

(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-

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.