

the taxes on consumption are on international level and direct taxes are considerably lower.

Possibilities of reducing the fiscal burden on the factor of labour may be found e.g. in the sector of the „Kommunalabgabe“ (municipal tax), „Familienlastenausgleich“ (system of financing transfers to families) and Wohnbauförderungsbeitrag (fiscal charges for subsidizing the construction of housing). These charges could be replaced by other forms of taxation, but comprehensive changes of the tax and fiscal burden on the factor of labour require an all-European solution.

## **2. Recommendations**

### **2.1. Skills**

#### *2.1.1. Skills as a Locational Factor*

For highly developed industrial countries, the skills of the employees represent a decisive competitive element. The Austrian educational system must therefore react swiftly and flexibly to economic and technical changes. In its „Jobs Study“ the OECD points out that poor flexibility of the educational system can contribute to increasing unemployment.

Education and vocational training are of great importance for the attractiveness as an industrial location and for the prospects in the labour market. An increase in the level of ability does not only strengthen the employment opportunities of the individual but also increases the competitiveness of the economy as a whole as well as the flexibility in the labour market.

#### *2.1.2. Further Vocational Training*

This study concentrates on further vocational training which increases its importance in a rapidly changing working world. Further vocational training starts after the initial education and should be possible any time as lifelong learning and vocational training. It should be interlinked with work in various stages, taking into account the access of groups not yet incorporated into further vocational training and making participation feasible for companies.

The numerous forms of further vocational training include vocational training for adults, in-company training, upgrading qualification training for employees e.g. master qualifications in trade on a supervisory level, as well as training for unemployed.

In general, Austria has quite a good starting position, because at least in urban centers it provides a well-developed system of vocational training. In certain fields, however, the development of a demand-oriented vocational training system taking into account regional requirements is inadequate.

In cooperation with the regional authorities, the facilities offering vocational training must see that further training is offered universally and can ac-

tually be utilized. Initiatives are to be taken to guarantee the possibility of further training through subsidies to either trainees or the training institutions. The range of training courses is to be described clearly and should be easily understandable for the prospective participants.

In a dynamic economic environment, each kind of „learning on stock“ prior to pursuing a gainful employment can only be of limited use. It must, therefore, be guaranteed that schooling provides a solid basis for lifelong continuous education and that vocational training can directly complement the knowledge and skills acquired at school. In addition, the present educational system should enhance the incorporation of times of practical training and times of vocational training. Measures of further vocational training should aim at increased quality control and viability on the labour market. The Advisory Council considers the activities taken in the field of vocational training, so far, as inadequate and urges an intensification of effort.

Rapid technological change creates a need for an increased and more comprehensive range of training facilities as well as an improved information about them. In a society in which values are primarily conveyed through work, all unemployed and those threatened by unemployment must have the possibility to participate in further training. Furthermore, rapid technological change makes even specialized skills of employees easily obsolete.

Skilled workers and engineers are traditionally among the greatest assets of the Austrian economy. They must keep up with latest levels of technology. For this purpose the possibility to participate in further vocational training should be given. A social model in which working life is concentrated on the age from 20 to 60 years with education and leisure before and after that period is neither sensible nor desirable.

Media literacy is the prerequisite for the entry into the information and communication society. Today information management has become a decisive success factor, including market information, technical know how and work with media and data banks. The key word of „Schools on the Network“ also applies to further training. The use of new media (computer based training, correspondence course elements) is to be intensified in the further training system as well.

For most occupations, a basic knowledge of computer aided work, recently above all the work with modern communication media („networking literacy“), has become a basic qualification. The Advisory Council considers the comprehensive instruction of this basic knowledge in vocational training and further training sectors an indispensable economic and educational measure: It is one of the decisive pre-conditions for a positive contribution of the new communication technologies toward employment. One area of application of new media is education by correspondence, which has become of increasing importance. It can fulfill an important function in further training, if given the respective framework, as it reduces problems of time and location.

A model that concentrates education, gainful employment and leisure time in separate sections of the individual's life is no longer in line with employment policy requirements. In this connection the Advisory Council also recommends examination of various international models of „Job Rotation“ –

also interesting from an educational point of view – concerning their applicability in Austria (also see „Models for Redistribution of Work to Increase Employment“).

