Julia Bock-Schappelwein

Structure and Shape of Unemployment in Austria Since 1990

The growth of unemployment in the 1990s was a sign of greater fluctuation among workers and a change towards endemic unemployment. At the same time, jobs increasingly deviated from standard expectations and atypical employment grew. As a result, the systems of social organisation provided by the market, state and society began to show signs of wear and tear, posing a new challenge.

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• Julia Bock-Schappelwein is an economist at WIFO. The author is grateful to Gudrun Biffl and Andrea Pöschl for useful and constructive comments. The data were processed and analysed with the assistance of Julia Hudritsch. E-mail addresses: Julia.Bock-Schappelwein@wifo.ac.at, Julia.Hudritsch@wifo.ac.at.

Ever since the mid 1990s, the flows into and out of the labour market have been swelling, and traditional job and family structures are becoming increasingly brittle. Confronted with these changes, the established systems of social organisations are getting near the limits of its durability. With the changing pattern of employment types that do not quite fit into the traditional social protection schemes (contracts for work and services, quasi-freelance contracts), unemployment is engulfing an ever greater number of people not covered by social protection. Due to the greater heterogeneity of unemployment and wage structures, social assistance is gaining in importance.

In the 1990s in particular, tertiarisation, globalisation and technological change, translated into job losses in the secondary sector1 which were, nevertheless, more than compensated by the creation of new jobs in the services sector. As a result, unemployment rates of persons previously working in the secondary sector (mostly men) rose and unemployment became endemic. Following a recovery in the second half of the 1990s, unemployment in the secondary sector once again jumped at a disproportionate rate from 2000 onwards (+1.7 percentage points, from 7.3 percent in 2000 to 9 percent in 2004; compared to a plus of 1.2 percentage points from 5.8 percent to 7.1 percent in the overall economy).

From 2000, employment growth in the tertiary sector began to slow down noticeably (2000-2004: a cumulated rate of +3.1 percent or +65,200 jobs; after 1995/2000: +7 percent or +138,900 jobs). At the same time, secondary sector employment continued to decline, its share of overall employment falling from 34.7 percent in 1990 to 28 percent in 2004.

The structural change went hand in hand with a greater dynamism and fragmentation of employment. At the peak of the trend, in 1996-97, inflows into employment grew by 12.1 percent over the previous year, while outflows rose by 12.2 percent. The situation had steadied by 2003, when measures to make access to the Austrian labour market easier for long-term residents of third country origin once again stimulated employment growth. In 2004, altogether 3,200,500 dependently employed persons were counted (including men in military service and beneficiaries of child-

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1 Manufacturing, mining, utilities, construction.
care benefit; a plus of 0.5 percent or 15,700 over 2003); those on active employment were 3,078,500 (+21,100 or +0.7 percent over 2003).

**Figure 1: Unemployment rate (traditional definition) by economic sectors**

Source: Labour Market Service, Federation of Austrian Social Security Institutions, WIFO calculations.

**Figure 2: Dependently employed – stock and flows**

Source: Federation of Austrian Social Security Institutions.

**Figure 3: Development of employment by economic sectors**

Source: Federation of Austrian Social Security Institutions, WIFO calculations.
The break-up of traditional employment structures (Tálos, 1999) is also indicated by a growing importance of part-time employment when applying the labour force concept:\(^2\); while in 1990, an annual average of 8.8 percent were part-time employees (women 19.5 percent, men 1.6 percent), their share had grown to 18.5 percent by 2003 (women 37.1 percent, men 3.9 percent). In the context of job growth in the services sector, the share of part-time employed women rose steadily, whereas that of men stagnated. Where male part-time employment is on the rise, it is rather linked (negatively) to the course of the business cycle.

Figure 4: Part-time work as a share of employment

In the early 1990s, unemployment rocketed in the wake of structural changes and associated imbalances in the labour market. While 165,800 were unemployed as an annual average in 1990 (the unemployment rate was 5.4 percent), that figure had risen to 237,800 by 1998 (7.2 percent). After recovering over the next years, unemployment once again reached a record height of 243,900 in 2004, but as employment had gone up simultaneously, the unemployment rate was the same as in 1997.

Figure 5: Unemployment – stock and flows

Inflows and outflows swelled; compared to the early 1990s, inflows to unemployment (864,200 in 2004) today are higher by almost two thirds and outflows from unemployment (955,900 in 2004) by almost four fifths. As of the mid 1990s, inflows and outflows began to seriously diverge. Even though outflows were greater than inflows

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\(^2\) According to this concept, persons who perform paid work for at least one hour per week are deemed to be gainfully employed.
from 1994 onwards, unemployment began to rise (with the exception of 1999 and 2000) – a trend that points at hardening unemployment.

