apprenticeship.

Contracts of persons performing military or alternative civil service cannot be terminated until one month after completion of their military or alternative civil service.⁸⁴

⁸² cf. Achitz et al. 1995

⁸³ cf. AK-Foilder "Mutterschutz und Karenzurlaub"

⁸⁴ cf. AK-Ratgeber für Lehrlinge 2

Special protection against dismissal is also provided in Austria for works council representatives. Special attention is paid to the fact that trade union activity within a company may not be threatened by dismissal. Works council representatives cannot therefore be dismissed without the prior permission of the court until three months after expiry of their mandate. After this period dismissal can be challenged before a court if there is any connection with their activities as works council representative. Works council representatives also enjoy special protection against redundancy.⁸⁵

In companies which have a works council, youth council or disabled workers representation (companies with at least 5 employees, 5 employees under the age of 18 or 5 disabled employees) special protection against dismissal and redundancy exists where the employee in question is represented by a legally better protected person. The company owner must notify the workers council of any intended dismissal or redundancy and the works council then has a period of 5 or 3 working days in which to form an opinion. If the employer terminates the contract after this period an appeal may be lodged with the Court of Employment and Social Affairs against the dismissal/ redundancy if it is socially unjustified or if it has not been expressly approved by the works council and the employee in question has been employed by the company for at least six months.

The 1993 Employment Protection Amending Law strengthened protection for older employees against dismissal. A duty of notification in respect of dismissals was introduced and entitlement to the short-time working allowance was extended. The employment of foreigners is linked to a certain extent to that of older people. For example, permission to employ a foreigner is not granted if an employee over 50 years old has been laid off during the preceding 6 months or if older job seekers who would be suitable for the vacant positions have been refused.⁸⁶

In order to promote the recruitment of older workers and to prevent lay-offs a "plus/minus" system was introduced on 1st April 1996. It specifies that employers have to pay only half of the employer's unemployment benefit contribution if they take on an employee over 50 years of age. If they take on someone over 55 this contribution is waived entirely. If an employer lays off an employee of over 50 who

⁸⁵ cf. AK-Folder "Betriebsratswahl"

⁸⁶ cf. Bundesministerium für Arbeit und Soziales, Bericht über die soziale Lage 1992

has been working for the company for 10 years or more, on the other hand, he/she has to pay a special unemployment benefit contribution until the employee in question reaches the age of 55 (for women) or 60 (for men). This contribution ranges from 0.1 % to 3 % of the last basic contribution for the employee in question, depending on the age of the employee at the time. For example, if the last basic contribution was AS 25,000 and the employee's contract was terminated at the end of his/her 52nd year, the employer will be required to pay a special contribution of AS 21,600.⁸⁷

Disabled workers with special status can only be laid off with the approval of the Disabled Committee of the Federal Office of Social Affairs. The period of notice must be at least four weeks. A disabled employee may be laid off without the involvement of the Disabled Committee but can appeal against the decision before the Court of Employment and Social Affairs. The Disabled Committee is composed of representatives from the Federal Office of Social Affairs, disabled organisations, employee and employers' organisations and the AMS.⁸⁸

Ban on night working for women

A ban on night working between the hours of 8 pm and 6 am for women currently applies in Austria. There are, however, numerous exceptions including employees working in hospitals, in the hotel and restaurant trade and in companies which operate a shift system.

The ban on night working for women has been a matter of controversy for many years. Following its entry into the EU, Austria has to lay down a new, non-discriminatory regulation before the year 2001. The current preliminary draft submitted by the Ministry of Social Affairs to the social partners for examination defines night working for women and men equally as employment with at least two hours (currently six hours) during the period between 10 pm and 6 am.

Women trade union and Labour Chamber representatives are calling for strong regulations. For example, they wish the ban to continue for pregnant women and nursing mothers and those with small children, and for the disabled. When night

⁸⁷ cf. Dirschnied 1996

⁸⁸ cf. Bundesministerium für Arbeit und Soziales 1993

work does exist, they claim that it should be compensated for by a shorter working life, more breaks, longer holidays and more co-determination rights for workers council representatives.

Regulations relating to collective redundancies

Austria has implemented some preventive protective and support measures designed to prevent large scale redundancies.

Towards the end of the 1980s the precarious position of employees in companies affected by changes in ownership became increasingly apparent. The employees involved were generally made redundant and then re-employed by the new owner of the company under far less favourable conditions. In 1993 the Employment Contract Adjustment Law came into force. It stipulates that when a company is taken over, the existing employment contracts have to be taken over too. This does not apply if the sale is the result of bankruptcy proceedings.⁸⁹

To ensure that jobs are not threatened during short-term company difficulties, the AMS can award short-time working allowances. This compensates for the shortfall in income suffered by the employees to a certain extent. It is conditional upon at least 20 % of normal working hours being worked in four consecutive weeks. Where employees over the age of 50 are involved the short-time working allowance can also be paid out if normal working hours are reduced to 15 % for a maximum of one year. The allowance is 1/8th of the daily rate of unemployment benefit for each hour of work missed. It can also be set as a lump sum by the Minister of Social Affairs. Claims for this benefit have fluctuated greatly over the last 10 years. For example, in 1989 it was paid out to 33 people, in 1993 to over 2,000.

In order to ensure employment in certain sectors during the winter months and during lay-offs due to weather conditions, a winter costs allowance and bad weather compensation are also available. Since 1992 only employees and not companies affected receive winter cost allowance. Under bad weather compensation employees receive 60 % of their pay plus 30 % for social security contributions. During the winter period bad weather compensation is paid out for a maximum of 192 working hours, during the rest of the year for a maximum of 96

⁸⁹ cf. Achitz et al. 1995

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working hours. The winter costs allowance for winter working clothes, travelling expenses and separate household costs is calculated on the basis of essential outlay. In 1994 the cost of bad weather compensation was AS 571 million. Expenditure on winter costs allowance fell sharply in the 1980s. In 1980, for example, benefit was paid to some 5,500 people but in 1992 to only 861 people. Since then the money paid out has risen again slightly.⁹⁰

In order to enable the AMS to react in time to the redundancy of large groups of employees, an "early warning system" has been set up in Austria. If a company wants to reduce its work force significantly (between five and 30 employees depending on the size of the company) it must notify the competent regional office of the AMS 30 days in advance. Regardless of the number of employees, the AMS must be informed of any intention to make redundant five or more employees aged over 50. Until now the AMS's principle counter strategy consisted of agreeing appropriate measures together with the company in question and - in some cases - with the state for individual groups of employees. The spectrum ranges from transfer payments, through special support for older employees to training and re-training initiatives.

If closures or large scale job shedding cannot be avoided by means of preventive measures then specific labour market measures are required to ensure the reintegration into the labour market of the employees involved.

Company insolvencies are generally characterised by unpaid employee wage bills. The insolvency benefit fund can be used to make good this kind of deficit. It is used to pay the wages of employees in insolvent companies who have not yet been paid. This fund is fed largely from company contributions and the monies from insolvency proceedings. Between 1991 and 1994 an average of 25,000 applications a year were dealt with.⁹¹

⁹⁰ MISEP 1995

⁹¹ MISEP 1995

Severance regulations

All employees who have been in their jobs for at least three years are entitled to severance pay upon termination of their contract of employment unless the employee resigns, leaves prematurely without good reason or is justifiably dismissed. In the case of resignation by the employee an entitlement to severance pay still exists if the employee in question receives a pension due to reduced ability to work or if the contract of employment lasted at least ten years and an old age pension is received. Mothers who give notice during the protection period after the birth of a child or 3 months before the end of their maternity leave can claim half the statutory severance pay but only in respect of three months' pay. In order for this to apply the contract of employment must have lasted longer than 3 years.

The level of severance pay is measured according to the length of the period of employment. Military service is counted as normal working time, as is training time under certain conditions, though maternity leave under the Maternity Protection Law is not taken into account.

Table 21: Levels of severance pay

Length of service	Level of severance pay
3 years	2 months' salary
5 years	3 months' salary
10 years	4 months' salary
15 years	6 months' salary
20 years	9 months' salary
25 years	12 months' salary

Source: Mayerhofer 1995

More favourable, individual provisions for employees may be achieved through collective and works agreements.

Since the coming into force of the Waged Employees Severance Law there are no longer any differences in the severance pay received by waged and salaried employees.⁹²

⁹² Achitz et al. 1995 and AK-Broschüre "Abfertigung"

Severance pay provisions affect company recruitment policies. Firstly, companies may feel themselves bound to make employees redundant before reaching entitlement to severance pay. This predominantly affects lesser qualified employees, in particular women. Secondly, these provisions can also be an anti-mobility factor for employees themselves. In order not to lose an entitlement to severance pay many employees refrain from changing jobs. Certain economic experts regard severance pay provisions as a questionable instrument of employment protection in times of enforced structural transformation.⁹³

Regulation of teleworking

Teleworking as a new way of using information and communication technologies is currently only used by large companies and in pilot projects in the eastern regions of Austria. However, lasting changes in the working conditions of teleworkers are already starting to become apparent.

Austria currently has no legislation on teleworking and as yet there have been no negotiations between the social partners. The trade unions and the Chamber of Employees are particularly keen to set conditions designed to prevent the situation in this sector deteriorating. Issues requiring particular attention are the legal status of teleworkers in terms of employment and social law, forms of payment, the regulation of working hours, the question of the reimbursement of the cost of adapting the teleworkplace as well as rental and telephone costs and travelling expenses. Experts believe that a set of protective standards should be drawn up in order to prevent teleworking developing into a phenomenon which distorts competition and an instrument for circumventing employment legislation.⁹⁴

Temporary employment

In 1988 the Employee Sub-Contracting Law was passed in Austria. It governs the conditions under which employees can be placed at the disposal of third parties. The purpose of the law is, in particular, to protect employees contracted out to work for others. Agreements which work to the disadvantage of the employee are outlawed. Employee sub-contracting can be restricted by the Minister of Social

⁹³ For example von Wörgötter (IHS) in the "Kurier" of 28.2.1996

⁹⁴ cf. Bundeskammer für Arbeiter und Angestellte 1995

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Affairs in agreement with the Minister of the Economy if distortions of competition are feared. In 1994 in Austria only some 10,000 employees, or 0.5 % of all waged and salaried employees, were contracted out to third parties.

3.2 Regulations relating to working hours

Legal and contractual restrictions on working hours

Since 1976 the normal number of working hours per week in Austria has been set at 40. At the start of the 1980s, in connection with the problem of growing unemployment, the possibility of a 35 hour week was discussed. From 1985 agreements in certain sectors reduced the working week to between 38.5 and 36 hours, affecting approximately one third of all waged and salaried employees. The subsequent slight upturn in temporary work points to the short-term effects of the shortening of the working week. No further reductions to the working week have been undertaken since 1990.

It is no longer really practical to implement one general set of regulations on working hours as it has proved impossible to achieve a consensus of opinion either between employees and employers or within these two groups. The introduction of a general 35 hour working week is also becoming increasingly unlikely as since the mid 1980s the view of policy on working hours as an instrument of pursuing the goal of full employment has lost ground in the face of a shift in priorities away from employment and towards budget policy.⁹⁵

Changes have, however, occurred in terms of the number of hours actually worked. Fewer than half of all employees still work a normal working week of 36 to 40 hours. In a quarter of jobs the working hours have become clearly more flexible. The effect is that the gap between well protected, core workforces and ill protected marginal workforces has widened. The deregulation of working hours has weakened the protective standards of collective working conditions and made it easier for companies to make use of their workforces in a more flexible way. However, greater flexibility in working hours is desired not only by companies but also by many employees.

In principle, the normal working day contains 8 hours and the normal working week 40 hours. In addition, a total of 2 hours overtime per day and 10 per week may also be worked. Due to greater flexibility, such as that offered by various flexitime

⁹⁵ cf. Schmid 1993

schemes, the normal working day can be extended to 10 hours per day.⁹⁶ In responses to the 1992 micro-census, 93.7 % of employed men and 70.6 % of employed women indicated a normal working week of 36 hours or more. 3.6 % of women and 1.2 % of men worked between one and eleven hours per week, 11.3 % of women and 1.2 % of men worked between 12 and 24 hours per week and 1.5 % of men and 8.7 % of women worked between 25 and 35 hours per week.⁹⁷

15.3 % of men and 9.4 % of women actually worked more than their normal working hours and 30.4 % of men and 28.3 % of women worked fewer than their normal working hours. The main reasons for the additional work were given as overtime and variable working hours.⁹⁸

Trialling new working hour models

Current collective agreements allow some more flexible models, although in practice they are used in only a few companies. The order book peak model provides for up to 45 normal working hours in a 5-day week and up to 50 normal working hours in a 6-day week. Employers consider the six week calculation period to be too short. The time compensation model is based on a 40 hour week. Additional work is paid for in whole days off in lieu. The calculation period is 13 weeks, but can be extended to up to 52 weeks within the framework of a works agreement. The band width model stipulates between 35 and 42 working hours per week. A normal working week of 38.5 hours must be achieved over a calculation period of 13 weeks or, in the case of a works agreement between the collective agreement partners, up to 52 weeks. The shift working model is also based on an average working week of 38.5 hours within one shift. The normal working week may be up to 50 hours.

Trends towards greater flexibility

After the elections at the end of 1995 a coalition government was formed by the Social Democratic Party and the People's Party with a working policy based on budgetary restriction. This has had repercussions on its policy on working hours. Within the framework of greater deregulation of legislation the upper limit for the

⁹⁶ cf. AK-Folder "Arbeitszeit"

⁹⁷ cf. Statistische Nachrichten 7/1993

⁹⁸ cf. Statistische Nachrichten 5/1993

number of hours in a normal working day is to be increased from 8 to 10. Calculation periods are to be extended from the existing 13 weeks to one year, making it possible to remunerate less additional work as overtime but rather pay for it at a later date in the form of time off in lieu (one hour of additional work for one hour time off in lieu). Employees' representatives have rejected this new regulation on the grounds that although it will reduce the cost of overtime payments for companies, it will not bring any direct advantages to employees. There is also controversy as to whether the existing legal provisions should be replaced by collective agreements before the various regulations can be implemented at company level as the trade unions are demanding, or whether it should be possible to implement new regulations on working hours directly through works agreements without reference to any specific conditions in the collective agreements as the Chamber of Commerce has proposed.

It should be noted at this point that experts have expressed doubts as to the effectiveness of greater flexibility in working hours as a means of employment protection. In their opinion, it would more likely lead to a reduction in the number of jobs available as employers will be able to use employees more specifically to meet their needs. In contrast, employers are pointing to the fact that in the long term cost savings will promote the creation of additional jobs.⁹⁹

Part-time employment

In Austria part-time employment is defined as between 12 and 35 working hours per week. An employee who works less than 12 hours a week and earns a maximum of AS 3,600 per month is described as a "marginal" part-time worker. Employers are required to provide accident insurance for "marginal" part-time employees, but not sickness, pension or unemployment insurance.

An Amending Law to the 1992 Working Hours Law introduced protective provisions and a discrimination ban for part-time employees. They now enjoy the same rights under employment law as full-time employees, although below a certain minimum number of hours they are subject to different rules on dismissal. For example, their contracts can be terminated with two weeks notice at any time. In addition, part-time workers are entitled to the payment of overtime only for hours worked above

⁹⁹ cf. Reithofer 1995

and beyond the normal daily or weekly working hours. Voluntary social security contributions must be paid in proportion to the number of hours worked.¹⁰⁰

A situation in which a company employs predominantly women part-time employees and these women are excluded from the company pension scheme constitutes discrimination under the Equal Treatment Law and the employees in question can take claims for equal treatment to the Equal Treatment Commission and/or to the Court of Employment and Social Affairs.

Mothers and fathers have a legal entitlement to a reduction of their working hours by at least two fifths of the normal working hours. Depending on whether maternity leave is taken and whether both parents take advantage of their entitlement to work part-time, they enjoy this entitlement until their child reaches the age of 2, 3 or 4. Maternity benefit is reduced in line with the reduction in working hours. However, in certain circumstances the company may refuse a request for a reduction in working hours. At the end of the period of part-time working the original contract of employment revives in its entirety.¹⁰¹

Career breaks

Unpaid holiday, to enable an employee to pursue a course of further education for example, is available by individual agreement with the employer only. With the exception of the public service, there is no legal entitlement to unpaid holiday. In a few sectors the collective agreement stipulates an entitlement to educational leave of between two days and two weeks.

It is only recently in connection with the concept of life-long learning that the social partners in Austria have started to discuss the possibilities and models of educational leave, and even then somewhat timidly. Positions with regard to concrete models are still highly contradictory.

¹⁰⁰ cf. Mayrhofer 1995

¹⁰¹ cf. Finder 1995a

3.3 Minimum wage regulations

Minimum wages are set out in the collective agreements negotiated on a sector by sector basis by the social partners. Works agreements and individual contracts may also contain relevant conditions though they must not place the employee in a worse situation than that stipulated in the collective agreement. In 1993, 206 Federal collective agreements, 154 state collective agreements, 34 works agreements, 11 homeworking agreements and 23 minimum wage agreements were negotiated.¹⁰²

Sector to sector wage variations are relatively high in Austria. In 1994 an industrial employee in Austria earned on average AS 125.00 per hour gross (excluding special payments). In the oil industry this income is two thirds higher at AS 211.00, while the other primary industries pay about one quarter over the average. With hourly rates of AS 77.00 and AS 74.00, almost 40 % under the average, the leather production and clothing industries bring up the rear of the field.

In recent decades wage differentials between the various sectors have increased considerably. Between 1961 and 1994 the average variance of all sectors from the industrial average increased from 14.6 % to 26 %. In 1961 the oil industry paid only 29 % more than the average and the clothing industry only 23 % under the average.

Employment structure is also reflected in the wage hierarchy. The lower the wage level in a particular sector, the more women and non-nationals it employs.¹⁰³

¹⁰² For further details on this topic see Section 2.2.

¹⁰³ cf. BMAS, Bericht über die soziale Lage 1994

Posting guidelines

The EU's posting guidelines for non-EU countries are currently being negotiated by EU bodies. The Austrian provisions shall continue to apply until these have been finalised.

If an employee from a third state is employed in Austria for longer than one week the foreign company must apply for a posting permit. Wages and working conditions must not jeopardise those of national employees, i.e. they must be paid in accordance with Austrian collective agreements, for example. When an application for a posting permit is processed, a check is carried out to establish whether the situation and development of the employment market can support it. Authorised employees are not included in the quota of non-national employees. If the job lasts for more than four months a work permit is required (Employment of Non-Nationals Law).