### *2.1.3. Better Coordination of Schooling and Further Training*

The Advisory Council for Economic and Social Affairs already intensively discussed educational issues in the study „Qualifikation 2000“. Some of those proposals have been implemented by the government e.g. the foundation of „Fachhochschulen“ (non-university higher education institutions providing high-quality professional and academic training for specific occupations).

Education and training at schools must be more intensively interlinked with the requirements of the working world and the access to the individual levels of the Austrian educational system must be facilitated.

Schooling and further training are to be interlinked in such a way that schools can become the reliable base for independent learning by individuals in further vocational training. Those willing to learn must have the opportunity to advance in their career through further training by setting individual training targets. In this connection, the Advisory Council is aware of the great importance of establishing Fachhochschulen for working people. At present there are too few study courses for employed persons.

Leaving compulsory schooling without positive final examination results constitutes a particular disadvantage on the labour market and for further training. There should, therefore, be the possibility of taking this final exam at a later date.

### *2.1.4. Financing of Further Vocational Training*

The system of further vocational training is characterized by a great diversity of the range of training courses, facilities and financing sources. The Advisory Council stresses the necessity of aiming at useful synergy effects to be able to use public means as efficiently as possible and to simultaneously create fair competition amongst the suppliers.

Up to now, financing problems and labour and social legislation problems for the time of further training have restricted a comprehensive expansion of further vocational training. Therefore, a further training initiative presupposes improvements in these two central issues.

Enterprises are principally interested in improving skills that can be directly utilized in the job. For such further enterprise-specific training, the enterprises should provide financial support and working-time.

Measures of further training that are exclusively in the interest of employees represent the other extreme. Employees should use their leisure time and financial means respectively, but be enabled to do so by being offered flexible working hours.

In many cases, however, further vocational training will be of interest to employee and employer by providing both enterprise-specific and general

transferable skills. The financing of such measures should be agreed upon in collective agreements as well as company level agreements and should not be exclusively confined to individual agreements. No legal regulations are required, if claims on further training can be satisfied in this way.

The European Social Fund promotes further vocational training of employees within Objective 4. This means an improvement in financing further training activities, as up to now these means of labour market policy have been restricted to the use by the unemployed. The efficient use of these ESF means presupposes an additional effect, no indiscriminate distribution of grants and a better practical orientation of further training calls for a better study of the demand for further training courses on a local level.

To be able to finance at least certain prerogative projects, it is necessary to set the appropriate priorities.

#### *2.1.5. Proof of Further Vocational Training*

The simultaneous existence of vocational education and further vocational training makes accreditation of skills acquired through further vocational training possible in many fields. Certificates to recognize final exams are necessary. Formal certificates increase the motivation for further education and facilitate access to the entire educational system.

The transferability of skills acquired through further training is to be promoted through standardization (curricula for further training) without questioning the flexibility of the system. Further vocational training must provide a valid proof of the acquired skills to improve prospects on the labour market. The further training system should be offered, wherever possible, in form of modules that could be combined into training units and included into the traditional educational hierarchy.

The Advisory Council supports the rapid implementation of the political agreement on the *Berufsreife* (university entrance test for those not having a final examination of a higher secondary school to attain full access to post-secondary and tertiary education and training). The integration of the dual vocational training into the educational system was promoted by the formal integration of vocational training schools into the secondary level of education.

#### *2.1.6. Direct Utilization and Transferability of Further Training*

In the further training sector, it is necessary to find a compromise between two contradictory requirements. On a direct and short-term basis, further training proves to be most successful when it is done for a specific workplace. On the other hand, further training should teach transferable skills (e.g. foreign languages and EDP skills) that sometimes cannot be utilized immediately but represent a precondition for future economic and technical developments.

Companies are generally interested in improving skills that can be directly employed. Yet, the educational assignment of the schools cannot be restricted to instructing skills that can be immediately used in the working world.

Further training is a concern of both the company and the employed person and is usually implemented individually without state influence. To a major extent, the range of further training possibilities is oriented towards the requirements of the companies with the labour market policy playing a supporting role.

The increasing importance of further vocational training makes it necessary to reconsider the schools' curricula. The reasons for necessary restrictions in initial education are manifold e.g. the danger of overstrain in time and contents.