An acceleration has been found in the polarisation of age-specific unemployment (Biffi, 1996) ever since the late 1980s when the “babyboom generation” entered the labour market in the same sectors as older workers and began to displace them. As a consequence, unemployment grew among the older population. With supply and demand factors and institutional reforms in the old-age pension insurance system acting in concert, unemployment among the older workers remained high until the late 1990s.

Redundancies among medium-qualified workers in the secondary sector affected mostly older workers in the 1990s, but have since 2003 spread to the young. Youth unemployment is growing because the route from training to the labour market appears to be obstructed, leaving them without an entrance ticket to the job world (the unemployment rate among the 15- to 24-year-olds was 5.1 percent in 2000 and
7.3 percent in 2004; (over 50 year olds) 2004 8.3 percent, all age groups 2004 7.1 percent).

With structural change and competitive pressure accelerating in the first half of the 1990s, structural unemployment among individuals with low to middle qualifications (apprenticeship completed) rose at an above-average level. When employment growth in the tertiary sector started to slow down in 2000, unemployment spread to all levels of qualification, including upper secondary and university graduates (Biffl, 2000). Between 2000 and 2003, the unemployment rate\(^3\) rose by 1.2 percentage point in general, that of low-educated persons by 3.5 percentage points and that of more highly qualified persons by 1 percentage point.

Figure 7: Unemployment rate (traditional definition) by highest level of education or training achieved

![Unemployment rate by level of education](image)

Source: Labour Market Service, Federation of Austrian Social Security Institutions, Statistics Austria, WIFO calculations.

The unemployment rate essentially depends on how frequently individuals are affected by unemployment and how long such spells will take. Breaking down the unemployment rate by types of benefits provides a good overview of the range within which unemployment spells occur.

As a subset of registered unemployment, the number of unemployed persons receiving “Arbeitslosengeld” (“unemployment benefit”, i.e., the first-stage benefit in case of unemployment) is a highly pertinent indicator to measure short-term unemployment since this unemployment benefit is paid in the first weeks of a spell of unemployment\(^4\). This figure reflects the supply and demand situation, as well as increasing dynamics in the labour market. The jump in the early 1990s in particular was a consequence of structural changes. While in 1990 unemployment benefit was paid to 97,900 persons (3.2 percent of the supply of dependently employed workers)\(^5\), the figure went up to 125,700 or 3.8 percent in 2004. From 1992 on, the rate of female recipients of unemployment benefit was lower than that of their male counterparts. These figures reflect the difference in opportunities for men and women to integrate in the labour market. The growth of the unemployment rate up to 1993 co-

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\(^3\) Registered unemployed in percent of the supply of dependently employed workers by highest level of education (dependently employed as defined by the Federation of Austrian Social Insurance Institutions with an education/training structure as per the microcensus).

\(^4\) An applicant is eligible for Arbeitslosengeld when she or he has been employed for a total of 52 weeks within the last 24 months, when she or he has received this benefit before and has been employed for a total of 28 weeks within the last 12 months or when she or he is younger than 25 years and has been employed for a total of 26 weeks within the last 12 months [http://www.help.gv.at]. The benefit is paid for 20 weeks. This will be extended to 30 weeks if the person has been employed for at least three years in the past five years and has paid unemployment insurance contributions. Workers aged 40 or over who have been employed for at least six years over the past ten years may receive the benefit for 39 weeks. From age 50, unemployed persons get the payment for up to 52 weeks when they were employed for at least nine years over the past 15 years.

\(^5\) Recipients of unemployment benefit and dependently employed workers.
incided with the opening of the east and the preparations for Austria’s membership in the EU. The number of persons obtaining unemployment benefit as a share of all registered unemployed declined from 59.1 percent to 51.6 percent between 1990 and 2004.

Social Assistance in Austria

"Sozialhilfe" (social assistance) is a scheme designed to help people cover their basic needs when they require help from the community. The benefit is due in a financial emergency where the needy person has no help from the family or a social insurance institution. In most cases, the beneficiary is required to show himself or herself willing to work (Pfeil, 2001).

In terms of law and execution, entitlements under the scheme are essentially regulated autonomously by the Länder (Art. 15 (6) of the Federal Constitution). Granted as a monetary or in-kind benefit or personal assistance, social assistance comprises support to secure subsistence, aid in special situations and social services.