When employees come from other EU states to work, the conditions of employment must be adjusted to Austrian wage and employment conditions within one month. (Employment Contract Adjustment Law).

4. Labour market policy

4.1 General

In general terms, the system of labour market policy in Austria operates at two levels: the "passive" and the "active". The benefits available under passive labour market policy are intended to compensate, to a certain extent, for loss of earnings due to unemployment, parenthood and employer insolvency and to facilitate the transition into retirement. The instruments of active policy, on the other hand, are intended to improve the chances of re-employment for the unemployed through the provision of information, advice and placement assistance and through various methods of labour market promotion.

Both of these areas form integral parts of a network of provisions which relate directly to labour market policy and include the reduction of the working week and working life and the admittance of foreign workers, for example. For many years nationalised industry played a very important role in cushioning the effects of rising unemployment.

Financing labour market policy

82 % of the expenditure generated as a result of Austrian labour market policy is financed by contributions from unemployment insurance. Contributions to unemployment insurance represent 6 % of income and are levied in equal proportions upon employers and employees. All employees with a gross monthly income over the "marginal" limit (1996: AS 3,600.00) are liable to pay unemployment insurance contributions. In 1996, the highest monthly basis for contributions was AS 39,000.00. Public employees do not pay unemployment insurance contributions.

In addition, central government also makes a general contribution towards labour market policy. This contribution stood at AS 2.5 billion in 1994 and is adjusted annually in line with the consumer price index. The family allowance fund contributes to expenditure arising from the payment of family benefits. Since 1994, 70 % of these benefits have been financed from the fund.

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This income is used to finance the personnel, materials and investment expenditure of the AMS, the financial benefits paid out under passive and active labour market policy, company incentives funded by the Federal Ministry for Employment and Social Affairs (BMAS) and the social security contributions paid on behalf of benefit recipients.¹⁰⁴

As a result of Austria's entry into the European Union, funds to finance its labour market policy are now also available from the European Social Fund. From mid 1995 annual grants in the region of some AS 1.5 billion can be expected. This contribution corresponds to around one quarter of Austria's current expenditure on active labour market policy.

The structure of labour market policy expenditure

Table 22: Labour market policy expenditure (AS millions)

	1990	1991	1992	1993	1994
Active labour market policy	4,909	6,253	5,705	6,259	7,091
AMS administration costs *)	1,114	1,240	1,385	1,524	1,896
Incentives	3,795	5,013	4,320	4,735	5,195
Passive labour market policy	22,642	27,149	33,910	43,188	47,399
AMS administration costs *)	743	826	923	1,016	1,264
Unemployment benefits	17,098	20,309	22,948	29,784	33,904
Parenthood benefits	4,747	5,952	9,949	12,192	12,199
Pension advances	54	62	89	188	**)
Re-employment allowances (AIVG)	0	0	1	8	32
Total expenditure	27,551	33,402	39,615	49,447	54,490
% of active expenditure	17.8 %	18.7 %	14.4 %	12.7 %	13.0 %

*) Total AMS equipment and administration costs have been allocated to active and passive labour market policy on a 60:40 basis.

***) Cannot be budgeted in the estimate.

AIVG: Arbeitslosenversicherungsgesetz

Addition: 1995 budget for active measures AS 5,536 million, for infrastructure AS 3,059 million.

Sources: BMAS 1994: Programmbudget der AMV 1992, 1993 and 1994 (BVA); BMAS: Bericht über die soziale Lage 1991 und 1994 (own calculations).

¹⁰⁴ cf. MISEP 1995

The level of expenditure on passive and active labour market policy as a percentage of gross domestic product is used as a means of comparing the amount of labour market activity in the individual states. According to OECD calculations¹⁰⁵, the percentage of GDP spent on labour market policy rose from 1.24 % in 1988 to 2.02 % in 1994. In the period observed, however, the percentage of GDP spent on passive measures increased by more than that spent on active measures. If expenditure on active labour market policy in the EU member states is compared and standardised to a uniform level of unemployment, it becomes apparent that in 1994 only Spain, Greece and the United Kingdom spent less than Austria. Sweden spent by far the greatest amount on active labour market policy. At the start of the 1990s expenditure on active measures as a percentage of total labour market policy expenditure fell from 18 % (1990) to 13 % (1994).

Table 23: Labour market policy expenditure as a percentage of GDP

	1988	1992	1993	1994
Total	1.24	1.54	1.83	2.02
Active measures	0.28	0.31	0.33	0.37
Passive measures	0.96	1.23	1.50	1.65

Explanation: The figures differ slightly from Austrian sources which, for example, indicate active measures as 0.35 % of GDP and passive measures as 1.55 % of GDP in 1994.

Source: OECD 1990 and 1996a

¹⁰⁵ cf. OECD 1990 and 1996a

4.2 Passive measures

An unemployed person is defined as someone without employment who has registered as seeking work with the AMS and is both willing and able to work. However, claims for transfer payments can only be made by those who have made employment insurance contributions for an appropriate period. For example, those who have interrupted their working careers for long periods of time (in particular returners) and school leavers receive no benefit from unemployment insurance. In order to receive benefit a person must be registered with the AMS. Between 1990 and 1995 the number of registered unemployed receiving unemployment benefit and public relief rose from 85.7 % to 90.6 %.

Unemployment benefits

The benefits paid under unemployment insurance include unemployment benefit, public relief, advance payments from retirement insurance, maternity benefit, special public relief for mothers/fathers and part-time allowances for working mothers. These benefits are linked to pension, accident (under certain conditions only) and health insurance contributions, the latter including relatives also. Benefit claims and the payment of authorised benefits are dealt with by the regional offices of the AMS.

Unemployment benefit

In order to be entitled to claim unemployment benefit, a person must be able and willing to work, available for work but unemployed and have been in insured employment for the appropriate qualifying period.

Willingness to and availability for work are measured in terms of a person's readiness to take up a reasonable job available in the labour market in the usual way at any time. A reasonable job is deemed to be a job which corresponds to the physical abilities of the job seeker, does not endanger his/her health or morality, is suitably remunerated and will not make it more difficult for him/her to practice the occupation for which he/she has been trained in the future. Where an applicant is unwilling to work payment of unemployment benefit may be stopped for a period

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of four to eight weeks. The 1996 Structural Adjustment Law raised the minimum period for which payment can be stopped to six weeks.

The appropriate qualifying period is completed if the applicant has been employed and paid unemployment insurance contributions for a total of 52 weeks within the last 24 months. Those who have already received unemployment or maternity benefit at an earlier date and young people under 25 are simply required to prove that they have worked for 26 weeks within the last 12 months. As part of the recent programme of cost-saving measures, it was decided that this period of employment should be increased to 28 weeks. This new ruling proved controversial, above all because of its negative impact on young people (under 25).

The level of unemployment benefit received depends on the average gross monthly salary earned by the applicant in the last year (to 1995: the last six months).

Payments are graded according to a total of 120 wage categories, the maximum payment being AS 417.80 per day. An additional family supplement of AS 20.30 per day is paid for each family member to whose maintenance the unemployed person makes a significant contribution.

When an employee resigns, is justifiably dismissed, departs without authorisation or where he/she is due holiday pay or pay in lieu of notice, the payment of unemployment benefit is stopped until the 29th day after termination of the contract of employment. This does not apply in the case of termination of the contract of employment by mutual agreement or where notice is given by the employer.

Unemployment benefit is paid for a period of 20 weeks. This period is increased

- to 30 weeks if the claimant has been in insured employment for five of the last three years,
- to 39 weeks if the claimant has been in insured employment for six of the last ten years and,
- once the claimant has reached the age of 50, to 52 weeks if he/she has been in insured employment for nine of the last 15 years.

Whilst receiving unemployment benefit the claimant is also allowed to earn up to the "marginal" earnings limit (1996: AS 3,600.00 per month). If his/her earnings exceed this limit no unemployment benefit is paid. If the claimant works while he/she is receiving benefit without notifying the AMS, unemployment benefit is now stopped for eight rather than the previous four weeks. In addition, at least two weeks benefit must be repaid. It is automatically assumed that any work done was in excess of the "marginal" earnings limit. The employer also has to pay a special unemployment insurance contribution of 12 % of the wage/salary for a period of six weeks.¹⁰⁶ This rule excludes the possibility of combining earnings-replacement benefit and earnings from part-time work.

Public relief

Claimants can apply for public relief when their entitlement to unemployment benefit or maternity benefit lapses. In addition, the claimant must still be unemployed, able and willing to work and be experiencing serious financial difficulties. Assessment of the claim also includes any spouse or partner with whom the claimant shares a household.

Public relief is 95 % of unemployment benefit and is paid for up to 6 months regardless of income if the basic amount does not exceed the supplementary allowance guide rate stipulated in the General Social Security Law (1996: AS 7,887.00) and 92 % of unemployment benefit in all other cases. Family supplement continues to be paid.

The 1996 "savings package" significantly reduced the level of benefits paid under public relief. After six months payment the level of public relief now depends on the length of time for which the claimant previously received unemployment benefit. If he/she received unemployment benefit for 20 weeks the basic amount of public relief including any income earned by a spouse/partner must not exceed the supplementary allowance guide rate stipulated in the General Social Security Law (1996: AS 7,887.00). Where public relief follows 30 weeks receipt of unemployment benefit the upper limit for the basic amount (including earnings) is based on the minimum subsistence level laid down in the Execution Order (AS 9,100.00 in 1996). If the payment of public relief follows a period of 39 weeks receipt of unemployment

¹⁰⁶ cf. Dirschmied 1996

benefit no limit is applied but the amount is not actually increased unless the recipient has received 52 weeks of unemployment benefit.¹⁰⁷

Public relief can be paid for up to 52 weeks, after which application can be made for a further 52 weeks payment. Further 52 weeks extensions are also possible.

The notion of "reasonable" is more strictly defined in relation to public relief than unemployment benefit. The provision under which a job is deemed to be unreasonable if it is likely to make it more difficult for the claimant to practice his/her original occupation in the future is not applicable ("occupational protection") if there is no prospect of finding appropriate employment in the foreseeable future. In such a case any employment is regarded as being reasonable.

The idea of requiring recipients of public relief who are unemployed for more than 18 months to do community work for a year is currently under consideration. Although the claimants would be remunerated under the terms of the relevant collective agreement, occupational protection would disappear completely. If a claimant refused to accept community work, public relief would be stopped for six weeks. Implementation of this obligation to carry out community work has, however, been hampered by considerable political and economic opposition. For example, the project has been likened to "forced labour", especially in trade union circles. It would also involve a sizeable financial commitment. It has been estimated that the provision of the required infrastructure and the wage costs involved would cost the AMS somewhere in the region of AS 2.4 billion.

Advance pension payments

People who have applied for invalidity or occupational disability pensions, early retirement pensions on the grounds of reduced capacity to work or permanent occupational disability, transitional relief payments from the statutory pension or accident insurance schemes or a special retirement pension under the Heavy Night Work Law may be granted advances on retirement insurance benefits. Until a decision has been made in relation to their application, they can receive advance unemployment benefit or public relief as long as they fulfil the conditions for

¹⁰⁷ cf. Dirschmied 1996

entitlement to unemployment benefit with the exception of ability and willingness to work.

Claims for advance retirement benefit are assessed in the same way as claims for unemployment benefit and public relief except that the upper limits are considerably lower. Advances on invalidity, occupational invalidity and occupational disability pensions may not exceed a daily rate of AS 272.90 and advances on old age pensions may not exceed AS 349.60 per day.

Since the start of the 1990s, the number of people receiving advances on pensions has risen significantly. This illustrates that early retirement functions as a means of reducing the labour supply in the upper age groups, thereby stemming the rate of unemployment among older people.

Special benefit

Since 1967 a special benefit has been paid to long-standing employees in the coal mining industry over the age of 50 (women) or 55 (men) made redundant as a result of the formulation of a new energy plan which scheduled a reduction in the demand for coal. This was intended to ensure that they would be eligible to receive the Miners' Guild early retirement pension at the age of 55 or 50 whilst carrying forward their qualifying periods of insured employment. When difficulties were encountered in other sectors of the mining industry in 1969 this rule was extended to include them.

As part of the greater involvement of Austria in the process of European integration, in 1973 the Special Benefit Law (SUG) was passed to tie in with mining regulations. It was intended to apply to all sectors of the economy affected by difficulties caused by changes in international competition and restructuring brought about by the EC treaty. Fortunately the feared problems did not actually materialise and the regulations were only ever applied to claimants in the mining industry.

In the ensuing years it became increasingly difficult for older employees who lost their jobs to find new employment. In order to facilitate the transition of these people into retirement, in 1979 all unemployed, regardless of the sector in which they worked, were included in these regulations. Since then women of 55 and over

and men of 60 and over have received special benefit if they were unemployed, already receiving benefit under the *Arbeitslosenversicherungsgesetz* (AIVG - Unemployment Insurance Law) and were unable to find new work on reasonable terms.

In 1983, as a result of the ongoing world-wide steel crisis, companies in the iron producing industries were brought under the scope of the Special Benefit Law by order of the Federal Ministry for Employment and Social Affairs. The same regulations then applied to these workers and to those in the mining industry. This measure was introduced for a specific period and expired without replacement at the end of 1987.¹⁰⁸

Special benefit is 25 % higher than the level of unemployment benefit entitlement but may not exceed the level of the expected pension. It is financed equally from the unemployment insurance fund and the budget.

General special benefit was abolished on 1st April 1996. In order to compensate for this fact, age is now taken into account specifically in the calculation of public relief in that exemption limits for income earned by family members have been increased for unemployed people over the age of 50 who have received at least 52 weeks employment benefit. Upon reaching 55 (women) or 56 (men) these exemption limits rise again. In addition, there are transitional regulations in force until 1998 which provide for the payment of special benefit after 1.4.1996 if a claim was made before this date for women who are not yet 55 and men who are not yet 56 on 31.3.1996 but have already been paid unemployment benefit or public relief before January 1996 and are still in receipt thereof on 31.3.1996, if the person was given notice by the employer or the contract of employment was dissolved by mutual agreement before 1.1.1996 but the actual period of employment did not end until after 31.3.1996 due to periods of notice and date of termination stipulated in statutory or collective agreements.

Although special benefit continues to be paid in the mining industry it has been greatly reduced. In order to receive the benefit, claimants must be at least 52, have been employed in the mining industry for at least 10 years and have worked as a

¹⁰⁸ cf. Dirschnied 1990

miner for at least five years. The benefit can no longer be extended to other sectors by order. This sector is also subject to transitional regulations similar to those applied in the case of general special benefit.

Special benefit corresponds to the early retirement pension which exists in Germany. The data for 1992 show that one in seven new pensioners have previously received special benefit.¹⁰⁹

Maternity benefit

Mothers are entitled to claim maternity benefit if they have completed the qualifying period of insured employment, are on maternity leave or their employment relationship has been terminated and when they live in the same household as the child, are responsible for the majority of its care and are entitled to *Wochengeld* (another benefit payable to mothers after the birth of the child. The same conditions apply to fathers with the exception of the entitlement to *Wochengeld* .

The same provisions of entitlement apply to this benefit as apply to unemployment benefit. The only exception applies to mothers who give birth before the age of 25. They need only have been in insured employment for 20 weeks in the last 12 months.

Female employees who have not completed the qualifying period of insured employment are entitled to a part-time allowance which is paid until the child's second birthday and equal to 50 % of maternity benefit.

In addition to taking maternity leave, parents can also opt to work part-time. Maternity benefit is paid to a parent in part-time employment in proportion to the number of hours worked but may not exceed 50 % of full maternity benefit.

For children born up to 30th June 1996, maternity benefit is paid until the child reaches the age of two if one parent or both parents alternately claim their full entitlement to maternity leave. If both parents take part-time employment after receiving the *Wochengeld*, maternity benefit is payable until the child reaches the

¹⁰⁹ cf. Wörister 1995b

age of two; if only one parent or both parents alternately work part-time, maternity benefit is paid until the child reaches the age of four.

For children born after 30th June 1996 entitlement to maternity benefit stops at the age of one and a half if the parents do not share maternity leave. Therefore, in order to qualify for two years entitlement to maternity benefit, the second parent must take at least six months of the maternity leave. In the case of part-time employment the length of the period of payment of maternity benefit is calculated on a pro rata basis. These regulations also apply to single parents. They do not affect a parent's right under employment law to two years maternity leave.

In 1996 maternity benefit was AS 5,565.00 per month. If the mother or father is single or the father of the child lives in the same household but has only a small income, until the end of 1995 maternity benefit was paid at an increased rate of AS 8,064.00 per month. In January 1996 the increased rate of maternity benefit was abolished. It was replaced by an maternity benefit supplement of AS 2,500.00 per month paid to single mothers who indicate the name of the father and parents with spouses/partners on low incomes. However, this supplement must be repaid at a later date either by fathers living separately from their children or the parents.

Special public relief

Single mothers and fathers or those with spouses/partners on low incomes are entitled to receive special public relief until the child reaches the age of three, and for a period not exceeding 52 weeks if their entitlement to maternity benefit has ceased, no child care is available, and the contract of employment has been terminated. It is equal to 92 % or 95 % of unemployment benefit.

Insolvency benefit

Employees receive insolvency benefit if their company goes into liquidation and can no longer or not immediately afford to pay outstanding wages and salaries. The benefit is financed from the insolvency benefit fund which is supplied by contributions from companies and monies from insolvency proceedings.

The budget for passive labour market policy

In 1995 unemployment insurance contributions amounted to AS 44,440 million, with AS 8,166 million being contributed from the family allowance fund, AS 2,500 million from central government and AS 500 million from local authorities.

In 1995 expenditure on passive labour market policy was AS 14,141 million for unemployment benefit, AS 6,316 million for public relief, AS 1,400 million for special public relief, AS 10,089 million for maternity benefit and AS 3,287 million for special benefit. An additional 41 % in illness and retirement insurance contributions was paid under unemployment benefit and public relief and another 29.8 % under special benefit and an additional 18.2 % in illness insurance contributions was paid under maternity benefit and special public relief.