The idea of „general education“ is to be fundamentally reviewed. A modern vocational training depends, among other things, on the instruction of key qualifications, e.g. the application of information technologies, the intensification of foreign language instruction and the introduction of autonomous school regulations. Further vocational training can then directly relate to the basic knowledge acquired at school.

### *2.1.7. Vocational Counseling*

A basic prerequisite for an efficient educational policy is the detailed and comprehensive vocational orientation of youth as well as information for adults on the broad range of further training possibilities (by means of data banks and central information facilities).

The choice of education and vocation still seems to be based more on current individual interests and preferences than on long-term vocational prospects. Free education orientated on private interests with subsequent free re-training means an inefficient use of available resources from an overall economic and social point of view.

Improving the vocational guidance for graduates from high-school continues to be a topical task, though some progress has been achieved by expanding study and vocational counselling activities (e.g. fairs) as well as of career guidance centers. The vocational counselling centers should be increasingly oriented also toward the needs of adults seeking advice.

The social partners have developed a concept for restructuring vocational and educational counselling for the first grades of secondary and higher secondary education. The working group of the Ministry of Education should advance its implementation.

### *2.1.8. Apprenticeship Training*

The dual vocational training certainly deserves merits for the integration of young people into the working world. It has definitely contributed, in past decades, to improving the skilled labour supply for the enterprises and to keeping youth unemployment low.

However, reforms are necessary also in this field: Only a broadly defined initial vocational training that concentrates increasingly on the instruction of social and communicative skills which become of greater importance will be

able to contribute to Austria's competitiveness and motivate further vocational training.

Apprenticeship training should be a demand-oriented training in more broadly defined trades. The social partners, therefore, agreed on establishing „Gruppenlehrberufe“ (comprehensive apprenticeships teaching several vocational skills which enable the graduate to work in various related occupations) with various technical disciplines.

Moreover, the number of apprenticeships of higher technical grade is to be increased. Young people must be better motivated to start apprenticeships in vocations of a high technical grade and apprenticeship places in these fields should be particularly promoted. Among other things, the social partners agreed on a promotion of apprentice workshops. In vocations with a less demanding apprenticeship the rate of drift-away is often very high and retraining for other fields is not unusual.

The possibility for those having finished an apprenticeship to attain university entrance level through adequate study courses („Berufsreife“) represents a major step toward upgrading the skilled worker image.

In the field of dual vocational training, not only qualitative improvements are required but also acute quantitative problems have to be solved. There is an urgent need to counter the consequences of a decreasing supply of apprenticeships, a problem aggravated by the decreasing possibilities of access to the vocational education sector.

In view of the broad distribution of competencies for matters of Austrian and foreign young people, the Advisory Council regards overlapping cooperation as indispensable in order to develop and efficiently implement the necessary countermeasures: An initiative „Training of Youth“ involving all public authorities and the social partners should be created.

## **2.2. Working Time and Employment**

Regulation of working time represents an instrument of economic policy that is to be used to improve competitiveness, satisfy the interests of the employed and attain the maximum employment effects. The employment effects of the three basic forms of regulation of working time discussed – i.e. decoupling production time and working time, adjustment of working time to production fluctuations and reduction of working hours – cannot be generally classified as negative or positive. Neither more flexible working times nor reduction of working hours automatically create new jobs, but they can contribute to increasing or maintaining employment. To achieve the optimum employment effect it is necessary to agree on specific solutions, taking into account the specific problems and framework conditions.

The recommendations of the Advisory Council thus concern general assumptions of the effects on an overall economic level (2.2.1-2.2.4) on the one hand and on a branch-specific level (2.2.5-2.2.7) on the other hand.

### *2.2.1. Decoupling of Production Time and Working Time*

Positive effects on employment by a national decoupling of production time and working time are to be expected, if the demand for a product is relatively price elastic. When costs and prices decrease, demand rises. If such measures are taken not only on national but on international level, the positive effects on employment will be lower. Demand will react less elastically if all producers reduce prices simultaneously than if individual suppliers gain market shares through price reductions.

Yet, from a dynamic point of view, a general non-sector-specific decoupling of production and working times, the increasing output-capital ratio and the pressure for „capital deepening“ will temporarily promote the propensity to invest. If the positive demand-effect of these investments outweigh the capacity-effect (and the potential subsequent rationalization effects), a positive net-effect on employment may be the result in the medium-term. Moreover, a higher level of employment could be achieved even with the same capital stock (with given investments).