Support to secure the necessities of life ("Lebensbedarf")
This public benefit comprises subsistence, nursing care and aid in case of sickness, for pregnant mothers and women in childbed, as well as aid towards education and enabling persons to take a job. Most of these benefits are legal entitlements and may be obtained by way of monetary, in-kind or personal assistance.

Securing a livelihood ("Lebensunterhalt")
Livelihood comprises the need for shelter, food, clothing, heating, personal hygiene, human relationships and participation in cultural life.

The amount in payments to secure a livelihood depends on the rates for sole, main and co-beneficiaries (with and without family allowance). Higher rates are provided solely for persons incapable of self-support in a long-term need context.

In all Länder, unemployed persons not receiving unemployment benefit or unemployment assistance are, in addition to the relevant rate, eligible for benefits to cover their housing needs. The Länder also grant (sometimes) earmarked special payments1 (e.g., for clothing and heating). With the exception of Tyrol, needs not covered by the usual subsistence schemes are provided for by "safety net" criteria (through single targeted payments). In most Länder, benefits to secure a livelihood are limited by a maximum sum in benefits paid.

Aid in special situations
This includes monetary or in-kind benefits to establish and secure an economic basis, economic and personal help to overcome extraordinary emergencies, help to remedy or relieve a physical, spiritual or mental emergency and help to obtain and maintain a shelter. Such benefits are provided by the Länder or municipalities in a private law capacity; there is no entitlement to them. Aid for special situations can be granted regardless of any aid given to secure a livelihood.

Social services
Social services are, as a rule, available (but without entitlement) to the entire population, helping to cope with social problem situations that cannot be remedied by material help alone. This includes old-age and nursing homes, meals on wheels, nursing care at home, family assistance, provision of counselling services, promotion of social contacts and participation in cultural life. Such services are again provided by the Länder or municipalities in a private law capacity.

1 In addition to the monthly payments to secure the necessities of life, Salzburg disburses a special payment in March, June, September and December, amounting to half the rate and intended for clothing and heating; Vienna pays an additional allowance in May and October. Styria provides a special payment amounting to double the rate in June and November.
Due to structural problems prevailing in the labour market, the situation of the unemployed is worsening and unemployment is getting to be chronic – as indicated by the rise in the number of beneficiaries of unemployment assistance. That figure has been rising since the early 1990s, from 44,100 or 1.5 percent of the supply of dependently employed and recipients of unemployment assistance in 1990 to altogether 94,500 as an average in 1998. Over the next three years, the figure declined precipitously – not least in consequence to stronger activation efforts on the part of the Labour Market Service for the long-term unemployed within the frame of the National Action Plan for Employment. In 2004, it went up again, to 95,000 or 2.9 percent of the supply of dependently employed and recipients of unemployment assistance (2.6 percent for women and 3.1 percent for men). As a share of the registered unemployed, the proportion of recipients of unemployment assistance grew from 26.6 percent (1990) to 39 percent (2004).

In addition to the recipients of unemployment benefit and unemployment assistance, the figure of registered unemployed also includes those who are registered with the Labour Market Service but not eligible for benefits from unemployment in-

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6 After expiry of the period during which unemployment benefit is paid, needy unemployed receive “Notstandshilfe” (unemployment assistance).
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The rate of registered unemployed frequently fails to show the true situation on the labour market because this figure does not include all individuals looking for work (hidden unemployment; Butscheck, 1981, 1982). As provided by the Labour Market Promotion Act (AMFG), only those persons who are unemployed as well as able and willing to work may be registered with the Labour Market Service. In this manner, unemployment statistics ignore beneficiaries of advances on pension payments, people on training courses, persons registered as searching for an apprenticeship, indi-

Figure 10: Job-seekers not eligible for benefits
As a percentage of job-seekers not eligible for benefits and dependently employed


Figure 11: Registered unemployment

Source: Labour Market Service, Statistics Austria, WIFO calculations.

Alternative indicators of unemployment
UNEMPLOYMENT IN AUSTRIA

individuals whose benefits were cancelled for whatever reason, and registered unemployed reported ill for more than three days. If beneficiaries of advances on pension payments, training course participants and people seeking an apprenticeship on short notice had been included, the number of unemployed would have totalled 318,100 in 2004 (compared to the official figure of 243,900). Calculated in this way, the extended unemployment rate would have been 9 percent (as against 7.1 percent calculated with the traditional method).

