

# **AUSTRIAN SOCIAL PARTNERS' ADVISORY COUNCIL FOR ECONOMIC AND SOCIAL AFFAIRS**

## **EMPLOYMENT POLICY**

The studies produced by the Austrian Social Partners' Advisory Council for Economic and Social Affairs contain opinions and recommendations for economic policy which have been agreed upon by the four major Austrian social partners (the Federal Economic Chamber, the Federal Chamber of Labour, the Austrian Federation of Trade Unions and the Standing Committee of the Presidents of the Austrian Chambers of Agriculture).

The following text represents a translation of the introduction and recommendations from the Advisory Council's enclosed study „Employment Policy“ (Beschäftigungspolitik). The translation was provided by Martha Schodl.

### **CHAPTER I: INTRODUCTION AND RECOMMENDATIONS**

#### **1. Introduction – The Economic Environment**

##### **1.1. Introductory Remarks**

In the last decade the labour market has become one of the central problems of the economic and social policy. Due to rationalization measures and relocation of production facilities the number of jobs in industry has greatly decreased and despite massive early retirements the unemployment rate has doubled since the beginning of the eighties.

The labour market has come under pressure from various sides:

- Since the seventies the long-term economic growth has decreased by about fifty percent. Therefore the labour demand of the enterprises has declined considerably. Yet, in contrast to the slogan of: „jobless growth“ employment has not at all decoupled from economic growth.
- The international division of labour and the technological development forced industry to take rationalization measures. With increasing integration this trend spread also to other sectors (e.g. banks). The international division of labour has three aspects in particular: globalization, EU-integration and opening of the Eastern countries.

A third, though less central labour market factor, is the steady increase in labour supply. In the last decade more women sought employment and additional foreign workers, also a consequence of the opening of the Eastern countries, were integrated into the labour market. According to present estimates the labour supply will continue to increase over the next twenty years

(by more than 270.000 according to the estimates of the Austrian Institute of Economic Research, see chapter II.6), even if a restrictive immigration policy is adopted.

In Austria the labour market situation became critical in 1995 and 1996: 16,000 jobs were lost in these two years, the number of the registered unemployed increased to the same extent. In these years employment problems spread from the industrial sector to those service sectors that lost their hitherto sheltered position due to the European integration and must now prevail against international competition.

The increasing problems of the labour market motivated the Advisory Council for Economic and Social Affairs to this employment study. The Advisory Council concentrated in its work on labour market and qualification aspects, as the economic side of this problem was dealt with in the Advisory Council's study „Wirtschaftsstandort Österreich“ („Austria's Competitive Position as an Industrial Location“) two years ago. The Austrian Social Partners' agreement „Maßnahmen für eine beschäftigungspolitische Offensive“ („Measures for an Employment Policy Initiative“ of the employment summit of the Parity Commission of February 1996) is enclosed in the annex.

This paper is thus to complement the study on Austria's competitiveness. It must be stressed that employment and unemployment are not merely problems of the labour market but much more of economic development and thus also of economic policy. Labour market and educational policy initiatives are necessary but not sufficient to increase employment.

The study of the Advisory Council is divided into six chapters: This introduction and the recommendations or conclusions are followed by a chapter on the development of the labour market, paying specific attention to the individual sectors. The third chapter deals with qualification of the labour force concentrating on further vocational training and continuing the Advisory Council's study „Qualification 2000“. The fourth chapter is devoted to the subject of working time and employment and refers to two studies of the Advisory Council on „Arbeitszeitentwicklung“ („Working Time“) and „Öffnungszeiten“ („Shop Hours“). The fifth chapter goes into those areas, services in particular, for which the Advisory Council expects a high future employment potential. The sixth chapter finally discusses the active labour market policy.

## **1.2. Economic Growth and Labour Market Development**

Austria succeeded in restraining the last recession ('92/'93) and keeping the unemployment rate low compared to other European countries last but not least due to letting the automatic stabilizers take effect i.e. accepting short-term effects of recession-led tax losses on the budget deficit. Such a policy prevents the development of a non-cyclical unemployment that would then consolidate and be difficult to reduce even in times of economic upswing.

Nevertheless employment has become of major political concern in Austria as throughout the rest of Europe. Unemployment increases during each cyclical downswing and hardly decreases during an economic recovery, thus indi-