Longer production times, as a competitive measure, in certain enterprises or branches are particularly necessary, when international companies are offered a considerably higher output-capital ratio through the decoupling of production and working times in other countries with similar production conditions as Austria. From the employment point of view the Advisory Council therefore recommends the decoupling of production and working times particularly for branches with capital-intensive production so as to make possible cost and price reductions, while preserving the legitimate interests of the employed.

### *2.2.2. Adjustment of Working Hours to Production Fluctuations*

In those fields where flexibility represents a decisive competition-related quality dimension for the demand by consumers or enterprises, the adjustment of the working time to production fluctuations can constitute a useful measure.

The Advisory Council therefore recommends to take into account employment effects when implementing the new possibilities of compensating fluctuations of the order volume through adjustment of the working time to production fluctuations. Positive employment effects can be expected in particular when overtime and extratime are being reduced and when the leave can be taken in blocks. The practical implementation must be decided upon by the social partners at enterprise or supra-enterprise level.

### *2.2.3. Reduction of Working Time*

A reduction of the regular working hours theoretically allows for a distribution of the available amount of work amongst more people. Particularly in view of the increasing output-capital ratio due to constant technical progress this possibility will continue to be part of the repertory of working time policy.

Counterproductive side effects may, however, exert a negative employment effect: These result mainly from the deterioration of international competitiveness of businesses and the ensuing – depending on the individual economic fields – shift of the costs onto prices. A further general prerequisite for a positive employment effect is a relative homogeneity of the labour market segment; in case of a segregated labour market (e.g. scarcity of skilled labour), no positive employment effect can be expected due to a lack of labour supply.

The problem of a reduction of working time is consequently best left in the competency of the collective bargaining partners and no general proceeding is to be taken for the time being. This does not, however, preclude a reduction of working hours on branch and company level. Thus in certain cases shorter working hours on company level in combination with flexible working hours may help to prevent a reduction of personnel („VW model“) or even create additional employment.

The reduction of regular overtime would constitute another aspect in the reduction of working hours. If overtime is not used to cover occasional extra workload but is performed on a permanent basis, from an employment perspective this overtime should be reduced and replaced by new hirings, provided this is a viable commercial proposition.

New variants of the distribution of labour are discussed in the next chapter.

#### *2.2.4. Models of Distributing Labour to Create More Employment*

The Advisory Council mainly concentrated on two concrete models of a „redistribution“ of labour: Job rotation – temporary replacement of an employee on leave by an unemployed person – and part-time work.

Models aiming at a reduction of working hours in favour of increased leisure time for the individual may positively affect motivation, sick leave, productivity and finally the length of working life. Possible counterproductive effects such as an increase of illicit work in the acquired leisure time would have to be investigated and appropriate countermeasures would have to be taken if necessary. Possible savings in the unemployment insurance could be used, through a re-allocation of the resources, for active measures like further training, promotion of employment or possibly also contribution reductions.

The Advisory Council recommends to intensify and test the following possibilities in limited model studies and pilot projects and to study their effects in consultation with the social partners.

##### *2.2.4.1. Job Rotation Models – Educational Leave*

Sabbaticals and other forms of job rotation become increasingly important instruments of labour market policy throughout Europe and can be used in the placement of labour to secure a well functioning labour market. In this connection, the needs of employees, the unemployed and employers must be equally taken into account.

A possible model of job rotation is a maximum 1 year leave for recognized educational purposes except university studies during which a long-term unemployed person is hired as replacement (Danish model). Pilot projects are being implemented in Austria, too: Austria participates in the project „EU Job Rotation“ within the community initiative „ADAPT“.

The transitional voluntary leave of an employee (sabbatical) and the simultaneous hiring of an unemployed person can also be interesting in respect to the employment effect. The model of a publicly financed year of leisure that is not bound to personal or educational motives cannot be recommended; it was also stopped in Denmark.

Another model is being discussed for the public service sector: Civil servants are to have the possibility of working for four years for 80 percent of their salary and then take the fifth year off in which they also receive 80 percent of the salary. This idea, too, still needs thorough evaluation. The creation of a legal basis for similar models could be discussed in private sector as well.