Table 1: Extended unemployment rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Official unemployment rate</th>
<th>Percent</th>
<th>Extended unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>5.4</td>
<td></td>
<td>6.0</td>
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<tr>
<td>1991</td>
<td>5.8</td>
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<td>6.5</td>
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<td>1992</td>
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<td>1996</td>
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<td>8.1</td>
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<td>1997</td>
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<td>1998</td>
<td>7.2</td>
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<tr>
<td>1999</td>
<td>6.7</td>
<td></td>
<td>7.8</td>
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<td>2000</td>
<td>5.8</td>
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<tr>
<td>2001</td>
<td>6.1</td>
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<tr>
<td>2002</td>
<td>6.9</td>
<td></td>
<td>8.4</td>
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<tr>
<td>2003</td>
<td>7.0</td>
<td></td>
<td>8.9</td>
</tr>
<tr>
<td>2004</td>
<td>7.1</td>
<td></td>
<td>9.0</td>
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</tbody>
</table>

Source: Labour Market Service, Federation of Austrian Social Security Institutions, WIFO calculations.

Extended labour force supply: includes beneficiaries of advances on pension payments, training course participants and immediately available seekers of apprenticeship positions.

Table 2: Alternative indicators of unemployment

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<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>U1</td>
<td>Long-term unemployed persons (4 months and longer) as a percentage of labour force</td>
<td>3.1</td>
<td>3.2</td>
<td>2.8</td>
<td>2.8</td>
<td>2.2</td>
<td>2.5</td>
</tr>
<tr>
<td>U2</td>
<td>Job losers, as a percentage of labour force</td>
<td>4.0</td>
<td>4.3</td>
<td>3.8</td>
<td>3.8</td>
<td>3.3</td>
<td>4.2</td>
</tr>
<tr>
<td>U3</td>
<td>Total unemployed persons, as a percentage of labour force</td>
<td>5.1</td>
<td>5.2</td>
<td>4.7</td>
<td>4.7</td>
<td>4.0</td>
<td>4.9</td>
</tr>
<tr>
<td>U4</td>
<td>Total unemployed persons plus discouraged workers, as a percentage of labour force</td>
<td>5.4</td>
<td>5.5</td>
<td>4.9</td>
<td>5.0</td>
<td>4.3</td>
<td>5.2</td>
</tr>
<tr>
<td>U5</td>
<td>Total unemployed persons, plus discouraged workers, plus all other marginally attached workers, as a percentage of labour force</td>
<td>12.0</td>
<td>12.7</td>
<td>11.9</td>
<td>10.7</td>
<td>10.3</td>
<td>9.9</td>
</tr>
<tr>
<td>U6</td>
<td>Total unemployed persons, plus all marginally attached workers, plus all persons employed part-time for economic reasons, as a percentage of labour force</td>
<td>13.4</td>
<td>14.9</td>
<td>13.8</td>
<td>12.5</td>
<td>11.9</td>
<td>11.6</td>
</tr>
</tbody>
</table>

Source: Labour force survey (March of each year), Statistics Austria.

Contrary to the practice applied to the administrative data of the Labour Market Service, the Labour Force Survey is a sample poll that defines unemployment along the lines of the labour force concept developed by the International Labour Organisation (ILO; Biffl, 1999). According to this concept, “unemployed” includes all non-working persons (i.e., persons who worked less than one hour in the week under survey) who in one way or another actively seek work and are available to start on a job within two weeks. According to this definition, 182,600 individuals in Austria were unemployed in March 2003.

The labour force survey found that, in March 2003, 182,600 individuals or 4.7 percent of the labour force were without work in Austria (labour force concept; conventionally defined unemployment rate). Alternative unemployment indicators, known as U1 to U6, show that 103,000 persons were unemployed 4 months or longer (U1), and

7 Due to the different delimitations used, the number of unemployed under the labour force concept perceptibly varies from that calculated by the Labour Market Service, as does the unemployment rate. Under this labour force concept, the unemployment rate is measured with the total number of dependently employed, self-employed and unpaid family workers, including casual workers and the jobless, in the denominator. It is thus substantially lower than the unemployment rate as defined by the Labour Market Service (which has the sum of dependently employed as provided by the Federation of Austrian Social Insurance Institutions in its denominator).
154,100 were job losers (U2). Some 15,000 discouraged workers had retreated from working life because they had been unable to find suitable work (U4). When including 174,200 marginally attached workers (U5), the unemployment rate was higher by 4.1 percentage points (8.8 percent). If we also include the 78,300 part-time workers for economic reasons (U6), we get an alternative unemployment rate of 10.5 percent. Since 1998, the unemployment rate as per U5 and U6 is declining, especially among women, although they still suffer from a higher rate than men.