Table 24: Benefit recipients (annual averages)

Year	Unemploy- ment benefit	Public relief	Special benefit	Pension advan- ces	Unpaid par- rental leave benefit	Special public relief
1980	34,923	6,427	4,189	5,132	34,834	4,757
1984	71,308	27,031	10,405	5,115	38,507	8,639
1987	97,885	44,337	15,987	6,547	39,294	10,772
1990	97,912	44,118	11,904	6,450	46,328	14,020
1991	112,207	52,259	10,404	6,659	59,868	14,392
1992	120,603	52,807	9,462	7,545	106,195	9,009
1993	139,674	61,501	11,156	9,212	117,704	14,224
1994	127,639	66,908	14,045	12,090	121,268	17,213
1995	124,015	71,316	14,249	11,973	120,721	16,752

Source: For 1980 and 1984: Biffl, Arbeitsmarktpolitik in Österreich; for the other years: BMAS and AMS, Leistungsbezieherdaten 1990 to 1995

Table 25: Expenditure on passive labour market policy (excl. AMS administration costs; AS millions)

	1990	1991	1992	1993	1994*
Unemployment benefits	17,098	20,308	22,947	29,784	33,905
<i>Unemployment benefit</i>	9,662	12,050	14,075	20,273	23,877
<i>Public relief</i>	3,620	4,583	4,985	7,071	8,025
<i>Special benefit</i>	1,917	1,683	1,489	1,972	2,000
<i>Bridging benefit</i>	2	2	2	3	3
<i>Payments to pension ins. schemes</i>	1,887	1,990	2,397	466	**
Pension advances	54	62	89	188	**
Parental benefits	4,747	5,952	9,949	12,192	12,199
<i>Maternity benefit</i>	3,676	4,735	9,177	11,116	11,208
<i>Special public relief</i>	1,070	1,216	772	1,076	990
<i>Special benefit under MSchG</i>	0.2	0.1	0.1	0.02	0.2
Re-employment allowance	***	0	2	8	32
Total	21,899	26,322	32,987	42,173	46,135
<i>Insolvency benefit</i>	1,057	1,124	1,999	3,363	3,017

* Federal government estimate

** not budgetable

*** first introduced in 1991

MSchG: under the terms of the Maternity Protection Law

Sources: Programmbudget der Arbeitsmarktverwaltung 1992 to 1994; BMAS information provided by telephone.

4.3 Active measures

The passing of the Labour Market Promotion Law in 1968 formed an important foundation for active labour market policy. Preventive targets continued to dominate until the late 1970s. Measures designed to promote training and mobility were used in an attempt to adjust the labour market to the changing dynamics of the economy.

This interventionist strategy had to be largely abandoned in the 1980s because as unemployment rose sharply, labour market priorities changed. Preventive measures intended to safeguard jobs were replaced by promotional initiatives designed to integrate the unemployed who were concentrated in problem groups (predominantly young people during the first half of the 1980s, currently the long-term and older unemployed). Company promotion initiatives were extended in order to safeguard existing jobs.

Due to the way in which Austrian labour market policy is funded, active measures were forced back by the payment of earnings-replacement benefits. Although the sharp increase in unemployment between the 1970s and the 1980s led to an increase in expenditure in absolute terms, the amount spent on active measures dropped in relation to total expenditure. Active labour market policy was barely able to keep pace with its preventive role and develop its intended anti-cyclical effect because the system of financing contributions made the anti-cyclical application of funds very difficult. Since the AMS was made an independent organisation in 1994, the possibility of extra-budgetary credit financing has made it possible to develop an anti-cyclical pattern of expenditure in the field of labour market policy. This trend has often been restricted in practical terms, however, as in 1996 a resolution passed by the coalition government forced the AMS to transfer some AS 5,000 million to the pension funds.

There is no legal entitlement to the benefits of active labour market policy. AMS advisers allocate funds to labour market policy measures on the principle of expediency and according to the guidelines laid down by the regional offices. In practice, the advisers enjoy a certain amount of leeway in making these decisions.

The AMS (which has been an independent organisation since 1994) and the Federal Ministry for Employment and Social Affairs are both responsible for promoting the labour market but have different focuses. The AMS promotes the beneficiaries and sponsors of labour market policy advice, training and employment measures and allocates the available funds to the nine state offices on the basis of regional unemployment figures. The Federal Ministry for Employment and Social Affairs is responsible for the promotion of small- and medium-sized companies as well as businesses in problem regions which retain or create jobs through restructuring or investment. This support is given in the form of loans, guarantees, grants and interest subsidies.

Funds for the promotion of active labour market policy are applied only when the activities of the AMS alone do not achieve the desired level of success. There may also be people who are not entitled to earnings-replacement benefits but who can nevertheless benefit from a labour market policy measure.

Instruments of active labour market policy

SERVICES

- **Information, advice and support**

The advice available includes careers advice for young people and adults and help in the selection of suitable jobs. This advice is generally provided in the form of individual advice sessions but more attention should be paid to the potential of group support.

Support is provided at various different levels. On one hand it forms an integral part of client support and on the other special internal mechanisms have been created for specific advice tasks. In addition, external providers are also commissioned to provide careers information and careers orientation services. The AMS's careers information centres, for example, can provide information for anyone with a careers or training decision to make. Advice services for disadvantaged target groups (the long-term unemployed, foreigners) in particular have been contracted out to external providers.

· **Placement of job seekers and support for employers**

The placement of job seekers in vacant positions has always been at the centre of labour market policy. As the organisation has been reformed, the placement activity carried out by the advisers in the 108 regional offices has been given increased priority. Activities not directly related to advice and placement have been farmed out to other organisations and authorities.

The placement role is supported by the expansion of self-access services (BIZ, SAMSOMATEN) and by more short-term labour market policy measures such as active groups or job finding clubs. These measures are designed to reintegrate job seekers into the labour market more quickly by intensifying the job seeking process and improving personal appearance.

Another aspect of the reform of the organisation is the redefinition of the support offered to businesses. Greater collaboration with firms is intended to increase the level of placement efficiency both in general and in relation to problem groups.

FINANCIAL BENEFITS

· **Promotion of regional mobility and access to jobs**

In order to facilitate the process of taking up a job, assistance is available to help in areas such as commuting, job applications, work wear, tools and equipment, child care and adapting working environments for the disabled.

Child care benefit is paid to the unemployed, job seekers, those in work and participants in labour market policy training for each child living in the family household until the age of 15. The benefit is earnings-related and covers between 50 % and 90 % of child care costs. It is initially limited to six months but in the case of repeat applications can be paid for up to 3 years.

The job application allowance for the unemployed, job seekers, trainees and those seeking training places in financial difficulties takes the form of a one-off payment of maximum AS 1,800.00.

In addition, assistance in the form of a job interview allowance, reimbursement of expenses related to preparation for a new job and bridging assistance may be available to the unemployed.

• **Promotion of initial and continuing training**

The promotion of training for the labour market covers a broad spectrum in terms of both content and organisation. Careers advice and orientation, initial and further training and retraining are all directed predominantly at unemployed people with no or outdated qualifications, returners, the disabled and young people. Where the goal is the safeguarding of existing jobs, support can also be provided for employee training. Within the framework of experimental labour market policy, social training schemes designed for certain disadvantaged groups (in particular the long-term unemployed) intended to reinforce the personal and social skills of the participants as well as provide vocational training where this can improve the chances of successfully finding a job have been developed and tested.

Responsibility for the implementation of these measures has been placed in the main with the further education services run by the social partners and businesses and to a much lesser extent with training companies and non-profit organisations. These establishments receive grants of up to 100 % of personnel and equipment expenses. For in-company training 50 % of costs are generally reimbursed. In the case of training courses for disadvantaged groups of young people, girls in occupations employing less than 45 % women and unemployed adults, approximately 50 % of costs are reimbursed for a maximum period of three months per trainee per year.

Where a training course runs for at least 25 hours per week the trainees receive an allowance to cover living expenses equal to unemployment benefit but not less than AS 6,447.00 per month. Allowances are also available to help with course fees, course materials and travelling expenses.

• **Company recruitment promotion**

Companies can claim a settling-in allowance in the form of a subsidy towards personnel costs for the employment of long-term unemployed, disabled, unemployed over 45 years old and women. The level and duration of the support is set by the regional offices of the AMS. The subsidy is a maximum of 50 % of the personnel costs consisting of the monthly gross wage (up to AS 36,000.00) and a lump sum for non-wage labour costs. The allowance may be paid for up to two years. If the work carried out by the employee remains under the average despite this subsidised settling-in phase, a reduced return allowance may also be paid by way of compensation.

If mothers/fathers are re-employed for at least one year after maternity leave 40 % to 60 % of the gross salary, depending on the size of the company, is refunded to the employers for the first three months.

An action programme launched by the AMS which pays 20 % of wage and non-wage labour costs for the period of one year for each long-term unemployed person taken on has been operating since March 1996 (to end August 1996). According to information provided by the AMS, to date, of 70,000 companies contacted, only some 160 have taken advantage of this opportunity.

• **Employment promotion in the non-profit sector**

Job creation measures in non-profit making organisations through which persons who are not (yet) ready to be placed in regular jobs receive employment for a limited period can be given support in the form of allowances towards personnel costs and non-personnel costs. In addition to expenditure on the employment of the previously unemployed (transitional employees), support is also available under certain conditions to cover the personnel costs of key workers (management, instruction, administration). The subsidised period of employment for transitional employees is generally one year, or two years for the over 45s. Subsidised contracts for key workers are also concluded for one year but can be extended any number of times - subject to the continued existence of this initiative.

Employment support in the non-profit sector is generally implemented through two programmes, the so-called "Aktion 8000" scheme and the promotion of socio-economic businesses. Since its launch in 1983 some 40,000 hard to place people have been found fixed-term employment under Aktion 8000. One in two of them went on to find permanent employment as a result of the initiative.¹¹⁰

"Aktion 8000" has been an important tool in growing areas of employment such as social services (in particular home helps), environmental protection and the preservation of cultural heritage (in particular the renovation of historical buildings).

Socio-economic employment projects combine the fixed-term employment of those who are disadvantaged in terms of the labour market and have special support requirements with commercial activity and the sale of goods and services. Here, too, the effectiveness in terms of labour market policy - measured primarily in terms of the number of people going on to take up permanent employment - is satisfactory.¹¹¹

- **Promotion of business start-ups**

The promotion of business start-ups by the unemployed has never been a focus of labour market policy. Only recently has greater support been lent to the provision by the AMS of advice for unemployed people intending to start up new businesses.

- **Advice organisations**

The AMS also finances privately organised advice organisations which fulfil an intermediary function between the AMS and those implementing the measures. They grew up in the mid 1980s, not least as a consequence of the considerable implementation problems experienced in the initial phase of experimental labour market policy. The most important organisations of this type are the Österreichische Studien- und Beratungsgesellschaft (ÖSB) [Austrian Study and Advice Company]

¹¹⁰ cf. Lechner et al. 1994

¹¹¹ cf. Biffel et al. 1996

and the Institute für Arbeitsmarktbetreuung (IFA) [Institutes for Employment Market Support].

- **Support for companies in the creation and safeguarding of jobs**

Small- and medium-sized businesses, and businesses in problem regions receive support for investment projects which promote employment, and for restructuring measures where they prevent the loss of jobs.

If jobs are jeopardised by foreseeable, short-term operating difficulties, a short-time working allowance can be paid to compensate for loss of income. In the case of work lost due to bad weather, bad weather compensation can be up to 60 % of wages.

- **Co-operative start-ups and worker buyouts**

As part of experimental labour market policy, support has also been provided for the setting up or take-over of worker-managed companies. Payment of a start-up support allowance was conditional upon on the creation of insured jobs and the company being run according to co-operative principles.

The objective of this support is the creation of new and the safeguarding of existing, permanent jobs. The target groups are first and foremost qualified, well trained and experienced unemployed people or employees threatened by unemployment.

In quantitative terms, however, the setting up of co-operative businesses as a labour market policy instrument for the creation or safeguarding of permanent jobs has had little success since the start of the programme.

- **Employment foundations and job creation companies**

In order to cushion the fall in employment sustained at the start of the 1980s the idea of the employment foundation was developed and tested. Employment foundations have since been set up in both public and private organisations whenever large-scale job-shedding occurs. An employment foundation is a

package of measures available to those affected by unemployment consisting of careers orientation, active job seeking, occupational placements, training and support in the planning of new businesses. Not limited to company level, foundations can also be set up at sector and regional levels where several companies in the same sector or region are affected, with any shortfall in financial and organisational support being made good by the regional and local authorities. These foundations are funded by the companies, the employees losing their jobs and those still in employment and the AMS. Participants in the foundation receive unemployment benefit for a maximum period of four years.¹¹² The number of participants rose drastically during the first half of the 1990s. In 1989 employment foundations numbered some 360 people, by 1994 however this number had risen to over 2,300.¹¹³

With Austria's entry into the EU, the quantitative scale of the foundation model reached a new dimension. Sector-based foundations were set up in the transport sector and the food and drinks industry as a labour market policy measure to combat job losses. The foodstuffs foundation (known as the *Aufleb-Stiftung*) is the largest project of its kind yet. It plans to retrain 6,000 participants over a period of 3 years. Funding has been provided by the Federal Ministry of Employment and Social Affairs, the European Social Fund, the Federal states and the Chamber of Commerce. The employment foundation in the transport sector is designed to help some 1,000 participants. The iron and steel sector, which set up its first employment foundation in Linz and Eisenerz in 1987 is currently preparing some 400 participants for new jobs. A considerable increase in activity is forecast in this area in 1996.

In addition, further consideration is currently being given to the setting up of job-creation companies for the long-term unemployed and recipients of welfare benefits. This model plans to employ the long-term unemployed and labour market risk groups as transitional employees working in the public sector on appropriate projects. Training elements are included as part of the employment. These job creation companies are to be financed by the AMS, the states and local authorities. This policy constitutes, to a certain extent, the re-allocation of welfare benefits as

¹¹² cf. Lechner et al. 1991

¹¹³ cf. BMAS/AMS, Leistungsbezieherdaten 1989 and 1994

labour market policy funds. This job-creation model has not yet been put in practice.

Focuses and target groups of active labour market policy

Training, advice and employment measures tailored to help special target groups have an important transmission function in the integration of the unemployed into the labour market. At the start of the 1990s, however, there was a major turnaround in the principles of labour market support, followed shortly thereafter by a change in organisational criteria.

The justification for the allocation of allowances to the providers of advice, employment support and training initiatives is now based on their function in terms of the placement activities of the regional offices of the AMS. However, they may be defined according to very different criteria. In the 1980s the placement support function of supported measures was based on a variety of viewpoints. It was therefore possible, to a certain extent at least, to take into account the multi-dimensional nature of the individual situations of unemployed people in devising initiatives. These initiatives were designed on the basis of a target-group-related range of services which also took into consideration secondary employment support and assistance such as personal development and family advice, for example. This broader principle of support was based on the assumption that there was no point in finding someone a job until they were personally ready to take it.

At the start of the 1990s this functional definition of "pre-placement" measures was restricted exclusively to its direct usefulness in terms of placement. The priority was now to place people as quickly as possible, in some cases even if they were not yet ready for a job.

Placement and placement support measures are now being extended in order to find suitable jobs for as many job seekers as possible, to achieve a long-term solution to the problem and to fill vacant positions as quickly and as well as possible. Where possible advice should be provided as part of a support process in which the objectives and various stages of the support are agreed and monitored. Similarly,

more emphasis should be placed on co-operation with businesses to ensure that the AMS is more often used as the first port of call for recruiting companies.

In the current employment context women with particular employment problems, older people, the long-term unemployed and the disabled are particularly disadvantaged and must therefore be provided with intensive support.

The particular problem of women in the labour market is characterised by, among other factors, lack of child care facilities outside the family, difficulties in returning to work after caring for children, prejudices on the part of employers in terms of the employment of women, labour market segmentation, and a lack of qualifications, particularly among older women. For this reason special employment initiatives targeting women specifically have been in place since 1985. The focal points in this area are information and advice, provision of specific training opportunities, assistance in returning to the labour market after caring for children, help with child care, location of training placements and jobs in companies, support for the employment of women in both non-profit and private companies and the expansion of employment foundations.

The focus of labour market policy in terms of older people lies in preventive measures designed to safeguard existing jobs. In addition, support is provided for those unemployed people who find it hard to find new employment due to their age. In terms of financial assistance, people over 45 are singled out for particular support. With regard to other forms of support the age limit of those eligible for special support is set according to region, level of training and occupation.

People between 25 and 45 years of age who have been registered as unemployed for at least one year, and older people who have been unemployed for more than six months are also deemed eligible for support. They receive financial assistance from the AMS, particularly for training, job creation measures and employment in companies. The Aktion 8000 initiative to support the creation of jobs in the non-profit sector has proved particularly effective weapon against long-term unemployment.

As with other unemployed people, integration into the normal employment system of the disabled is also a priority objective of labour market policy. The measures put

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in place to this end include help in converting workplaces for disabled access, the reduced return allowance to compensate for reduced productivity and the funding of on-the-job support through the employment of assistants. Training is another central instrument of integration and is provided in the form of orientation and continuing training opportunities in vocational training and rehabilitation centres, and job finding and work training centres. Sheltered workshops prepare disabled people for the normal labour market and offer long-term jobs for those with no chance of integration.¹¹⁴

In addition to these target groups the EPPD specifies young people as being deserving of special support under ESF Objective 3 initiatives. Another focus of Objective 3 initiatives, in addition to their better integration, is the support of employees affected by structural transformations.

