

cating a structural problem. For years the increase of production has lagged far behind the high productivity growth in industry. A further decrease in employment in industry must be expected for the future as well. The sectors of business-related, social and personal services, above all, could make up for the decreasing employment in industry. Particularly the share of business-related services is relatively low in Austria, indicating a considerable potential for expansion.

Given the present average working time, an economic growth of approximately 2% is necessary to maintain the level of employment. But as the labour supply has a medium-term growth rate of about 0,5%, the economy would have to grow by approximately 2.5% in order to keep the unemployment rate constant. This would be in line with the more optimistic medium-term growth prospects. Therefore economic growth alone will not be enough to significantly reduce unemployment. It will also be necessary to increase the employment intensity of growth e.g. by expanding labour-intensive services.

While the number of jobs continues to depend on the economic dynamism, unemployment has partly decoupled from the employment trend. Experience has shown that in Austria the labour supply varies considerably in the cyclical course: In times of recession a decreasing labour supply reduces the increase of unemployment; during economic recovery, however, unemployment decreases only slowly, as additional labour force, in particular foreigners and women from the hidden labour force reserve, enter the labour market.

At the beginning of the nineties the rapid increase in the foreign labour supply, partly due to the opening of the Eastern countries, demonstrated which problems can be caused by a sudden increase in supply: above all dismissal of the older domestic labour force and increasing unemployment of foreigners already living in Austria. The future employment policy for foreign workers is to aim at precluding negative effects on the unemployment situation (controlled access).

Finally the regional differences in the unemployment rates are very high. Ailing, old industrial areas and rural regions are particularly disadvantaged. Economic integration results in aggravation of regional disparities and thus increases the importance of regional development policy.

1.3. High Dynamism of the Austrian Labour Market

The dynamism of the Austrian labour market is greater than generally assumed. Even with unchanged overall employment more than 100,000 jobs are lost through reduction of labour force in diminishing enterprises and through closures, while at the same time 100,000 new jobs are created. Two thirds of this restructuring process take place within the individual branches of industry.

Not only is intercompany mobility relatively high in Austria, but also the change between employment and unemployment is frequent – even if the seasonal movement is ignored. The increase in unemployment is partly due to a rising number of job-seeking unemployed.