The Advisory Council recommends to start pilot projects by the collective bargaining partners in consultation with the Arbeitsmarktservice (AMS – Labour Market Service) and to analyze the projects in detail after a given period as to employment increase or possible problems.

#### 2.2.4.2. Part-time Work

Personnel placement oriented towards customer frequency, increased productivity of part-time employees, easier handling of temporary replacement problems and possible cost reductions by avoiding organizational slack make part-time work for enterprises in certain sectors (e.g. trade) attractive and may result in a reduction of full-time employment and an increase of part-time employment (transforming jobs or creating new jobs). The effects on the unemployment rate depend on whether this demand is met from the pool of the officially unemployed or from the number of those who have so far not been part of the labour market. Definite statements as to the effect of (increased) part-time work on the unemployment rate can therefore not be made, but positive effects on the participation rate are to be noticed.

To increase the possibilities of employment in the part-time sector, part-time work must become more attractive. Elements of an attractive part-time employment are in particular

- voluntary part-time employment
- possibilities for part time employment for men and women also in medium and higher qualified positions
- possibilities for career development and individual career planning
- possibility to change from full-time employment to part-time and vice versa

- and the possibility for individual arrangements through a broad spectrum of variants to choose from (from daily reductions to weekly, monthly up to annual units of leisure time)

To increase the employment level the Advisory Council therefore recommends to intensify the access to part-time employment under the pre-conditions mentioned above. The social partners on company level are therefore called upon to create and work out possibilities for part-time employment attractive for both employer and employee.

Models linking part-time work with partial benefits out of the social security system (e.g. flexible retirement, part time parental leave) should also be discussed with regard to their employment effects. The possibility of flexible retirement, available in Austria but only rarely claimed, is to be reconsidered in view of the low factual retirement age.

#### 2.2.5. *Working Time and Employment in Industry and Trade*

The wish for more attractive working time schemes for employer and employee together with the necessity of strengthening the competitiveness hitherto often resulted in – partially not legally founded – agreements on working time regulations between management and works council.

The Advisory Council therefore welcomes the legal possibilities of flexible working time agreed between the social partners and recommends the rapid implementation of regulations on collective bargaining level taking into account the flexibilization needs of both sides and guaranteeing a fair accommodation of conflicting interests.

#### 2.2.6. *Employment Effects through Liberalization of Shop Hours*

The liberalization of shop hours that went hand in hand with a legal protection of quality of leisure time of the employees, should enable an increase in the employment level in trade, particularly through part-time jobs.

The number of persons employed in trade increased in the first three months of 1997 by 6,575 persons (+ 2.9%) compared to the same period of last year, thus stopping the negative trend (the comparison January 1995 – January 1996 still showed a reduction of 0.56%). Particularly the bigger retailing chains in preferred shopping areas and shopping centers led here. However, over  $\frac{2}{3}$  (4,447) of this increase are so-called „geringfügig Beschäftigte“ (marginally employed: employees working no more than 8 hours per week and earning no more than a certain amount per month, thus being excluded from social security), the rest of 2,128 are both full-time and part-time employees. An evaluation of the net employment effect will therefore also have to take into account possible undesired effects through this liberalization such as involuntary regression into part-time jobs below subsistence level, division of full-time jobs into marginally employed and undermining of the financial base of the social insurance through marginal employments.

The Advisory Council welcomes the liberalization steps negotiated between the employer and employee representations of interests and proposes similar steps for other branches of the service sector, provided a more detailed evaluation reveals sustainable positive employment effects. Also there it will be important to secure the acceptance by the employees.

For a general assessment of part-time work see chapter 2.2.4.2. – Part-time Work

### *2.2.7. Working Time Models to Prolong Employment in Seasonal Branches*

Branches in which an economic activity, due to the weather situation or similar conditions, is limited to certain periods of the calendar year, carry the problem that the majority of the employees in these sectors face unemployment during the off-season. Apart from other measures to extend the employment season, the possibilities of working time schemes for reducing the respective periods of unemployment should therefore also be analyzed and utilized.