¹¹⁴ cf. Bundesministerium für Arbeit und Soziales 1994

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Expenditure on active labour market policy and number of benefit recipients

Table 26: Expenditure on active labour market policy incl. equipment and administration costs (AS millions)

	1990	1991	1992	1993	1994
Mobility promotion	1,551	1,837	1,523	1,881	2,036
<i>Labour market training</i>	1,539	1,813	1,501	1,858	2,011
<i>Regional mobility and employment</i>	12	24	22	23	25
Job creation	932	1,360	1,225	1,094	1,373
<i>Economic or individual company employment problems</i>	126	95	117	98	260
<i>Seasonal employment problems</i>	58	36	1	1	1
<i>Long-term employment problems (incl. Aktion 8000)</i>	609	832	424	517	793
<i>Measures under §39a AMFG</i>	88	302	576	349	150
<i>Self-help and non-profit organisations</i>	51	95	107	129	169
Vocational training/preparation	179	198	156	133	160
<i>Trade training</i>	17	13	3	1	1
<i>Company/organisation training</i>	99	115	85	64	73
<i>Youth vocational preparation</i>	63	70	68	69	86
Disabled	620	785	754	824	890
<i>Mobility support</i>	516	651	629	696	738
<i>Job creation</i>	90	111	109	114	133
<i>Vocational training/preparation</i>	13	23	16	14	19
Foreigners	91	233	98	106	121
<i>Mobility support</i>	88	230	95	103	110
<i>Job creation</i>	0,02	0	0	0	0
<i>Vocational training/preparation</i>	3	3	3	4	11
Bad weather compensation in the construction industry	362	465	467	591	535
Equipment of training facilities	50	137	96	105	80
TOTAL	3,786	5,014	4,320	4,735	5,195
AMS admin. costs	1,857	2,066	2,308	2,539	3,160
Total include. AMS admin. costs	5,643	7,080	6,628	7,274	8,355

Sources: Programmbudget der Arbeitsmarkterwaltung 1992 to 1994

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A breakdown of labour market policy support mechanisms shows quite clearly that the focus lies on support for training. In total some 12,000 people were involved in job creation or safeguarding measures. As shown in table 27, in 1995 a total (including disabled, young people and foreigners) of some 108,000 instances of support in the form of training were recorded. It is difficult to draw any conclusions in terms of individuals since, for example, a person whose course fees are paid by the AMS and also receives an allowance to cover the cost of living appears in the statistics twice. In total the number of people involved in training measures (entries) can be estimated at approximately 75,000. According to the OECD, in 1994 some 1.5 % of the potential labour force started training initiatives while 0.2 % took part in employment measures.¹¹⁵

Table 27: Labour market promotion by main programmes 1980 to 1995 (instances of support*)

	1980	1985	1990	1995
Mobility support	166,363	333,372	141,994	130,930
Labour market training	46,447	92,697	97,595	106,841
Geographical mobility and placement (e.g. interview/application support)	119,916	240,675	44,399	24,089
Job creation	29,787	27,496	18,247	8,008
Economic or individual company employment problems	6,559	1,093	4,266	0
Seasonal employment problems	22,140	22,532	7,802	0
Long-term employment problems (incl. Aktion 8000)	1,088	3,810	5,938	6,981
Self-help and non-profit organisations (since 1983)	---	61	241	1,027
Vocational training/preparation	19,325	31,316	6,408	4,170
Training allowances	14,574	9,109	3,234	0
Other training allowances	3,722	16,366	2,105	1,785
Youth vocational preparation	1,029	5,841	1,069	2,385
Disabled	68,011	110,195	18,321	19,949
Mobility support	66,060	104,360	14,288	16,771
Job creation	1,412	5,101	3,540	3,178
Vocational training/preparation	539	734	493	0
Foreigners	47,867	67,880	11,856	5,695
Mobility support	47,832	67,391	11,632	5,695
Job creation	6	8	0	0
Vocational training/preparation	29	481	224	0
Special program (from 1993)	---	---	---	1,219
TOTAL SUPPORT INSTANCES	331,353	570,259	196,826	169,971

* Instances of support figures relate to instances and not people
Source: AMS, Arbeitsmarktförderung, Berichtsjahr 1995

¹¹⁵ cf. OECD 1996a

Evaluation of active labour market policy

In the last three years the AMS has commissioned some 35 studies evaluating active labour market policy. Areas of Austrian labour market policy which have come under particular scrutiny include the innovative approaches grouped under the term "experimental labour market policy". These efficiency and cost/benefit analyses show that certain employment-oriented social projects have proved successful and even very successful in terms of labour market policy.

Experimental labour market policy covers socio-economic employment projects, the employment initiatives of Aktion 8000 and companies run on the principles of worker participation as well as orientation and motivation courses, training measures and the provision of advice carried out by non-profit-making organisations in the form of projects. The target group is people who experience great difficulties in entering/returning to employment due to social problems and/or lack of vocational qualifications.

• **Social employment initiatives - Aktion 8000**

It was possible to trace the employment histories of certain people who received support, for a period of several years after the initiative in which they participated (basis: Daten der Sozialversicherungsträger). It was apparent that, having completed an initiative, almost half of the people who received support for three or four years spent more than 80 % of their entire time in insured employment. This integration rate is a clear indicator of high labour market policy efficiency.

A comparison of income and expenditure on the employment promotion schemes organised under the umbrella of "Aktion 8000" showed that the public authorities recouped their spending on these schemes 10 months after their completion and that after a year income was considerably greater than expenditure.¹¹⁶

¹¹⁶ cf. Lechner et al. 1994

• **Socio-economic businesses**

Taking the re-employment rate as a criterion of success, the effectiveness in terms of labour market policy of this type of project is similar to that of Aktion 8000. Upon completion of a period of fixed-term employment in a socio-economic business, half the participants found employment. About one third (37.4 % of women and 29.1 % of men) moved on to a full-time position and the rest to part-time employment, fixed-term positions or contract work. Those with alcohol and drug problems had the lowest chance of reintegration with only 10 % finding full-time jobs.

An analysis of continuing careers showed that the average period of employment of people who had participated in a scheme of some sort, in the two years following the scheme, was 44.7 % higher than in the same period before they received the support.

In addition, the incomes of people working in socio-economic businesses increased significantly after leaving the subsidised job.¹¹⁷

A simple comparison of costs shows, in the case of purely "passive" support and assuming entitlement to unemployment benefit, that in 1990 direct costs in the form of unemployment benefit were on average AS 7,700.00 per month. To this sum must be added the indirect cost of the loss of tax income during unemployment, with the shortfall in social security contributions alone approximately equalling expenditure on transfer payments. By comparison, the AMS spends an average of AS 6,200.00 per month in direct support costs for each subsidised job (including key staff).¹¹⁸

Development prospects

Despite the proven success in terms of employment and fiscal outcomes of social employment schemes in particular, after a few years the increase in innovative labour market support schemes once again came to a halt. The reason for the de-prioritising of active labour market policy was funding problems. The financing crisis

¹¹⁷ cf. Lechner/Reiter 1996

¹¹⁸ cf. Biffi 1994a

at the start of the 1990s brought about a fundamental change in the criteria applied to experimental labour market policy and this severely restricted flexibility in the structuring of schemes and started to determine the promotion policy of the AMS.

Project work was linked closely to the placement activities of the Employment Administration. Whereas previously support had been given to the creation of jobs in innovative sectors, the main concern was now effectiveness in terms of contribution to the placement of the unemployed in the primary labour market. The sole criterion for effectiveness was integration into the labour market. Social stabilisation which had previously been seen as a prerequisite for suitability for work and placement and therefore an accepted objective for any scheme disappeared, as did the option of supporting a job for twelve months in order to maintain eligibility to claim unemployment benefit.

As target group orientation focused on the older unemployed and skilled and semi-skilled workers from industry, the promotion of social and labour market policy problem groups moved into the background.

A study on training schemes in Lower Austria¹¹⁹ showed that certain groups of people are subject to discrimination in terms of their chances of access to the labour market. These groups are the long-term unemployed, women with care obligations, the disabled and psychiatrically unstable and socially maladjusted young people in conurbations. The reasons for this phenomenon are numerous:

- The courses provided do not generally take into account particular personal or performance disabilities and often require relatively high levels of ability and willingness.
- There are generally no modular schemes where basic qualifications obtained can be traded against specific learning difficulties in order to facilitate participation in a high quality vocational training scheme. This applies in particular to the acquisition of essential "social skills" (group behaviour, conflict resolution).

¹¹⁹ cf. Lechner et al. 1994

- Certain groups of unemployed people still have only a small chance of finding employment even after having completed a relatively demanding training scheme (older unemployed, ex-prisoners, etc.).
- Women with care obligations are often subject to considerable mobility restrictions which clash with the time commitments required by the schemes.

Due to lack of data it is not possible to examine how the quantitative aspect of the integration of problem groups in labour market policy schemes has changed.

The increasing influence on decisions of effectiveness and efficiency criteria relating to the provision of support has also contributed to reducing the chances of access to the labour market for risk groups. In order to be able to achieve the placement rates for scheme leavers set by the regional offices of the AMS, organisers must concentrate first and foremost on recruiting a high number of participants whom it will be possible to place in the normal labour market at a later date.

The limitation of schemes on offer to groups under threat is also to be feared in so far as the level of acceptance of social projects as the major vehicles for suitable schemes among the decision making organs of the AMS has decreased. The officers of the social partners at regional level frequently take a negative attitude towards innovative projects even if this means that they are contradicting the views of their own organisations. As, since the reforms, all decisions in relation to promotion have been taken at state level this drop in acceptance is having a direct impact on the funding chances of social projects. In addition, in the field of training for the unemployed in particular, there is direct competition for available funds as the further education establishments run by the social partners are partly funded through labour market promotion.

In view of the main points of the ESF Objective 3 initiatives laid down in the EPPD it can be expected that the threat of the increasing exclusion of social groups with specific integration problems will be counteracted and employment market risk groups will be increasingly integrated in the relevant schemes.

5. Other policy areas

5.1 The Austrian school, higher education and vocational training system

In Austria compulsory schooling is spread over 9 years. The majority of children are educated in public establishments. Generally speaking, children start school at the age of six, attending a primary school where they spend four years. Mentally and physically disabled children who would be over-stretched in primary schools attend special schools.

At the end of the fourth year of primary school, children can transfer to a lower secondary school which also lasts for four years. This branch of the system is particularly popular in rural regions. The second option is to attend the four-year lower stage of a general secondary school. The choice of this type of school generally reflects a preliminary decision to continue education beyond the period of compulsory schooling. The number of children attending lower secondary schools has dropped by 30 % over the last 10 years, while that attending general secondary schools has remained relatively constant.

Further important decisions for the future direction of education are taken before the transition into year 9. Children from lower secondary schools, in particular, tend to complete a pre-vocational year (*polytechnischer Lehrgang*) which is the last year of full-time compulsory schooling prior to the start of an apprenticeship. In 1992/93 just under 20 % of pupils attended this type of school in their 9th year of compulsory schooling.¹²⁰

After compulsory schooling, 98 % of each intake start or continue a further course of education in one of the various branches of the education system. What happens to the other 2 % is unclear. It is assumed that a large percentage of them enter the employment market as unskilled workers. In 1993/94 some 47 % of pupils leaving their 9th year of compulsory schooling entered the dual training system, i.e. an apprenticeship in one of the 224 listed apprenticeship trades. If all the places for apprenticeships are full candidates are selected on the basis of their previous school records. The more attractive trades offering good prospects recruit the

¹²⁰ cf. Hausegger et al. 1993

majority of their apprentices from general secondary schools, the less attractive trades from among compulsory school leavers. The majority of those entering the traditional skilled trades in the metal industry have completed the pre-vocational year, while those entering trades attracting a high percentage of girls tend to come from medium-level schools.

All apprentices have to attend a vocational school throughout their apprenticeship, i.e. two to four but generally three or three and a half years. In-company training based on national curricula is given by master craftsmen. In-company training places are filled either through the AMS or directly by applications from the young people to the companies involved. At the end of the apprenticeship participants in the dual education system sit a final apprenticeship examination and receive a certificate, e.g. a journeyman's certificate (*Gesellenbrief*).

Austria, along with Switzerland and Germany, is one of the few countries which operates a dual training system. This system relies to a great extent on the input of private companies. The structure of in-company training falls within the scope of influence and interest of the organisations representing the various social partners.

In discussing low unemployment among young people reference is frequently made to the Austrian system of vocational training which plays an important facilitating role in the transition from training to the world of employment.¹²¹ In studies, however, it is also noted that dual vocational training generally takes place in small- and medium-sized business and is become more and more concentrated in companies which experience difficulties in keeping pace with the latest technical developments.¹²² This implies that the rigid training system based on set, well-established training courses is increasingly unable to provide the qualifications and skills required in the employment market.¹²³ In addition, this system requires pupils to make career decisions as early as years 9 and 10. There is no scope for a gradual process during which a pupil's individual skills and abilities in various areas could be tested and developed. Similarly, there is no provision for general education above and beyond the elementary level.

¹²¹ cf. Dokumentation EU-Dialog 1996

¹²² cf. Lassnigg 1989 and Posch/Altrichter 1992

¹²³ cf. Schmee et al. 1990

Empirical data suggests that approximately one quarter of apprentices (particularly in industry) receive a high quality education, another quarter are used as cheap labour and the rest fall somewhere between these two extremes.¹²⁴

Medium-level vocational schools (13 % of all pupils in year 10) and higher-level vocational schools (21 %) and medium- and higher-level teacher training schools enable pupils to continue vocational schooling after their ninth year of school. Middle-level vocational schools include, in particular, business schools, technical schools and tourism schools. The courses they offer run for up to four years. At the end of the courses students receive a qualification which corresponds to those obtained in the dual training system. Higher-level vocational schools aim towards the achievement of a certificate of aptitude for higher education and thus access to a place at university. Between 1977/78 and 1992/93 these establishments showed the highest growth in intake at 63 %.

The upper level of general secondary schools is generally attended by pupils who have already completed the lower level. All general high schools end with A-level equivalent. Like higher-level vocational and teacher training schools and the higher education entrance examination, they allow access to the tertiary sector. This includes universities, colleges of art and music, colleges of higher education and various non-academic institutions.

Table 28: Pupils in year 10 by type of school

	1985/86		1993/94	
	No.	%	No.	%
Vocational school - Apprenticeship	58,766	51	43,789	47
Medium-level vocational school	18,065	16	11,843	13
Higher-level vocational school	19,820	17	20,667	22
General secondary school	18,594	16	16,715	18
Total	115,245	100	93,014	100

Source: BMUK, Schulstatistiken

¹²⁴ cf. Lassnigg 1989 and Lassnigg/Pechar 1992

At the start of the 1990s just under 4/5ths of young people could expect to complete a medium- or higher-level course of education. 29 % successfully completed a higher-level school education and were thus entitled to enter higher education. Here the number of girls was significantly higher than that of boys. Another 49 % achieved a medium-level vocational qualification (apprenticeship or medium-level vocational school).

However, 21 % completed their first course of education without gaining any qualifications. These were pupils who either did not start or failed to finish a further course of training after the end of compulsory schooling. Pupils who fail to complete a course of training are faced with special problems in the employment market. 50 % of them are currently unemployed. They lose their jobs more often and then remain unemployed for longer than those with better qualifications.¹²⁵

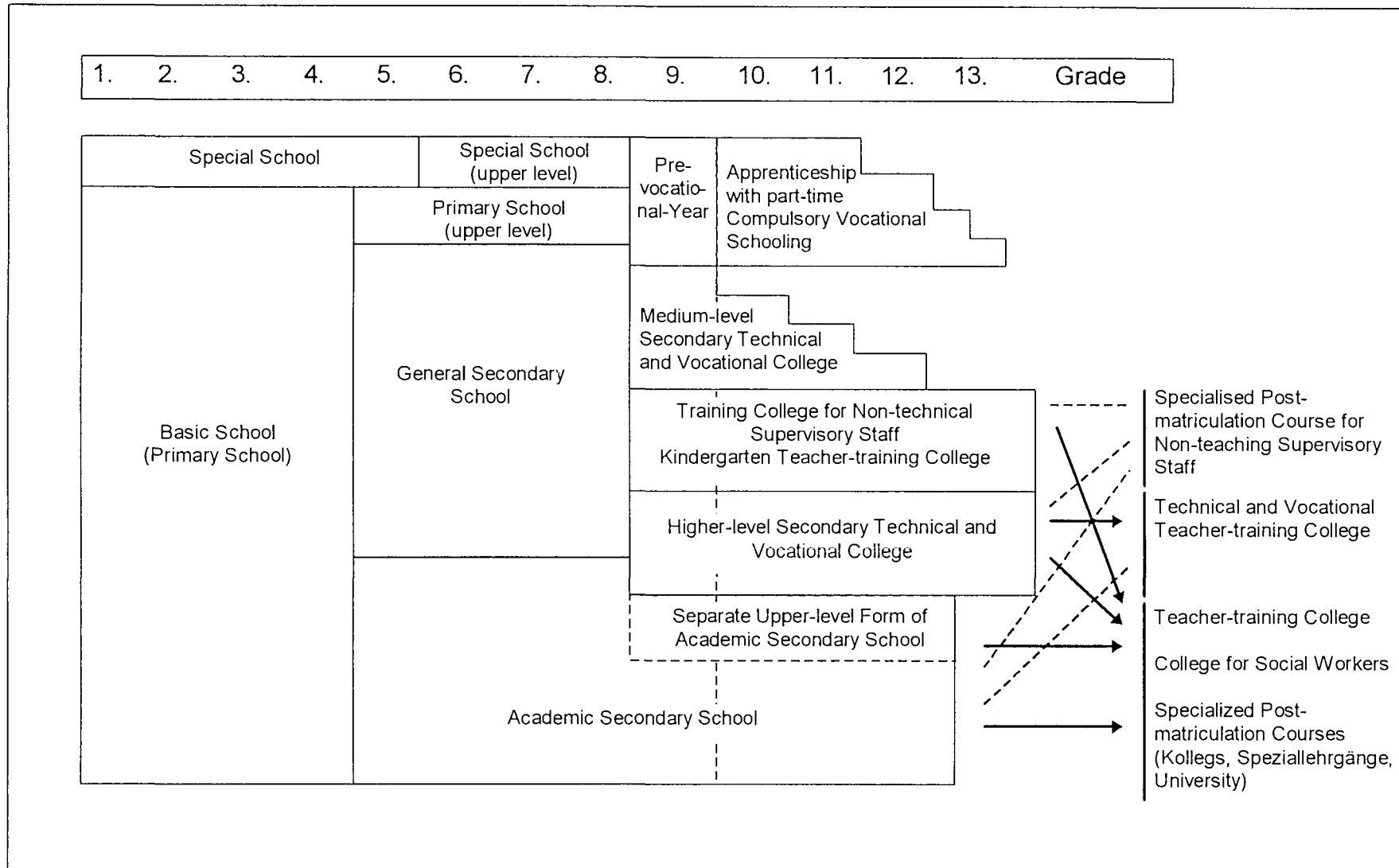
In 1991, 7 % of men and something over 2 % of women were successful in completing a course of education at the second attempt, i.e. they gained qualifications at secondary stage II at a later date.

In international terms, Austria with a figure of 87 % is well above the OECD average level of education achieved at secondary stage II of 79 %. Whereas, according to the OECD average, only 44 % of a theoretically comparable intake achieve a vocational qualification (medium- or higher-level vocational school, apprenticeship), the figure in Austria is 73 %.¹²⁶

¹²⁵ cf. Roithinger/Schneeberger 1994

¹²⁶ OECD, Education at a Glance. OECD Indicators, quoted after Schneeberger 1994

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Due to changes in the fields of education and training over the last two decades, the training profile of the working population has altered. The number of working people who had merely completed compulsory schooling in 1991 was considerably lower than the same figure for 1981.

