

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.