Particularly promising seems the concept of compensating overtime through leavetime at the end of the employment period instead of money, thus prolonging the period of official employment and reducing the time of unemployment. According to the current legal position, above all four models are conceivable: compensation through leisure time instead of overtime payment; working extratime to accumulate free days in connection with holidays; a longer settlement period for working time defined in collective agreements; and mandatory consumption of parts of the annual leave in the non-employed period.

To find acceptance for such models it is important to create incentives both for employers and employees. Among other things it will be necessary to find fair compensation in both the social insurance and labour legislation sectors.

Such models prolonging employment are particularly important for the construction and tourism sectors. The Advisory Council refers to the successful conclusion of a collective agreement in the construction industry and strongly recommends to also conclude such an agreement in tourism.

## **2.3. New Fields of Employment**

In this study the Advisory Council concentrated on the service sector, as in this sector the most significant employment increases are to be expected and as other aspects regarding Austria as an industrial location or economic policy measures beyond that have been dealt with in other studies („Austria's Competitive Position as an Industrial Location“; Social Partners' Agreement „Maßnahmen für eine beschäftigungspolitische Offensive“ – „Measures for an Employment Policy Initiative“).

### *2.3.1. Employment Potentials in Business-Related Services*

The sector of the business-related services involves a particular growth potential for output and employment. Estimates reveal an approximately 10 percent increase in employment and output both in the eighties and the first half of this decade. Only a minor part of this employment increase can be attributed to shifting services from the industrial sector (study of the IWI – Industrial Scientific Institute – „Industriennahe Dienstleistungen“ – „Industry-related Services“, 1996 ).

Yet, the potential of business-related services can only be exhausted, if the demand can be satisfied in a competent way. In this sector Austria has a high potential both for demand and supply.

Apart from the small size of the enterprises, the lack of cooperation and the low degree of internationalization, the Advisory Council considers competition-restraining regulations as counterproductive in exhausting the existing potential of this sector and therefore recommends to consider the following measures:

- liberalization of the admission to certain professions
- breaking down anti-competitive fee regulations for lawyers and civil engineers
- lifting the professional ban on advertising (business lawyers), association (between civil engineers, business lawyers and trustees) and cooperation between self-employed (free professions) and businessmen in manufacturing enterprises
- lifting the ban on incorporation of business lawyers
- intangible investments (e.g. engineering, consulting) must be considered in promotion programmes

### *2.3.2. Employment Effects of New Communication Technologies*

An efficient telecommunication infrastructure and the promotion of the manifold application possibilities of modern communication technologies in all economic fields will represent an essential factor for positive development of the employment level, though the ambitious quantitative target of the European Commission report will not easily be fully achieved, not even under the most favourable pre-conditions.

Apart from the basic pre-condition of implementing the Austrian Postal and Telegraphic Administration reform, the following economic policy measures will support an employment-promoting use of new communication technologies:

- framework conditions to create a comprehensive infrastructure in communication technology: liberalization of the telecom market (deregulation of the line monopoly by 1.1. 1998), clarification of the question of

the regulation authority as a pre-condition for investment security, expansion of the networks, decrease of the line fees to international level

- specific transitional support to overcome temporary employment problems in hitherto sheltered fields, following the example of the food industry („AUFLEB“)
- promotion of a constant innovation climate to develop and apply new products and services of the communication technology sector: application of the technology initiative, adequate use of the means of the „Technologie-Milliarden“ („Technology Billions“), reduction of innovation risks
- guarantee legal security for supplier and demander: To eliminate impairments for marketable applications and services and to lay the foundations for future supply, a very high degree of transparency and planning safety is necessary. Adjustments must also be made regarding data and consumer protection. Also questions of copyright require an internationally concerted action.
- measures for an adequate development of the human capital, in particular instruction of the skills required to apply new communication technologies in education and further vocational training sectors (also see chapter „Skills“).
- Framework conditions for social security as a necessary stability-promoting element complementing the increasing demands for flexibility.

### 2.3.3. *Employment Potentials in Personal Services*

Due to various factors, an increase in demand for leisure time activities and personal services is to be expected, whereby two categories can be differentiated: social services (health & care) and household-related services (incl. child care). The employment potential in this sector is unquestioned.

The basic problem, however, is that the potential for productivity increases in the personal services sector is lower than in other economic sectors. Thus in the personal services sector, increases of labour costs are more directly reflected in price increases or an increased need for subsidies than in the production sector.