Table 29: Working population by education/training

	1981	1991
Compulsory schooling	40.6 %	29.4 %
Apprenticeship	35.5 %	40.5 %
Medium-level vocational school	11.8 %	13.0 %
General secondary school	3.4 %	4.3 %
Higher-level vocational school	4.0 %	5.6 %
Higher education type establishments	0.8 %	1.8 %
University	3.9 %	5.4 %
Total as a %	100.0 %	100.0 %
Total as an absolute figure	3,411,521	3,684,282

Source: ÖSTAT, Volkszählungen 1981 and 1991

In 1993 some 30,000 school leavers passed the certificate of aptitude for higher education. The number of all 18 to 21 year olds starting a higher education course has increased steadily since the 1970s and in the 1992/93 winter term stood at 19.4 %. In 1992/93 the student rate (number of normal national students as a percentage of the resident population between the ages of 18 and 26) was 20.8 %.¹²⁷

Of matriculating students in 1991, 57 % registered at university during the next three terms. While 73 % of students matriculating from general secondary schools attended a course of study, this figure was only 41 % for those matriculating from higher-level vocational schools. This shows that a far greater percentage of pupils educated at higher-level vocational schools enter working life directly than those matriculating from general secondary schools.

¹²⁷ cf. Bundesministerium für Wissenschaft und Forschung 1993

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In addition to matriculation (A-level equivalent), the higher education entrance examination also offers access to higher education. Between 1989/90 and 1991/92 some 650 students entered a university through this route.

In the 1990s, although first year students under the age of 20 still represented the largest group of students (56 %), the number had dropped by 10 % since the winter term of 1980/81. The number of students entering higher education after several years of work experience rose particularly in the 1990s. In 1992/93 of 1,000 first time registrations 34 were over 30 years old.

The average length of a course of higher education was 13 terms (6½ years) and therefore four or five terms longer than the legally stipulated minimum course length. Only 4.4 % of courses did not exceed this length.

One quarter of students graduating in 1990/91 and 1991/92 worked regularly during their studies and another 40 % took occasional work or holiday jobs. One third of students earned no income for working. On some courses the fact that students work during their studies is seen as an important condition for a speedy transition into working life after graduation.

In Austria 8.5 % of the male and 7.2 % of the female population who are theoretically old enough possess a higher education qualification. In terms of numbers of graduates Austria lies behind most other EU states.¹²⁸

The non-university post-secondary sector leads a rather marginal existence in Austria. In comparison to the universities, admissions are stagnating and in some cases even dropping. There is therefore very little evidence of a shift in numbers from universities towards these establishments. For this reason and in order to bring the vocational training system into line with the European standard, in the last two years specialist colleges of higher education have been set up in a range of areas. The entrance requirements are matriculation (A-level equivalent), the higher education entrance examination or a relevant professional qualification. Specialist colleges of further education currently offer 26 courses of study in Austria.

¹²⁸ cf. OECD 1995a

5.2 Taxes and social security contributions

The decisions taken within companies which impact upon employment policy are essentially determined by labour costs whereas those taken by employees are determined by net wages and income levels during unemployment. As in Austria the social security system is financed primarily by employers' and employees' contributions, the tax wedge between labour costs and net salaries is traditionally high. Analysis of the determining factors behind unemployment has shown that in the period observed some of the increase in the burden of direct taxes and contributions relating to the labour factor was shifted to higher real labour costs. Theoretical examinations suggest that in the long term the entirety of these contributions could be switched to the employee. However, it is impossible to exclude the possibility that this might have a negative effect on supply and demand in the labour market in the short and medium term and caution in the structuring of factor taxation is therefore indicated.¹²⁹ Although total labour costs are the important variable for companies, public discussion is always fuelled by the level of non-wage labour costs.

Labour costs

As already discussed in Section 1.4, Austria is peculiar in terms of labour costs. Far greater importance is attached to special payments (holiday and Christmas pay) and severance pay - all components of non-wage labour costs - in Austria than elsewhere as they are the object of tax concessions. Non-wage labour costs rose from 85.9 % (of direct wages) in 1980 to 94.7 % in 1992. If the 13th and 14th months' bonus pay are included in direct wages, non-wage labour costs are reduced to 65.4 %.¹³⁰ In 1994 non-wage labour costs rose further to some 97 % due to an increase in the rates of employees' social security contributions, a rise in payroll tax and a disproportionately large increase in the maximum basis for assessment. From 1993 under the Continued Remuneration Law companies received only 70 % (instead of 80 %) of employees' sick pay.

¹²⁹ cf. Hofer/Pichelmann 1996a

¹³⁰ cf. Beirat für Wirtschafts- und Sozialfragen 1994

Although it is the declared intention of the new government to stop the labour factor becoming any more expensive, possible increases in contributions are once again on the agenda in the light of record sickness insurance deficits amounting to thousands of millions of Austrian schillings and the government's budget consolidation objectives.

One proposal in the politico-economic debate on how to reduce labour costs involves the introduction of an environmental tax. Köppl et al.¹³¹ analyse the effects of the introduction of an energy tax on economic growth, employment, inflation, the budget and the balance of payments. Various models have been simulated. The most favourable has proved to be a model which compensates companies for the energy tax by a partial reduction of non-wage labour costs and by earmarking the proceeds of the energy tax for the increased distribution of energy-efficient technologies. At the end of the 5-year introductory period both GDP and employment should be 0.2 % higher than in the reference scenario. However, if the increase in costs brought about by the energy tax were completely compensated for by the reduction of non-wage labour costs, GDP would be 0.2 % lower and employment would be down by 10,000 on the reference scenario. This study has yet to have any impact on legislation. It has however, been decided to include electricity and gas in the energy tax - without compensation.

Taxes

During the last stages of the tax reform income tax rates were cut drastically, reducing the average tax burden on both employers and employees. The new Federal government is not currently planning any increase in income tax rates on performance-related income and is looking to increase taxation revenue by broadening taxation bases, closing tax loop holes and raising non-income taxes (investment income tax, inheritance tax, gift tax, tobacco tax and energy taxes on electricity and gas).

¹³¹ cf. Köppl et al. 1995

Unemployment benefit

From the point of view of labour supply, alternative income during unemployment should be seen in terms of both the amount of work available and the length of a working life. Benefits paid under unemployment insurance are often criticised on the grounds that the very reason that unemployment is so high is that unemployment benefit is so high. The replacement rate (unemployment benefits as a percentage of earnings) has hardly risen in the last 15 years, however, rendering this explanation of the increase in unemployment levels somewhat redundant. But the government has reacted to this criticism (and to its empty coffers) by planning to tighten up social security benefits and bring in effective controls on fraud.

A comparison of replacement rates (ratio of earnings-replacement benefit to income) for unemployment benefit shows that Austria is situated well below the level of most comparable countries. According to an OECD study¹³² the replacement rate for a single Austrian industrial worker earning an average wage in the first year of unemployment is 42 % (gross replacement rate; 1991). By comparison, in nine EU states, including Sweden (80 %), Denmark (73 %), Spain and the Netherlands (70%), the corresponding figure is significantly higher. The figures quoted are all gross rates.

In terms of net replacement rates and replacement rates for the long-term unemployed, Austria fares a little better in international comparisons. Only five countries have higher net replacement rates.

A recent calculation carried out for Austria for 1994 shows that the net replacement rates according to length of unemployment, family situation and spouse's income stand at between 54 % (single 35-year old male with a gross income of AS 24,000.00 unemployed for one year) and 76.2 % (married waged employee, male, with four children and a gross income of AS 14,000.00 unemployed for six months).¹³³

Another factor which must be taken into consideration, however, is the fact that Austrian unemployment insurance does not specify a minimum standard of living. In contrast to many other countries where mechanisms are in place to prevent

¹³² cf. OECD 1994b

¹³³ Source: Berechnungen des Finanzministeriums 1994

claimants from falling below the poverty line, the relatively low replacement rate for low earners can lead to a level of unemployment benefit which actually lies below the poverty line.¹³⁴

The Labour Market Report for 1994¹³⁵ contains data on income patterns during episodes of unemployment. While the median gross monthly earnings of benefit recipients before unemployment were AS 19,069.00, disposable income dropped to AS 9,733.00 for men and AS 7,268.00 for women (both median values). Another result of the analysis relates to the risk of job loss. People in lower income groups are more likely to lose their jobs than their higher paid counterparts.

Pensions

One reason for the continuing low unemployment figures in Austria in comparison to other countries has been the possibility of taking retirement relatively early. While the statutory retirement age is 65 for men and 60 for women, the age at which retirement is actually taken is considerably lower. Between the mid 1970s and 1987 the average retirement age dropped to 57 and has remained at this level. In 1993, on average, women retired at the age of 57 and men at 58 and 63 % of early retirements were taken on the grounds of invalidity.¹³⁶ As the age structure of the population shifts en masse towards a higher percentage of older people, the current pension system will soon hit its financing limit. Consequently, a possible increase in the effective retirement age has recently become a topic of great discussion.

One instrument of labour market policy, the Special Benefit Law, has been abolished. In order to create incentives for employees to remain within the employment system for longer, the condition for retirement eligibility, namely the qualifying contribution period, has been increased from 420 to 450 months. In addition, a new pension calculation model favouring longer qualifying contribution times is to be introduced and the invalidity pension is to be restricted to two years or the duration of rehabilitation. Finally, companies will also be given incentives to retain older people. Under the chosen plus/minus system if a company takes on an

¹³⁴ cf. Zenz 1994

¹³⁵ cf. Frühstück et al. 1995

¹³⁶ cf. FINDER 1995b

employee over 50 it will pay only half the employer's employment insurance contribution and if it takes on an employee over 55 this contribution will be waived completely. Companies will also be penalised for laying off older employees. A basic penalty rate of 0.1 % of the gross salary will be increased by a further 0.1 % per quarter for employees over 50 up to an upper limit of 3 %. When multiplied by the number of months remaining before early retirement age this rate gives the percentage penalty payment. There are currently no plans to raise the statutory retirement age.

The poverty trap

One important aspect of social security, taxation and employment policy is the problem of the poverty trap. This term describes a situation in which an employee or unemployed person on low income is threatened by poverty because if, by taking up new employment or increasing their efforts (professional advancement, increase in working hours), he/she achieves an increase in gross income, the effects of higher tax rates or the loss of social transfer or insurance benefits mean that he/she will actually have less disposable income.¹³⁷ There have been no empirical studies carried out on the poverty trap in Austria up until the present. It can, however, be assumed that the system of individual taxation in Austria serves to decrease the risk of sliding into the poverty trap. The taxation system does not, therefore, constitute a disincentive to taking up employment.

In terms of income tax payments during unemployment there are, however, certain mechanisms which do little to encourage entry into employment. For example, when an insured person is successful in finding part-time employment, his/her insurance payments are not reduced in proportion to income earned. In fact, if this person exceeds the "marginal" limit of hours worked all benefits are lost. This often prevents the unemployed from re-entering the employment system in stages (by accepting part-time work). Not least because under the present method of calculation part-time work reduces benefit entitlements in the case of future unemployment and decreases the power of negotiation in the search for work.

¹³⁷ cf. OECD 1996b

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The regulations governing the payment of public relief link the level of benefit received to family income. In such cases offers of work are often accepted or rejected by the family as a whole. Where both partners are unemployed, the incentives for both partners to take up employment are reduced as this would significantly reduce their overall level of income.

Family benefits such as child allowance are not related to income. In this case an increase in income due to a new job has no effect on the transfer payments. Maternity benefits are available for limited periods and set at a level where they do not represent a disincentive to employment.

5.3 Industrial policy

For decades industrial policy was interpreted primarily as policy relating to nationalised industry. As the flagship of Austrian industry, the nationalised industries were supposed to fulfil a research and development role, act as the driving force of the Austrian economy and play a leading role in the system. The crisis in the nationalised industries required large restructuring grants to be paid out of government budgets and finally led to a political decision to successively dispose of the government's shares in the various nationalised companies. Austrian privatisation policy is determined not only by the government's goal of balancing its budget but also - and perhaps above all - by the will of politicians to shed responsibility for the economic performance of public companies.

However, commercial groups in the banking and private sectors as well as the nationalised industries were able to exploit industrial policy for their own ends, and industrial restructuring was delayed owing to loss subsidies and grants. In the 1980s this defensive and interventionist approach to the promotion of individual companies and sectors of the economy lost support due to budgetary pressures and doubts as to its chances of success. Finally, Austrian industrial policy came under constant criticism on the grounds that the methods used and lines of ministerial responsibility were unclear and ill co-ordinated.

Despite all these criticisms we should not overlook the fact that Austria has presided over an impressive recovery process, achieving high quality industrial production and internationalisation. Although many writers have complained of a lack of industrial policy, a change in direction towards offensive methods has been achieved. Independent of the traditional methods for the promotion of investment, either directly or indirectly through tax legislation, the promotion of research and technology has become more important. The range of promotional initiatives on offer has been extended to include innovative - and intangible - investments. The proceeds of privatisation are earmarked for innovation and technology funds. The promotion of industrial restructuring and a move towards high value products, internationalisation of production and the use of skilled labour requires not only discretionary measures but also the provision of attractive conditions and the necessary infrastructure. In this area in particular in recent years the Federal

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government has successfully prepared the ground for increased competition in the Austrian economy through tax reforms, GATT agreements, privatisation, the reform of tertiary education and many other measures.

The high subsidies paid to nationalised industries and some multi-nationals for the setting up of production plants (Chrysler, Grundig, General Motors) attract far greater public debate than the much less spectacular initiatives designed to promote small- and medium-sized businesses. The Austrian economy contains a high number of SMEs which have been receiving support for many years through investment subsidies, interest support, surety and guarantees. Recently, for example, the BÜRGES development bank has given special attention to internationalisation projects and the government's inaugural speech promised easier access to risk capital for export-intensive SMEs. In addition to the various programmes of direct economic promotion, small- and medium-sized businesses also benefit from the tax investment concessions traditionally so generous in Austria.

Table 30: Workplaces by number of employees in 1991
(excluding agriculture and forestry)

Size	No. of workplace	Percentage
0 employees	74,834	23.80
1 employee	57,734	18.36
2 - 4 employees	87,969	27.97
5 - 9 employees	46,306	14.72
10 - 19 employees	24,535	7.80
20 - 49 employees	14,824	4.71
50 - 99 employees	4,608	1.46
100 to 199 employees	2,164	0.69
200 to 499 employees	1,123	0.36
500 to 999 employees	268	0.08
1000 and over	121	0.04
Total no. of workplaces	314,486	100
Total no. of employees	2,933,662	

Source: ÖSTAT, Arbeitsstättenzählung 1991

A fundamental change has taken place in Austrian industrial policy since the mid 1980s. Whereas its earlier objective was to safeguard jobs at the cost of restructuring, it is now much more an offensive policy designed to increase the attractiveness of Austria as a place of business. Measures offering support to threatened companies and sectors of the economy are really accompanying measures rather than the

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main purpose of funding. For example, employment foundations help to retrain employees in crisis areas and the institution of stabilisation capital allows funds to be channelled into companies with the potential to survive despite temporary structural difficulties.

5.4 The significance of the EU Structural Fund for the Austrian labour market

Through the structural fund the EU contributes to the funding of national funding and support measures, with decisions regarding the range and nature of support schemes largely continuing to be made by the member states themselves.

Objective 3 and Objective 4

The most significant effects on activities in the field of labour market policy result from the application of the resources from the social fund in the area of Objective 3 and Objective 4.

Objective 3 is designed to fight (long-term) unemployment and facilitate the integration into working life of young people, women and problem groups threatened with exclusion from the labour market. Objective 4 covers preventive measures for employees threatened with unemployment and a strategically oriented employment policy intended to prepare employees for structural change through training. Within this framework, employee training has been selected as the initial focus of employment policy in Austria.¹³⁸

Austria's programme planning documents for Objectives 3 and 4 were submitted to the European Commission in April 1995 and signed in July 1995. This means that funds amounting to some AS 4.374 billion for active measures in the Austrian labour market under Objective 3 and a further AS 798.9 million under Objective 4 (from 1995 to 1999) will be made available through the European Social Fund.¹³⁹

¹³⁸ cf. Förschner 1996

¹³⁹ cf. Natter 1996

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Table 31: Planned expenditure for Objective 3 from 1995 to 1999 (AS millions)

Measure	No. of people assisted	Total cost (AS millions)	% of EU funds
Support for employees affected by structural change	12,300	978.9	337.6
Integration of long-term unemployed, older people and groups under threat	31,061	3,259.0	1,490.0
Integration of the disabled	11,726	3,030.9	1,246.6
Facilitation of the integration of young people into work	6,787	681.8	300.0
Promotion of equal opportunities for men/women	10,909	1,815.7	800.0
Technical support		439.3	200.0
Total	72,783	10,205.6	4,374.2

Source: Europäischer Sozialfonds, Einheitsliches Programmplanungsdokument Ziel 3 1995 - 1999 Österreich, Wien: BMAS (undated)

Table 32: Planned expenditure for Objective 4 from 1995 to 1999 (AS millions)

Measure	No. of people assisted	Total cost (AS millions)	% of EU funds
Anticipation of labour market trends		129.8	58.4
Vocational training for those in employment	42,366	1,808.6	602.9
Development of vocational training systems		244.7	110.1
Technical support		61.1	27.5
Total	42,366	2,244.2	798.9

Source: Europäischer Sozialfonds, Einheitsliches Programmplanungsdokument Ziel 3 1995 - 1999 Österreich, Wien: BMAS (undated)

Objective 1, Objective 2 and Objective 5b

Additional effects on labour market policy result from the application of the ESF in combination with the ERDF and the EAGGF in Objective 1, Objective 2 and Objective 5 areas.

In Objective 2 and Objective 5b areas the contribution made by the EU is between 25 % of public expenditure and 50 % of total costs. In Objective 1 areas it is between 50 % of public expenditure and 75 % of total costs. Regional funds stem from the European Regional Development Fund (ERDF), the Social Fund and the European Agricultural Guidance and Guarantee Fund (EAGGF). Some AS 1.4 billion will be available in Austria for agriculture in 1995, AS 300 million of which from the EU.

For the period 1995 to 1999 the EU has pledged regional funds to the tune of AS 2.5 billion (ECU 184 million) for Burgenland as an Objective 1 area, AS 1.3 billion (ECU 101 million) for Objective 2 areas and AS 5.300 billion (ECU 411 million) for Objective 5b areas.

At the start of 1996 Objective 2 funds were allocated internally to the various Austrian states in accordance with the unemployment weighted population figures in the problem regions recognised by the EU. In Objective 5b areas funds were allocated on the basis of population only. Steiermark received a total of AS 1.9 billion, Lower Austria AS 1.7 billion and Upper Austria AS 1.4 billion in regional grants. Matched funding will come 40 % from Federal and 60 % from state resources.

In order to raise the level of development in Objective 1, 2 and 5b regions a package of measures including employment schemes has been implemented. The tables below give an overview of the range of measures and the level of funding over the period 1995 to 1999 in this area. The Objective 1 area covers all of Burgenland. Parts of Lower Austria, Upper Austria, Steiermark and Vorarlberg are Objective 2 areas and there are objective 5b areas in Kärnten, Lower Austria, Upper Austria, Salzburg, Steiermark, Tirol and Vorarlberg.

The resources provided for labour market policy measures within the framework of Objective 1 interventions in Burgenland run along three main axes. The first is the

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provision of training schemes for people with a specific shortfall in qualifications. The second strand is support for risk groups who suffer particular disadvantages in the labour market (long-term unemployed, older people, the disabled, young people, women). The third sector of labour market intervention in Burgenland is the provision of support for people in work with training profiles which need to be adjusted to new requirements brought about as a result of structural change.

Table 33: Funding of labour market policy measures in the Objective 1 area (Burgenland)

Measure	Funding amount in MECU	of which EU funding
Training of middle and senior management	6.000	3.000
Operation of technology and technology transfer centres	1.000	0.500
Training of unemployed and young entrepreneurs	5.000	2.500
Training, advice and management of employees	31.240	15.620
Integration of the long-term unemployed	16.000	8.000
Measures to bring employees in line with changed conditions	4.000	2.000

Source: Bundeskanzleramt 1996

The labour market policy measures laid down in the regional programmes for regions seriously affected by backward industrial development are based on specific, regional labour market problems. For example, in the northern border regions of Lower Austria (Weinviertel, Waldviertel) where unemployment among women and falling industrial production are specific problems, measures will concentrate on training for women.

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Table 34: Funding of labour market policy measures in the Objective 2 areas

Measure	Funding amount in MECU	of which EU funding
Lower Austria		
Innovative training schemes in tourism	2.246	0.896
Training schemes for women in problem areas	2.496	0.996
Technical support, supporting studies, evaluations (ESF)	0.509	0.209
Upper Austria		
Vocational initial & continuing training	7.825	3.519
Technical support (ESF)	0.211	0.095
Steiermark		
Regional training management	2.058	0.926
Training schemes (research and technical development)	4.444	2.000
Training schemes in the metal-working sector	8.889	4.000
Training schemes in the commercial, tertiary and industrial sectors	20.222	9.100
Technical support (ESF)	2.062	0.928
Vorarlberg		
Orientation, advice, training	2.556	1.150
Re-integration, re-orientation for the unemployed	2.847	1.281

Source: Bundeskanzleramt 1996

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Table 35: Funding of labour market policy measures in the Objective 5b areas

Measure	Funding amount in MECU	of which EU funding
Kärnten		
Training and employment (adjustment agricultural sector)	1.933	0.870
Training and employment (tourism development)	3.462	1.558
Training and employment (trade and industry development)	10.186	4.584
Training and employment (non-profit services)	2.335	1.051
Technical support	0.242	0.109
Lower Austria		
Increasing employee training levels	21.970	8.790
Training/employment schemes for the unemployed	10.670	4.270
Innovative training schemes in tourism	5.750	2.300
Funding of regional employment	5.530	2.210
Funding of vocational training for women	4.250	1.700
Technical support, studies	2.450	0.980
Upper Austria		
Support for vocational re-orientation	22.001	9.900
Support for vocational initial & continuing training	12.697	5.714
Technical support	0.555	0.250
Salzburg		
Training	3.328	1.498
Funding of support structures	2.276	1.024
Technical support	0.085	0.038
Steiermark		
Training schemes in the trade, industrial and tertiary sectors	12.578	6.289
Integration of the unemployed	15.988	7.253
Training of farmers for non-agricultural activities	4.042	1.819
Regional training management	1.894	0.852
Technical support	1.896	0.853
Tirol		
Funding of employment and training	6.345	2.855
Qualitative adjustment of labour force potential	8.638	3.887
Technical support	0.306	0.138
Vorarlberg		
Improved basics and organisation	0.224	0.101
Improvement of training and job opportunities for women	0.612	0.276
Training	1.364	
Technical support	0.056	0.025

Source: Bundeskanzleramt 1996

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The total funding budget for the Burgenland Objective 1 area for the programming period 1995 - 1999 is just under ECU 450 million. This includes EU funding from the Social Fund and other public and private contributions. Of this total 7.4 % will be matched from the ESF, 24 % from the ERDF and 5.5 % from the EAGGF.

In the area of Objective 2 funding EU resources break down as 6.6 % from the ESF, 16 % from the ERDF and 15 % from the EAGGF.

According to the available data, EU contributions towards funding in the objective 5b areas are 7.4 % from the ESF, 19.2 % from the ERDF and 10.3 % from the EAGGF.

It can be assumed that funds from the ESF will cover the EU contribution to labour market policy measures. These are measures in the regional programmes in the implementation of which the AMS has a significant role. They are essentially advice, training and re-training schemes. The amount of funds devoted to employment funding measures as a percentage of the total funding budget is 14 % in Objective 1 areas, 19.5 % in Objective 2 areas and 15 % in Objective 5b areas. Overall, spending on employment promotion measures as a percentage of the total budget for Objectives 1, 2 and 5b is 15.5 %. Resources provided by the EU for employment measures make up 26 % of the funds which the EU contributes from the ESF for Objective 3 and Objective 4 interventions in Austria.

There are currently no studies available on the expected effects on employment of the application of the fund in Austria.

Table 36: Overview of funding measures

	Funding total sum (in MECU)		of which for employment oriented measures **)	
	total*)	of which EU	total	of which EU
Obj 1 Burgenland	449.230	165.600	63.240	31.620
ERDF	237.300	107.640		
ESF	142.910	33.120		
EAGGF	69.020	24.840		
Obj 2 Steiermark	181.709	57.970	37.675	16.954
Obj 2 Lower Austria	56.142	22.412	5.251	2.101
Obj 2 Upper Austria	29.464	10.757	8.036	3.614
Obj 2 Vorarlberg	21.854	9.861	5.403	2.431
Obj 2 Total	289.169	101.000	56.365	25.100
ERDF	103.145	70.246		
ESF	58.804	30.754		
Obj 5b L. Austria	296.100	111.600	50.620	20.250
Obj 5b Steiermark	255.249	85.300	36.398	17.066
Obj 5b U. Austria	228.314	98.500	35.253	15.864
Obj 5b Kärnten	159.256	58.000	18.158	8.171
Obj 5b Tirol	92.426	34.400	15.289	6.880
Obj 5b Salzburg	44.321	16.000	5.689	2.560
Obj 5b Vorarlberg	17.255	7.200	2.256	1.015
Obj 5b Total	1092.921	411.000	163.663	71.806
ERDF	451.525	174.954		
ESF	299.082	72.806		
EAGGF	172.365	164.240		
Total Objs 1, 2, 5b	1,831.320	677.600	283.268	128.526
ERDF	791.970	352.840		
ESF	500.796	135.680		
EAGGF	241.385	189.080		

*) incl. private funding;

**) Allocation depends on whether the AMS plays a significant role.

Source: Bundeskanzleramt 1996

Community Initiatives

Community Initiatives are part of the Structural Funds. Their areas of action are set not by the member states but by the EU itself. The programmes and measures in this area are intended to solve problems with a European dimension and contribute towards the development of the integration process. For the period 1994 to 1999 9 % of the entire resources of the structural fund, i.e. ECU 13.45 billion, have been allocated for the focus areas listed below:

- INTERREG II: trans-frontier, trans-national and inter-regional co-operation. Planned public expenditure in Austria is ECU 86.160 million including ECU 42.685 million from the EU.¹⁴⁰
- ADAPT, RETEX, RESIDER, RECHAR II, SME: industrial change. The EU should provide approx. AS 150 million (ECU 11.538 million) for the ADAPT initiative. A further ECU 36.840 million will be spent on the other measures, half of which by the EU.
- LEADER II: rural development. Public funds to the tune of ECU 45.860 million will be provided for this measure, ECU 22.690 million of which from the EU.
- EMPLOYMENT: Integration of women, young people and the disabled in the labour market. Approx. AS 300 million (ECU 23.077 million) worth of funds from the EU.
- URBAN: urban problem areas. In Austria this initiative applies to Vienna only. Budget of ECU 25.890 million, ECU 9.770 million provided by the EU. REGIS, KONVER, PESCA and Portuguese Textile Industry do not apply to Austria.¹⁴¹

¹⁴⁰ These and the following figures are only provisional as the majority of the measures have not yet been approved (as at: 8th May 1996).

¹⁴¹ cf. Bundeskanzleramt 1996

6. Prospects for Austrian labour market and employment policy

6.1 Employment promotion measures

Measures currently in operation

In view of the convergence criteria set at Maastricht, top priority has been accorded to budget consolidation. With the passing of the Structural Adjustment Law, a series of changes were implemented in the field of employment and social security which are already having or are set to have an impact on employment. The central changes have already been detailed in the appropriate sections of this report. What follows is therefore merely a brief summary of the most important measures.

Labour requirements

- Recruitment freeze in the public service

As part of cost saving measures a freeze on recruitment has been declared in the public service until 1997. There are fears that this will result in an increase in unemployment, particularly among academics. It has been shown that between 1990 and 1994 almost 51 % of all new jobs were created either in the public sector or in sectors heavily dependent on government funding (health, education, transport). For example, some 70 % of all graduate job offers came from the public sector. This strict recruitment freeze has been relaxed slightly in order to limit the negative effects on employment. No detailed figures are available on the exact number of positions.

Active labour market policy

- Freeze on funds for active labour market policy

The government parties have agreed to freeze the level of spending on active labour market policy at AS 5 billion, a funding cut of AS 500 million compared with

1995 figures. Thanks to the AS 1.500 billion (including community initiatives) made available from the European Social Fund, however, spending will increase in real terms.

- Wage subsidies for recruitment of the long-term unemployed

Companies which take on a member of the long-term unemployed (unemployed for 12 months or more) before the end of August 1996 will receive a wage subsidy of 20 % of the gross salary on which social security contributions are due for a period of one year. However, an intermediate analysis carried out at the start of June showed that only 160 companies had taken advantage of this wage subsidy.

Measures for older employees

With regard to older employees, several measures have been implemented in an attempt to raise the actual retirement age.

- "Plus/minus" system for older employees

The plus/minus system for older employees will be introduced as of 1st April. If a company lays off an employee over the age of 50 who has worked for the company for at least 10 years, it will be required to pay a special unemployment benefit contribution calculated in accordance with the last contribution assessment base. If, on the other hand, a company takes on a new employee over the age of 50 it will save half the employer's unemployment insurance contribution, or 1.5 % of the gross wage, for as long as he/she works for them. If the employee is over 55 the entire employer's contribution will be waived (3 %).

- Increase in the minimum contribution period

The number of months of insured employment required to qualify for retirement will rise from 420 to 450 months by the year 2001. This will mean an increase in the length of the average employee's working life.

- Abolition of general special benefit

Previously the general Special Benefit Law enabled older unemployed people to bridge the year before retirement with higher unemployment benefit. This form of social security made it easier for older people close to retirement to take early retirement since they were covered by means of higher unemployment benefit. The abolition of special benefit, which continues to apply only in the mining industry, puts an end to this.

Passive labour market policy

As a result of a range of cuts in transfer payments (covering unemployment and parental leave) more people are being forced to take jobs which are not related to their previous occupations.

- Parenthood benefit is paid for two years only where the parents split the leave period on a basis of at least 18 : 6 months. Where this is not the case benefit is restricted to six months.
- When an employee returns to regular employment he/she currently regains entitlement to unemployment benefit after 26 weeks. This period has been increased to 28 weeks. Income earned over the last 12 rather than the last six months is now used to calculate the level of unemployment benefit payable. This will reduce both the number of benefit recipients and the volume of benefit paid.
- In the future the level of public relief will be based to a greater extent on the previous period of employment. After six months receipt of public relief it will be cut to AS 5,000 per month. This rule will have a particular impact on those formerly in well paid jobs.

Inclusion of contract work in the insurance system

From 1st July contract work will become subject to the provisions of the statutory insurance system. This means that contract workers earning above the "marginal" limit of AS 3,600.00 per month will have to pay 13.5 %, and employers 17.2 % of the value of the contract in insurance contributions. This will entitle contract workers to

enjoy the benefits of protection under the social security system. It is also intended to restrict the growth of atypical employment contracts which fall outside the scope of the social security system.

Prospects

A framework for future developments in employment and labour market policy has been set out in a joint paper prepared by the social partners on "measures for an employment policy initiative" (1996).

This paper identifies the following focal points:

- Infrastructure investments:
- Investments in transport, the environment, energy and telecommunications intended to increase Austria's profile as a place of business and to stimulate employment in construction, the metal industry and metal-working trades and the construction materials industry.
- Export drives
- Greater emphasis on export promotion and financing in order to improve the position of Austrian companies particularly in the growing markets of America and Asia.
- Promotion of private investment, formation of new companies and measures to increase competition
- Designed to facilitate access to finance options for young entrepreneurs and to create new jobs in small- and medium-sized businesses in particular.
- De-bureaucratisation
- Plans to de-bureaucratise application procedures in an attempt to give greater independence to those starting up businesses. Approval procedures will also be speeded up in order to facilitate the relevant investments.
- Technology policy
- Money will be provided for research promotion funds in order to add impetus to research and development in Austria which is underdeveloped in international terms.
- Training drives

- The reform of the training system is designed to create a framework for life-long learning. This includes, in particular, the introduction of specialist colleges of higher education in line with market requirements and steps to make the dual vocational training system more attractive.
- Active labour market policy
- At the top of the agenda for the social partners is the implementation of labour market policy objectives.
- Working hours
- The implementation of new working hours designed to create and safeguard jobs and increase competition in the economy.
- Fighting fraud
- Numerous measures to stop fraudulent claims for state benefits have been proposed and some have been implemented. These include
- Increasing the period for which unemployment benefit is stopped when a claimant refuses to take up a reasonable job
- Increasing the penalties for working whilst claiming benefit
- Sanctions for companies which employ foreigners without work permits.

The social partners believe that this package will enable up to 80,000 jobs to be created or safeguarded over the next four years. It is hoped that 30,000 new jobs will be provided through infrastructure investments and 7,500 as a result of an export drive. Forecasts suggest that investment and financing incentives will enable 10,000 new companies to be set up in the short term, followed by up to 50,000 more in the longer term. According to the estimates of the social partners, the provision of AS 1 billion for funding could create between 3,000 and 4,000 new jobs.

The majority of these focal points proposed by the social partners have been adopted by the government programme. However, implementation can be expected to be gradual, over a medium- to long-term time scale. Talks on the liberalisation of the Industrial Code and the alteration of shop opening times are currently experiencing difficulties.

Current topics of discussion

The following options are currently at the forefront of the political debate:

- Creation of a secondary labour market for the long-term unemployed
- An initiative originating with the Federal Ministry for Employment and Social Affairs proposes that jobs should be created for recipients of public relief within the social services. If public benefit claimants refused these jobs their benefits would be stopped for a period of six months. Benefit recipients would be paid at the collective wage rate applicable in the sector in question. The AMS would bear most of the costs incurred. According to estimates, the AMS would have to find some AS 2.4 billion in combined infrastructure and labour costs. The scale of the burden on the labour market policy budget is one of the reasons for the massive objections raised against the plan by the AMS.
- Reduction of seasonal unemployment

Seasonal unemployment plays a central role in Austria. In the construction and tourism industries the social partners are currently discussing new models for working hours calculated over longer periods. Agreement has already been reached in the construction sector that in the future overtime will no longer be paid but rather remunerated in the form of time off in lieu. This new rule will reduce the generally high level of registered unemployment in the construction industry during the winter months which should eventually result in a drop in expenditure on unemployment insurance. It is hoped that this model will go on to be used as a blueprint for other sectors and finally lead to the amendment of the Working Hours Law, including an increase in the calculation period to 52 weeks.

- Promotion of apprenticeships

Since 1990 the number of apprenticeship places on offer has dropped by some 6,000 and currently stands at approximately 40,000. This drop has caused a sharp increase in pressure on apprenticeship places. In Vienna there are currently 476

candidates for 143 places. In order to increase the willingness of companies to participate in vocational training the social partners are currently holding discussions on appropriate promotion measures. Issues on the agenda include company tax incentives and the possibility of access to higher education for students leaving the dual vocational training system. As yet, talks on concrete measures are continuing.

6.2 The Essen process and the Austrian multi-annual programme

Like the other member states, Austria has undertaken to implement the recommendations of the European Council summit in Essen within the framework of the multi-year programme based on the various social and economic conditions stipulated.

The Austrian multi-year programme describes the priorities set by the Federal government and the social partners for the five Essen objectives and the strategies for realising these objectives in relatively general terms. It does not, however, describe the concrete implementation of the objectives in most of the focal areas. For example, projects designed to increase the efficiency of labour market policy include comprehensive initiatives intended to expand (in both qualitative and quantitative terms) the provision of life-long learning in the field of labour market training, the development of models as a basis for guaranteeing employees time for further education in existing jobs, and the encouragement of company apprenticeships. Actual implementation options, however, remain rather vague. This is due, in part, to the fact that many of the schemes themselves have not yet been finalised by the social partners.

Again, the multi-year programme makes no mention of the mechanisms which will be used to monitor and control outputs. This is due partly to the fact that the multi-year programme does not contain an implementation plan in the form of a year by year timetable with specific targets, making it difficult to monitor any progress. This aspect is, however, an integral part of the Essen process which demands an ongoing programme of monitoring and reporting on progress made in the implementation of measures in the 5 focal areas.

In this regard the Commission, together with the member states, has developed a proposal for a system of indicators. This includes:

- Indicators to describe the labour market and employment situation (employment, general and sector by sector/occupation by occupation activity rates and unemployment rates).

- Target indicators to document improvements in the labour market situation of the young, the long-term unemployed and women achieved by the various schemes implemented by the member states.
- Progress indicators to measure the level of implementation of the other Essen objectives (development of education and training, improvement of employment intensity of growth, reduction of non-wage labour costs)

In addition, there are also future plans for the development of policy-related indicators in the areas of training, long-term unemployment and active labour market policy.