The models discussed in chapter 2.3.3.1 are to be checked as regards to employment effects, financing, budgetary effects, demand etc. particularly for the household-related services but also in the social service sector.

#### 2.3.3.1. Household-related Services

Tax or other price-decreasing measures could prevent that the demand of private households for cleaning services, child care, private lessons, gardening work etc. is either not satisfied or only through the shadow economy. The as-

assessment of the arising public costs or revenue shortfalls must also take into account the financial, social and human costs of unemployment as well as the present revenue shortfall due to the non-performance of these services or satisfaction by the informal sector.

Internationally various models are being either discussed or applied. The models are generally based on tax benefits and reductions of social security contributions, partly in connection with service coupons. In all cases the public support aims at enabling adequate net wages despite a lower productivity and thus at satisfying the demand for household-related services through official employment.

The Advisory Council recommends the evaluation of the international models discussed in this study in consultation with the Labour Market Service. In this connection, the experiences of existing private facilities in Austria are to be taken into account.

#### 2.3.3.2. Social Services

The present far-reaching change in the social structure is directly reflected in different and additional requirements and demands by private households. Proceeding from available surveys, about 5% of the population need health and nursing services (in particular care of elderly people). Presently approximately 40,000 people are taken care of by institutions offering out-patient nursing services; this means a share of 0,5% of the overall population. It is expected that this figure will double in the foreseeable future, making additional employment of 8,500 persons in the nursing service and 500 persons in the administrative sector necessary.

An expansion to this extent would require considerable additional means. The Advisory Council recommends both an increased financial contribution of the public authorities under consideration of the budgetary restraints, and higher contributions of the recipients under consideration of the social situation (at present app. 24%) to implement this employment potential; thereby measures have to be taken to ensure that in the case of increased private financial contributions, the recipients do not escape into the shadow economy.

Part of the labour market relevant potential in the social services sector was already covered by the „Pflegegeld“ (nursing allowance). To achieve the desired employment effect, the accurate use of the nursing allowance for buying qualified nursing services on the market or for partially compensating the nursing activity of family members must be guaranteed. The question of the social insurance of family members taking over nursing tasks remains unsolved.

To implement a higher employment growth, the institutional framework conditions additionally must be changed in line with also still lacking directives for subsidies. be able. The Advisory Council proposes to abolish employment-impairing restrictions for those offering social services (planning safety, long-term targets, investment measures, pricing etc.) as well as to create quality standards and a collective agreement. The Labour Market Service,

Ofinally, could assist by offering a temporary financial „start“-aid for hiring additional personnel.

#### **2.4. Active Labour Market Policy**

For the medium-term future the Advisory Council advocates the following strategic objectives in labour market policy:

Central tasks must be the intensification of the placement of employees and the expansion of the direct company contacts. Apart from measures of further training, active instruments might be hiring allowances, temporary job creation programmes, child care facilities etc. New models combining social training (e.g. in form of an employment institution) and further vocational training could be developed for long-term unemployed. The field of non-profit manpower-leasing must, however, as a „secondary labour market“ remain a transitory labour market only.

„Arbeitsstiftungen“ (labour foundations) have proven particularly useful instruments of placement and further training. The relations between Labour Market Service and employees must follow a contractual relationship. Instruction and training of the key skills should be increasingly incorporated into the repertory of labour market training. Moreover, measures of further vocational training of unemployed persons should be evaluated more strongly and examined for qualitative criteria as well as for chances of re-employment and cost efficiency. To make the employment market and the range of further vocational training measures more transparent, cooperation between the Labour Market Service, enterprises and existing institutions of further training should be intensified.

In addition, the relationship between active (labour market subsidies) and passive (safeguarding the existence) means needs to be changed. This asks for clear political priorities, since a change in this relationship in the short run is not a zero-sum game but requires additional expenditure which should be compensated through successful placements in the medium and longer term. An intensification of active labour market policy must furthermore be accompanied by a comprehensive „quality assurance“ of the measures to be financed.

To fully utilize the possibilities of active labour market policy to contribute to decreasing unemployment, it must become even more efficient in the coming years. The newly acquired independence of the Labour Market Service offers the prerequisite to optimally use the means needed for infrastructure and personnel in line with the targets set by the Labour Market Service; here decentralization is of particular importance.