The final purpose of this system of indicators is to make it possible to assess and compare the success of the multi-year programmes of the various member states. The current list of indicators is made up essentially of relatively high aggregated figures (e.g. youth long-term unemployment rate, number of 24 year olds with vocational qualifications, etc.). By forming time series it is possible to identify changes in the indicators which can then be used to assess progress. They cannot, however, be used to evaluate the causes of or the factors influencing changes in the indicators. For example, it is impossible to assess to what extent the drop in youth long-term unemployment can be attributed to the improvement in overall economic conditions or to the effect of labour market policy measures. Similarly, there is only limited scope for linking the outputs observed to measures for the implementation of the multi-year programme.

In Austria data are available for all but a few of these indicators (exception: employment growth based on volume of hours worked). Some of the indicators suggested by the Commission are measured in Austria within the framework of the ongoing monitoring and evaluation of ESF Objective 3 interventions. In addition to the basic indicators, effectiveness is also monitored using values such as placement rate and the number of school leavers obtaining a qualification or going on to start a further course of training. In addition, qualitative studies have examined which factors influence, either negatively or positively, the impact which such measures have on labour market policy. This element is currently not included in the

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mechanisms monitoring the implementation of the multi-year plan on the basis of quantitative indicators.



Statistical Annex and Bibliography

T 1: Population Total and Males/Females

Year	Total	Males	Females
1980	7,549.433	3,567.181	3,982.252
1981	7,568.710	3,580.233	3,988.477
1982	7,575.717	3,586.994	3,988.723
1983	7,567.016	3,585.320	3,981.696
1984	7,570.529	3,590.585	3,979.944
1985	7,578.261	3,598.783	3,979.478
1986	7,587.989	3,609.174	3,978.815
1987	7,598.154	3,619.963	3,978.191
1988	7,615.279	3,634.781	3,980.498
1989	7,658.801	3,664.865	3,993.936
1990	7,729.236	3,710.842	4,018.394
1991	7,812.971	3,762.832	4,050.139
1992	7,913.812	3,822.117	4,091.695
1993	7,991.485	3,867.747	4,123.738
1994	8,029.717	3,891.680	4,138.037
1995	8,052.609	3,907.216	4,145.393

Sources: Demographical Indicators for Austria 1964 - 1994; information by telephone for 1995

T 2: Employees Total and Males/Females

Year	Total	Males	Females
1980	2,788.737	1,672.153	1,116.584
1981	2,798.557	1,673.180	1,125.377
1982	2,766.350	1,648.732	1,117.618
1983	2,734.729	1,625.445	1,109.284
1984	2,744.506	1,628.792	1,115.714
1985	2,759.658	1,631.814	1,127.844
1986	2,780.204	1,640.497	1,139.707
1987	2,785.359	1,640.433	1,144.926
1988	2,810.478	1,655.435	1,155.043
1989	2,862.290	1,682.026	1,180.264
1990	2,928.662	1,718.781	1,209.880
1991	2,997.352	1,752.144	1,245.208
1992	3,055.810	1,766.869	1,288.941
1993	3,054.910	1,756.234	1,298.676
1994	3,070.732	1,761.601	1,309.131
1995	3,068.187	1,757.355	1,310.832

Sources: Statistical year book 1995, Statistical overviews 5/1996; Labour market situation 1995

T 3: Potential labour force (employed and unemployed) Total and Males/Females

Year	Total	Males	Females
1980	2,841.898	1,698.697	1,143.201
1981	2,867.852	1,711.189	1,156.663
1982	2,871.696	1,713.858	1,157.838
1983	2,862.105	1,705.264	1,156.841
1984	2,874.975	1,709.391	1,165.584
1985	2,899.105	1,715.969	1,183.136
1986	2,932.177	1,729.354	1,202.823
1987	2,949.827	1,735.448	1,214.379
1988	2,969.109	1,745.264	1,223.845
1989	3,011.467	1,763.027	1,248.440
1990	3,094.457	1,807.813	1,286.642
1991	3,182.381	1,851.128	1,331.252
1992	3,248.908	1,874.071	1,374.837
1993	3,277.175	1,882.915	1,394.260
1994	3,285.673	1,882.168	1,403.505
1995	3,283.903	1,877.359	1,406.543

Sources: Statistical year book 1995; Statistical overview 5/1996; Labour market situation 1995

T 4: Employed Migrant Workers Total and Males/Females

Year	Total	Males	Females
1980	174.712		
1981	171.773		
1982	155.988	95.068	60.920
1983	145.347	87.452	57.895
1984	138.710	83.974	54.736
1985	140.206	84.669	55.537
1986	145.963	88.226	57.737
1987	147.382	89.514	57.868
1988	150.915	93.041	57.874
1989	167.381	103.189	64.191
1990	217.611	141.218	76.393
1991	266.461	176.213	90.249
1992	273.884	182.196	91.687
1993	277.511	184.120	93.390
1994	291.018	185.695	105.323
1995	300.303	189.676	110.627

Sources: Labour market situation 1991, 1994 and 1995; Statistical year book 1995, Statistical overviews 5/1996

T 5a: Employees by sector and gender 1995

Economic sectors	Male	Female	Total	Total %
Primary sector (agriculture, forestry, fishing)	17.301	8.745	26.046	0,9%
Secondary sector (manufacturing)	721.330	224.003	945.336	31,8%
Tertiary sector (Services)	1.005.070	995.811	2.000.880	67,3%
Total	1.743.701	1.228.559	2.972.262	
Agriculture and forestry	17.234	8.729	25.963	0,9%
Fishing and fish farming	67	16	83	0,0%
Mining and quarrying	12.899	1.717	14.617	0,5%
Manufacturing	444.904	186.215	631.120	21,2%
Electricity, gas and water supply	27.050	4.611	31.662	1,1%
Construction	236.477	31.460	267.937	9,0%
Wholesale and maintenance and repair of motor vehicles and consumer goods	256.171	236.912	493.083	16,6%
Hotels and restaurants	57.432	84.223	141.655	4,8%
Transport and communications	184.646	44.271	228.917	7,7%
Banking and finance	60.008	51.933	111.941	3,8%
Estate agencies, letting and business services	80.355	104.092	184.446	6,2%
Public Administration, defence and social insurance	247.201	220.061	467.262	15,7%
Education	43.105	72.526	115.631	3,9%
Health and social work	28.275	101.977	130.252	4,4%
Other community and personal social services	46.115	73.723	119.838	4,0%
Private households	282	4.421	4.703	0,2%
Extra-territorial organisations and bodies	1.480	1.672	3.152	0,1%
Sub-total	1.743.701	1.228.559	2.972.262	100,0%
'Präsenzdiener'	13156	0	13.156	
Women on maternity leave	499	82272	82.771	
Total	1.757.356	1.310.831	3.068.189	

Source: Social-economic statistical book of the Federal Chamber for Workers and Salaried Staff, Vienna 1996

T 6: Self-employed (inc. family workers) by sectors (1000s)

Sector	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Agriculture	256,0	251,4	246,6	242,7	237,5	230,8	223,7	215,8	208,3	199,4	191,3	182,4	170,0	158,8	149,0	139,7
Trade and Industry	227,6	226,7	224,1	219,6	212,5	211,3	211,3	212,8	214,8	220,1	224,6	227,3	231,2	232,3	232,1	231,6
Total	483,6	478,1	470,7	462,3	450,0	442,1	435,0	428,6	423,1	419,5	415,9	409,7	401,2	391,1	381,1	371,3

Sources: Labour market situation 1991, 1994 and 1995; Social situation report 1989 and 1990; own calculation

T 7: Labour market participation rates* Total and Males/Females

Year	Total	Males	Females
1980	68,1	85,5	51,6
1981	67,9	82,5	54,0
1982	67,0	81,3	53,3
1983	66,3	80,2	53,0
1984	65,8	79,1	53,0
1985	65,3	78,3	52,8
1986	69,0	78,2	53,3
1987	69,0	78,0	53,7
1988	69,0	77,8	54,0
1989	69,3	77,8	54,7
1990	70,1	78,6	55,7
1991	70,9	79,0	56,9
1992	71,0	78,5	57,8
1993	70,7	77,9	57,9
1994	70,4	77,4	57,9
1995	70,0	77,1	57,7

* Percentage of all persons in work in the 15 to 65 year old population; Source: Labour market situation 1991 - 1995

T 8a: Labour market participation rates by age* - Total

Age	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
15-20 years	51,4	49,5	48,9	48,8	49,0	50,1	48,8	48,2	48,8	50,1	51,0	50,6	48,2	47,3	46,2
20-25 years	74,0	74,0	74,2	74,0	73,6	73,8	73,7	73,8	73,0	73,6	74,4	74,1	72,3	72,3	72,6
25-30 years		75,9	76,0	76,6	75,9	75,7	76,3	76,8	76,3	77,1	78,1	78,5	78,2	78,0	77,3
30-40 years		77,8	77,7	77,5	78,1	77,7	77,2	77,6	78,6	79,4	80,2	80,4	80,5	79,8	80,4
40-50 years		78,8	79,2	79,2	78,0	78,6	79,7	79,1	77,7	78,4	78,8	79,7	80,0	80,2	80,3
50-55 years		71,1	71,1	69,9	69,2	69,6	70,1	71,0	74,2	74,5	74,3	72,8	72,6	69,9	67,9
55-60 years	52,1	51,5	50,7	50,1	48,0	47,2	44,8	43,6	43,9	44,0	43,8	43,4	43,2	44,5	43,3
60-65 years	19,6	17,6	14,7	13,0	11,2	10,7	10,3	9,5	9,7	9,7	9,7	9,3	8,6	8,9	8,8
65 and over	2,4	2,3	2,0	1,9	1,9	1,8	1,7	1,5	1,4	1,3	1,3	1,2	1,2	1,2	1,2
Total**	69,9	68,9	68,7	68,4	68,0	68,2	68,3	68,4	68,7	69,5	70,3	70,5	70,2	69,9	69,5

* Percentage of age group in population of same age **Percentage of female employees age 15-60 and male employees age 15-65 into female population age 15-60 and into male population age 15-65.

T 8b: Labour market participation rates by age - Males

Age	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
15-20 years	55,0	52,9	52,2	52,0	52,1	53,2	51,8	52,2	53,4	54,7	55,7	55,2	52,5	51,5	50,8
20-25 years	78,7	78,5	78,5	78,2	77,2	77,0	76,5	76,7	74,9	75,8	76,6	75,6	73,3	74,1	74,5
25-30 years		88,7	88,9	88,9	87,6	86,9	87,3	87,3	85,8	86,6	86,8	86,1	85,4	84,8	83,4
30-40 years		93,8	93,2	92,7	93,3	92,6	91,6	91,8	92,8	93,2	93,3	92,3	92,1	90,7	91,2
40-50 years		96,1	95,7	94,9	93,4	93,7	94,7	93,6	91,8	92,0	92,0	92,4	91,8	91,2	90,4
50-55 years		90,2	88,6	87,1	86,6	87,2	87,8	88,2	90,8	91,2	89,9	87,7	87,4	83,2	80,6
55-60 years	78,2	77,8	76,5	73,2	70,3	68,3	65,5	64,0	64,4	64,2	64,3	63,7	63,0	65,8	64,4
60-65 years	30,7	27,2	22,8	19,7	17,5	16,7	15,5	14,3	14,7	14,5	14,1	13,2	11,8	12,0	12,8
65 and over	4,0	3,7	3,5	3,3	3,2	3,1	3,0	2,5	2,3	2,1	2,2	2,0	2,1	2,2	2,2
Total	81,9	80,7	79,7	78,6	77,8	77,8	77,5	77,5	77,5	78,3	78,6	78,2	77,6	77,1	76,7

Source: Labour market situation 1991 - 1995

T 8c: Labour market participation rates by age - Females

Age	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
15-20 years	47,6	46,1	45,5	45,4	45,7	46,9	45,7	44,1	44,1	45,3	46,1	45,8	43,7	42,8	41,3
20-25 years	69,4	69,5	69,9	69,6	69,9	70,5	70,9	70,8	71,0	71,2	72,0	72,5	71,3	70,6	70,8
25-30 years		63,1	63,2	64,3	64,2	64,3	65,0	66,0	66,5	67,1	68,8	70,5	70,5	70,8	70,9
30-40 years		61,5	61,9	62,1	62,8	62,7	62,7	63,2	64,2	65,1	66,7	68,0	68,2	68,3	69,0
40-50 years		61,3	62,7	63,4	62,5	63,2	64,5	64,6	63,6	64,6	65,4	66,7	67,9	69,0	70,0
50-55 years		53,7	53,9	53,0	52,3	52,4	52,7	54,1	57,9	58,1	58,8	58,0	57,8	56,7	55,4
55-60 years	33,8	32,1	30,6	30,8	28,4	27,7	25,4	24,4	24,5	24,9	24,5	24,3	24,3	24,0	23,0
60-65 years	12,2	11,4	9,5	8,6	7,1	6,7	6,7	6,0	5,7	5,6	5,8	5,8	5,7	6,2	5,1
65 and over	1,5	1,5	1,2	1,1	1,1	1,1	1,0	1,0	1,0	0,9	0,8	0,8	0,7	0,7	0,6
Total	56,9	56,6	57,1	57,5	57,4	58,0	58,2	58,5	59,1	60,0	61,1	62,0	62,0	61,9	61,7

Source: Labour market situation 1991 - 1995

T 9: Employees by weekly working hours, professional status and gender

Year	Working hours	Total	Male	Female	Self-empl.	Employed
1980	14-24 Hours	3,6	(0,5)	8,5	(1,7)	3,9
	25-35 Hours	3,6	0,8	8,0	3,4	3,6
	36-39 Hours	0,7	(0,4)	(1,1)	(0,3)	0,8
	40 Hours	72,5	78,5	62,8	15,3	84,4
	41-45 Hours	2,2	2,4	2,0	3,0	2,1
	46-59 Hours	4,7	4,6	4,9	16,9	2,2
	60 and over	11,4	11,4	11,5	58,3	1,6
	total (in 1000)	3.047,8	1.885,0	1.162,8	525,3	2.522,5
1985	14-24 Hours	3,5	0,5	8,2	2,9	3,6
	25-35 Hours	3,2	0,9	6,7	3,9	3,0
	36-39 Hours	0,9	0,7	1,1	0,2	1,0
	40 Hours	76,2	81,8	67,6	23,0	85,5
	41-45 Hours	2,2	2,3	2,0	3,7	1,9
	46-59 Hours	4,5	4,6	4,4	18,8	2,0
	60 and over	8,4	8,7	7,9	47,3	1,5
	total (in 1000)	3.234,5	1.957,4	1.277,1	483,4	2.751,0
1993	12-24 Hours	5,2	0,7	11,6	4,8	5,3
	25-35 Hours	4,4	1,2	8,9	4,9	4,4
	36-39 Hours	24,5	28,2	19,4	3,5	27,7
	40 Hours	49,4	54,7	42,0	23,8	53,3
	41-45 Hours	2,1	2,4	1,6	2,9	2,0
	46-59 Hours	3,8	4,4	3,1	16,1	2,0
	60 and over	6,8	7,7	5,7	43,3	1,3
	total (in 1000)	3.563,4	2.075,9	1.487,5	467,6	3.095,8

Source: Statistical Yearbook 1981, 1986, 1995

T 10a: Employees by number of working hours - Total

Work. hours/week	1990	1991	1992*
up to 24 Hours	140.600	138.500	149.700
25-35 Hours	118.000	123.500	120.200
36 Hours	10.600	12.200	12.900
37-39 Hours	785.300	837.800	839.500
40-41 Hours	1,673.500	1,672.700	1,686.000
42 and over	148.200	147.200	156.000

* more recent data not available Source: Social-economic statistical book of the Federal Chamber for Workers and Salaried Staff 1992, 1993, 1994

T 10b: Employees by number of working hours - Males

Work. hours/week	1990	1991	1992
up to 24 Hours	9.900	8.900	10.900
25-35 Hours	18.100	18.000	18.600
36 Hours	4.100	5.700	6.600
37-39 Hours	530.300	558.800	559.000
40-41 Hours	1,066.800	1,067.100	1,084.800
42 and over	102.900	104.800	113.900

Source: Social-economic statistical book of the Federal Chamber for Workers and Salaried Staff 1992, 1993, 1994

T 10c: Employees by number of working hours - Females

Work. hours/week	1990	1991	1992
up to 24 Hours	130.700	129.600	138.800
25-35 Hours	99.900	105.500	101.600
36 Hours	6.500	6.500	6.300
37-39 Hours	255.000	279.000	280.500
40-41 Hours	606.700	605.600	601.200
42 and over	45.300	42.400	42.100

Source: Social-economic statistical book of the Federal Chamber for Workers and Salaried Staff 1992, 1993, 1994

T 11: Part-time employees Total and Males/Females

Year	Total	Males	Females
1980	153.600	(7.800)	145.800
1981	156.100	(9.900)	146.200
1982	164.900	(10.700)	154.200
1983	169.300	(10.800)	158.500
1984	170.200	16.700	153.500
1985	163.900	(12.600)	151.200
1986	174.800	15.300	159.500
1987	197.900	20.200	177.700
1988	198.500	15.800	182.700
1989	215.500	18.600	196.900
1990	231.200	20.800	210.400
1991	239.300	21.500	217.800
1992	251.700	24.400	227.300

Source: Social-economic statistical book of the Federal Chamber for Workers and Salaried Staff 1992, 1993, 1994 (from 1984: 13 up to 36 Hours normal working time/week, before 14-36 Hours; (numbers in brackets random error bigger than $\pm 20\%$))

T 12: Proportion of part-time employees total and males and females

Year	Total	Males	Females
1980	6,5	(0,5)	17,0
1981	6,5	(0,6)	16,8
1982	6,6	(0,7)	17,2
1983	6,9	(0,7)	18,0
1984	6,6	1,0	15,9
1985	6,3	(0,8)	15,6
1986	6,6	0,9	16,2
1987	7,5	1,2	17,8
1988	7,4	1,0	18,0
1989	8,0	1,1	18,9
1990	8,5	1,5	19,3
1991	8,9	1,7	19,5
1992	9,1	1,9	19,8
1993	9,7	1,9	20,4
1994	10,7	2,4	22,3

Source: Social-economic statistical book of the Federal Chamber for Workers and Salaried Staff 1992, 1993, 1994 (from 1984: 13 up to 36 Hours normal working time/week, before 14-36 Hours; (numbers in brackets random error bigger than $\pm 20\%$); Statistical News 5/1996

T 13: Work places and employees by sector
(excluding work places in agriculture and forestry)

Year	Economic sector	Work places	Employees
1991	Electricity, gas and water supply	920	21.802
	Mining and quarrying	687	10.596
	Manufacturing, industry	44.012	804.979
	Construction	16.536	242.032
	Trade; storage	88.827	495.391
	Hotels and restaurants	44.962	171.818
	Transport and communication	16.278	215.379
	Banking and Insurance	41.223	283.450
	Personal, social and public services	61.041	688.215
	Total	314.486	2,933.662

Source: Austrian work place count 1991

T 14: Average earning in the industry (gross pay in ATS per month, inc. occupational benefits)

Year	total	Workers	Employees
1980	14.630	12.500	19.770
1981	15.758	13.255	21.681
1982	16.850	14.070	23.300
1983	17.740	14.720	24.620
1984	18.630	15.400	25.930
1985	19.760	16.400	27.540
1986	20.170	17.120	28.940
1987	21.500	17.650	30.070
1988	22.340	18.320	31.140
1989	23.410	19.130	32.710
1990	25.150	20.500	35.180
1991	26.580	21.550	37.180
1992	28.180	22.860	39.080
1993	29.572	23.758	40.697
1994	30.790	24.743	42.176
1995	32.173	25.898	43.899

Sources: E. Holzer / G. Hammer: Selected data on earning developments for employed, unemployed and pensioner 1992/3. statistical news 6/1993 Social-economic statistical book of the Federal Chamber for workers and salaried staff 1996

T 15: Average income according to professional status - total
 (50% are earning less than ATS ... gross - without additional occupational benefits)

Year	Total			Workers			Salaried Staff		
	Total	Males	Females	Total	Males	Females	Total	Males	Females
1987	13.707	16.019	10.794	12.697	14.661	9.325	15.578	20.605	12.583
1988	14.033	16.436	11.030	13.007	15.019	9.567	15.885	21.201	12.831
1989	14.567	17.036	11.476	13.469	15.519	9.926	16.557	22.122	13.356
1990	15.331	17.919	12.146	14.135	16.260	10.484	17.508	23.427	14.127
1991	16.323	19.011	12.984	15.054	17.278	11.145	18.596	24.727	15.052
1992	17.257	20.022	13.794	15.891	18.157	11.829	19.700	26.071	15.981
1993	18.101	20.949	14.504	16.670	18.997	12.409	20.613	27.197	16.755
1994	18.723	21.657	14.981	17.254	19.641	12.762	21.285	28.154	17.280

Source: Social-economic statistical book of the Federal Chamber for Workers and Salaried Staff 1992, 1993, 1994, 1995 and 1996

T 16: Unemployment rates based on Austrian calculation - Total/males/females
 (Percentage of unemployed people in potential labour force)

Year	Total	Males	Females
1980	1,9	1,6	2,3
1981	2,4	2,2	2,7
1982	3,7	3,8	3,5
1983	4,5	4,7	4,1
1984	4,5	4,7	4,3
1985	4,8	4,9	4,7
1986	5,2	5,1	5,2
1987	5,6	5,5	5,7
1988	5,3	5,1	5,6
1989	5,0	4,6	5,5
1990	5,4	4,9	6,0
1991	5,8	5,3	6,5
1992	5,9	5,7	6,2
1993	6,8	6,7	6,9
1994	6,5	6,4	6,7
1995	6,6	6,4	6,8

Sources: Statistical yearbook 1994, Labour market situation 1989, Labour market data 1988 and 1995

T 17: Unemployed - average level total/males/females

Year	Total	Males	Females
1980	53.161	26.544	26.617
1981	69.295	38.008	31.286
1982	105.346	65.126	40.220
1983	127.376	79.819	47.556
1984	130.469	80.599	49.870
1985	139.447	84.155	55.292
1986	151.972	88.856	63.116
1987	164.468	95.015	69.453
1988	158.631	89.829	68.802
1989	149.177	81.001	68.176
1990	165.795	89.032	76.762
1991	185.029	98.985	86.044
1992	193.098	107.202	85.896
1993	222.265	126.681	95.584
1994	214.941	120.567	94.374
1995	215.716	120.004	95.712

Sources: Statistical yearbook 1995, Labour market situation 1991, Labour market data 1995

T 18: Incidence of unemployment - total/males/females

Year	Total	Males	Females
1987	554.844	330.845	223.999
1988	543.085	319.311	223.774
1989	531.167	306.072	225.095
1990	566.169	327.229	238.940
1991	606.240	351.648	254.592
1992	627.048	371.823	255.225
1993	680.681	408.421	272.260
1994	681.316	403.655	277.661
1995	686.981	404.593	282.388

Sources: Labour market situation 1994, personal analysis of unemployment structure 1995

T 19: Unemployment - benefit recipients - total/males/females

Year	Total	Males	Females
1982	383.214	242.864	140.350
1983	414.043	265.361	148.682
1984	414.423	263.342	151.081
1985	433.155	273.185	159.970
1986	455.624	282.130	173.494
1987	479.657	295.168	184.489
1988	464.440	281.335	183.105
1989	452.025	266.713	185.312
1990	476.328	276.252	200.076
1991	529.385	308.881	220.504
1992	561.934	336.198	225.736
1993	615.672	374.679	240.993
1994	613.310	369.754	243.556

Sources: Synthesis Structure Report 1988, 1989, 1991, 1992, 1993 and 1994; Labour market situation 1989, 1990 and 1991

T 20: Proportion of those affected by unemployment (those affected/labour force potential)

	1987	1988	1989	1990	1991	1992	1993	1994	1995
Incident	554.844	543.085	531.167	566.169	606.240	627.048	680.681	681.316	686.981
Labour force potential	2,949.825	2,969.110	3,011.468	3,094.457	3,182.380	3,248.908	3,277.175	3,285.673	3,283.900
Percentage rate	18,8	18,3	17,6	18,3	19,0	19,3	20,8	20,7	20,9

Sources: Labour market situation 1994 and own calculation

T 21: Unemployment rate by occupational area

Occupation	1989	1990	1991	1992	1993	1994	1995
Agriculture and forestry	10,0	10,7	12,1	10,4	4,9	4,5	4,4
Manufacturing	6,0	6,5	7,1	7,6	6,6	6,2	6,2
Trade and transport	4,4	4,7	4,9	5,0	5,2	5,1	5,2
Services	9,3	10,0	10,8	10,2	8,0	8,0	7,9
Technical occupations	2,6	2,8	3,0	3,5	4,5	4,5	4,4
Administration, legal and office work	3,0	3,3	3,6	3,7	4,1	4,0	4,0
Health and education	2,7	2,9	3,2	3,0	2,9	3,0	3,2
Total	5,0	5,4	5,8	5,9	5,7	5,5	5,8

Sources: Labour market situation 1989, 1990, 1991, 1992, 1993 and 1994, Labour market data 1995, own calculation

T 22: Unemployment rate by selected occupational groups

Occupation groups	1989	1990	1991	1992	1993	1994	1995
Construction	10,2	10,4	11,5	11,4	4,6	4,3	4,7
Metal worker/electrician	3,6	4,0	4,5	5,0	5,7	5,3	4,9
Unskilled work	15,1	15,1	17,2	18,0	7,6	7,5	7,7
Trade	5,5	5,8	6,0	6,1	6,7	6,6	6,7
Hotel and restaurant	14,2	15,2	16,0	14,7	11,3	11,3	11,2
Office occupation	3,7	3,9	4,3	4,5	4,9	4,8	4,8

Sources: Labour market situation 1989 - 1992 (average per year), 1993 (End of June), labour market data 1995, own calculation

T 23: Unemployed by nationality

Nationality	1981	1985	1990	1995
Austrian citizens	63.239	131.308	147.444	190.826
Migrant workers	6.056	8.139	18.351	24.891
Total	69.295	139.447	165.795	215.716

Sources: Labour market situation 1989, 1990, Labour market data 1995

T 24a: Unemployment rates by economic sectors - total

Sector	1990	1991	1992	1993	1994
Primary sector	12,1	13,1	13,0	14,2	13,5
Secondary sector	5,8	6,7	7,3	8,8	8,4
Tertiary sector	4,5	4,9	4,9	5,5	5,4
Total	5,4	5,8	5,9	6,8	6,5

Sources: Labour market situation 1990, 1991, 1992, 1993 and 1994

T 24b: Unemployment rates by economic sectors - Males

Sector	1990	1991	1992	1993	1994
Primary sector	11,7	12,9	12,9	14,2	13,3
Secondary sector	5,7	6,5	7,3	8,8	8,3
Tertiary sector	3,4	3,7	3,9	4,5	4,4
Total	4,9	5,3	5,7	6,7	6,4

Sources: Labour market situation 1990, 1991, 1992, 1993 and 1994

T 24c: Unemployment rate by economic sectors - Females

Sector	1990	1991	1992	1993	1994
Primary sector	12,9	13,5	13,2	14,4	13,7
Secondary sector	6,1	7,2	7,5	9,0	8,7
Tertiary sector	5,5	6,0	5,9	6,4	6,4
Total	6,0	6,5	6,2	6,9	6,7

Sources: Labour market situation 1990, 1991, 1992, 1993 and 1994

T 25: Unemployment rate by age and gender (in per cent)

Age	1989			1990			1991			1992			1993			1994			1995		
	tot	m	f	tot	m	f	tot	m	f	tot	m	f	tot	m	f	tot	m	f	tot	m	f
15 - 18 years	2,4	1,7	3,2	2,6	2,0	3,3	2,6	2,0	3,3	2,5	2,1	3,2	2,9	2,3	3,8	2,8	2,1	3,8	2,9	2,1	3,9
19 - 24 years	5,8	5,7	6,0	6,1	6,0	6,3	6,5	6,5	6,5	6,3	6,8	5,7	7,2	8,2	6,3	6,8	7,5	6,1	7,0	7,6	6,3
25 - 29 years	5,7	5,0	6,6	6,1	5,4	7,1	6,5	5,6	7,6	6,2	5,8	6,6	6,8	6,9	6,8	6,5	6,3	6,8	6,7	6,4	7,1
30 - 39 years	4,9	4,5	5,4	5,2	4,7	5,9	5,5	4,9	6,3	5,5	5,1	6,0	6,2	5,9	6,6	6,1	5,6	6,7	6,3	5,8	7,0
40 - 49 years	4,4	4,1	4,7	4,6	4,3	5,1	5,0	4,7	5,4	5,2	5,1	5,4	6,0	6,0	6,1	5,9	5,8	6,0	5,9	5,9	5,9
50 - 54 years	5,5	4,8	6,7	6,2	5,1	8,1	7,2	5,8	9,5	8,5	7,0	11,0	9,9	8,4	12,2	9,7	8,5	11,6	9,2	8,2	10,7
55 - 59 years	5,8	6,2	4,8	7,5	7,8	6,5	9,1	9,6	7,7	10,4	11,4	8,4	11,1	12,1	8,3	10,1	11,6	5,8	9,2	10,4	5,7
from 60 years o	2,8	2,4	3,4	3,6	3,3	4,1	4,3	4,0	4,8	4,8	4,4	5,4	5,2	4,9	5,7	3,7	3,5	3,9	3,5	3,4	3,5
Total	5,0	4,6	5,5	5,4	4,9	6,0	5,8	5,3	6,5	5,9	5,7	6,2	6,8	6,7	6,9	6,5	6,4	6,7	6,6	6,4	6,8

Sources: Labour market situation 1989 to 1995

T 26: Unemployment rates by Länder (counties)

Province	1980	1985	1990	1994	1995
Burgenland	3,4	8,9	7,6	7,7	7,8
Kärnten	4,7	7,0	7,0	8,1	8,5
Niederösterreich	1,8	5,3	5,4	6,5	6,4
Oberösterreich	1,4	4,1	4,4	5,4	5,1
Salzburg	1,5	3,9	3,4	4,0	4,2
Steiermark	2,2	5,4	6,4	8,1	8,2
Tirol	2,0	4,4	4,8	5,6	5,8
Vorarlberg	0,5	2,7	2,8	5,7	5,3
Wien	1,5	4,5	5,8	7,1	7,3
Total	1,9	4,8	5,4	6,5	6,6

Source: Labour market situation 1985, 1989, 1990, 1994 and 1995

T 27: Duration of unemployment (as a percentage of average unemployment rate)

Duration	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
up to 3 months	56,6	56,6	56,6	56,6	56,1	57,1	55,8	52,6	52,0	50,6	50,1	51,9
3 to 6 months	21,2	21,2	21,2	21,2	20,0	18,7	19,1	19,1	18,2	19,2	18,0	18,1
6 to 12 months	11,4	11,4	11,4	11,4	11,1	11,0	12,0	13,1	12,9	13,1	13,4	12,5
1 year and more	10,8	10,8	10,8	10,8	12,7	13,1	13,1	15,2	17,0	17,0	18,5	17,5

Sources: Labour market situation 1989 and 1994, Labour market data 1995, own calculation

T 28: Average duration of unemployment of those leaving the unemployment register

	1989	1990	1991	1992	1993	1994	1995
Duration in days	105	103	112	114	119	125	124

Sources: Labour market situation 1989, 1990, 1991, 1992, 1993, 1994, Labour market data 1995

T 29a: Persons in employment by professional status - total (1000s)

Status	1980	1985	1990	1991	1992	1993	1994	1995
Self-employed	483,6	442,1	415,9	409,7	401,2	391,1	381,1	371,3
employees	2.788,7	2.759,7	2.928,7	2.997,4	3.055,8	3.054,9	3.070,7	3.068,2
total	3.272,3	3.201,8	3.344,6	3.407,1	3.457,0	3.446,0	3.451,8	3.439,5
proportion of self-employed	14,8	13,8	12,4	12,0	11,6	11,4	11,0	10,8

Quellen: Statistisches Jahrbuch 1995, Statistische Übersichten 5/96; Arbeitsmarktlage 1994; telefonische Auskunft vom WIFO; eigene Berechnungen

T 29b: Persons in employment by professional status - males (1000s)

Status	1980	1985	1990	1991	1992	1993	1994	1995
Self-employed	277,2	253,2	250,6	247,4	244,0	240,3	235,6	232,0
employees	1.672,2	1.631,8	1.718,8	1.752,1	1.766,9	1.756,5	1.761,6	1.757,4
total	1.949,4	1.885,0	1.969,4	1.999,5	2.010,9	1.996,8	1.997,2	1.989,4
proportion of self-employed	14,2	13,4	12,7	12,4	12,1	12,0	11,8	11,7

Quellen: Statistisches Jahrbuch 1995, Statistische Übersichten 5/96; Arbeitsmarktlage 1994; telefonische Auskunft vom WIFO; eigene Berechnungen

T 29c: Persons in employment by professional status - females (1000s)

Status	1980	1985	1990	1991	1992	1993	1994	1995
Self-employed	206,4	188,9	165,3	162,3	157,2	150,8	145,5	139,3
employees	1.116,6	1.127,8	1.209,9	1.245,2	1.288,9	1.298,7	1.309,1	1.310,8
total	1.323	1.316,7	1.375,2	1.407,5	1.446,1	1.449,5	1.454,6	1.450,1
proportion of self-employed	15,6	14,4	12,0	11,5	10,9	10,4	10,0	9,6

Quellen: Statistisches Jahrbuch 1995, Statistische Übersichten 5/96; Arbeitsmarktlage 1994; telefonische Auskunft vom WIFO; eigene Berechnungen

Wirtschaftsklassen	1983	1984	1985	1986	1987	1988	1989	Selbständige	Mithelfende	zus. 1990
Land- und Forstwirtschaft								150.900	84.800	235.700
Industrie und Gewerbe								88.400	13.600	102.000
Dienstleistungen								155.800	35.900	191.700
unbekannt								700	200	900
Gesamtsumme	507.000	497.000	486.000	490.000	491.000	492.000	490.000	360.500	134.700	495.200
Energie- und Wasserversorgung								100		100
Bergbau, Steine und Erdengewinnung								100	0	100
Erzeugung und Verarbeitung von Metallen								12.800	3.400	16.200
Bauwesen								14.700	4.600	19.300
Handel und Verkehr								94.600	28.000	122.600
Freie Berufe								59.000	7.800	66.800
Öffentlicher Dienst								2.100	100	2.200
Haushaltung								100		100
Wirtschaftsklassen	Selbständig	Mithelfend	zus. 1991	Selbständi	Mithelfend	zus. 1992	Selbständi	Mithelfende	zus. 1993	
Land- und Forstwirtschaft	146.600	76.800	223.400	150.900	64.600	215.500	148.400	62.400	210.800	
Industrie und Gewerbe	52.200	16.200	68.400	47.900	12.500	60.400	47.900	13.200	61.100	
Dienstleistungen	156.600	36.000	192.600	162.900	70.000	232.900	164.900	35.700	200.600	
unbekannt	400	100	500	500	200	700	500	200	700	
Gesamtsumme	335.900	129.300	465.200	362.100	114.400	476.500	361.500	110.800	472.300	
Energie- und Wasserversorgung	100		100	100		100	100		100	
Bergbau, Steine und Erdengewinnung	300		300	400		400	200	300	500	
Erzeugung und Verarbeitung von Metallen	13.800	5.200	19.000	10.800	3.100	13.900	11.300	2.100	13.400	
Bauwesen	12.900	5.100	18.000	13.000	3.800	16.800	11.500	3.500	15.000	
Handel und Verkehr	92.300	26.800	119.100	92.600	26.600	119.200	96.600	25.700	122.300	
Freie Berufe	61.900	9.000	70.900	68.000	9.800	77.800	64.000	8.800	72.800	
Öffentlicher Dienst	2.300	100	2.400	2.200	500	2.700	4.200	400	4.600	
Haushaltung	100	100	200	100	100	200	100	200	300	

T 31: Employees by status and gender

Jahr	Status	gesamt	Männer	Frauen
1992	Workers (excluding public sector):	1.381.200	965.200	416.000
	Trainees	98.300	77.200	21.100
	Semi-skilled workers excluding agriculture and forestry	242.700	104.100	138.600
	Semi-skilled workers in agriculture and forestry	14.300	10.000	4.300
	Angelernte ArbeiterInnen	453.900	283.600	170.200
	Skilled workers	517.300	438.900	78.500
	Master craftsman/woman, foreman/woman	54.600	51.400	3.200
	Employees (excluding public sector):	1.153.000	524.500	628.500
	Trainees	46.200	14.600	31.600
	Un/semi-skilled work	127.100	42.100	85.000
	Skilled work	323.200	105.800	217.400
	Medium skilled task	318.200	119.300	198.900
	High skilled task	202.400	131.800	70.600
	Highly qualified task	89.900	71.500	18.400
	Leadership role	45.900	39.400	6.500

Quelle: Mikrozensus Jahresergebnisse 1992

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