**Alternative Unemployment Indicators**

As developed by Shiskin (1976) at the US Bureau of Labour Statistics, the alternative unemployment indicators are based on data from the labour force survey. The sequence of indicators U1 to U6 illustrates a range of unemployment measures going from a very narrow to a broad view. From this insight, six indicators are derived (Bregger – Haugen, 1995).

U1 and U2 focus on segments of unemployment:
- U1 is the long-term unemployment rate,
- U2 shows the unemployment rate of job losers or whose temporary work contract has expired.

U3 corresponds to the definition traditionally used for the unemployment rate.

U4 to U6 extend the concept by including hidden unemployment in their quantification:
- U4 comprises the traditional unemployment rate including discouraged workers in the numerator and denominator (Castillo, 1998). Discouraged workers are individuals who do not work but explicitly want to work; they are available to the labour market and have looked for work over the prior year; at the time of the survey they do not actively look for work because they feel their search would be in vain. This group should return to the labour market once demand for workers is up and/or unemployment declines.
- U5 adds all other marginally attached workers to U4, with the denominator being the labour force plus all marginally attached workers. This measurement includes all unemployed persons as well as those who want and are able to work and who have recently searched for work, regardless of their reasons for not currently looking. This group may not be as closely attached to the labour market as are discouraged workers, but they still belong to the pool of potential labour resources because they (occasionally) look for work and would return to the labour market under certain conditions (such as women who have to meet child-care obligations).
- U6 is the most extensive alternative indicator of unemployment, including in addition to U5, all persons who work part-time for economic reasons (Yamagami, 2002). These include people holding full-time jobs who work part-time due to economic reasons, part-time workers who, again for economic reasons, work less than their normal part-time hours or fail to find any full-time job (OECD, 1999, Sorentino, 1993, 1995).

With traditional employment increasingly on the wane and unemployment on the rise, social assistance, which had been designed as a last-resort safety network in the 1970s, is gaining in importance. Today it focuses no longer solely on persons who are marginalised or excluded from the labour market, but gets to encompass the lower middle class facing debt, divorce, unemployment, low wages and inadequate housing (Dimmel, 2003), as well as the unemployed who are insufficiently covered by the systems of social protection – a group that includes persons whose last job failed to make them eligible for unemployment benefits or whose entitlement is so low that they are paid social assistance in addition to their unemployment benefit.
Considering that social assistance was originally designed as a last-resort safety net activated only in exceptional cases, access to, inclusion in and exit from this net are tied to obligations and restrictions. Following the principle of subsidiarity, needy people in a financial emergency will get benefits when they cannot draw on the family or social insurance system, provided that they proclaim their willingness to work. Once they get a paid job and rise to a predefined income level, they need to pay back (in instalments) benefits formerly obtained.

In 1983-1998, an average of 59,300 persons annually received benefits from the social assistance scheme. The dramatic jump of fully 40.3 percent between 2000 and 2001, from 68,200 to 95,700, was caused solely by the situation in Vienna, specifically by the growth in the number of unemployed getting supplementary benefits in addition to the reference rate (a plus of 82.6 percent or 28,700 up to 63,400). In 2003, 96,100 recipients of social assistance were counted (+4.7 percent over 2002); altogether € 460.7 million in public funds were spent on this entitlement.

Unemployment has been inexorably growing in Austria since the early 1990s. The reasons are manifold (deregulation, structural change, labour supply growth). Against this background, fluctuations on the labour market, flows into and out of unemployment and into non-employment are rising, while the requirements stipulated by enterprises to be met by workers are getting ever more complex. Going beyond formal qualifications, informal and social competences are increasingly important. Flexibilisation of the labour market also affects working hours and forms of employment. New employment patterns frequently come with a relatively low degree of social protection (i.e., against unemployment) and low wages. If such non-standard employment is not just used as a bridge towards more regular types of employment, the probability of marginalising or excluding the unemployed will rise.

Needy unemployed who do not enjoy social protection and cannot count on the support of their family may well be forced to draw upon social assistance. Designed in the 1970s as a residual safety net for the socially excluded in a temporary emergency, the system today gets many of its clients from the lower middle classes who are suffering from chronic multidimensional problems, as well as from unemployed persons who are ineligible for adequate social protection. The system’s design should therefore be adjusted to cope with the new requirements: thus some thought should be given to abolishing the obligation to repay benefits received, once the beneficiary has taken up a job – a change in the social assistance acts at Länder level which would improve the chances of reintegration.

With a changing economic and social framework and the lack of social protection among holders of precarious and low-wage employment to protect them against unemployment, the group of recipients of social assistance is steadily expanding.

**Figure 12: Recipients of open social assistance**

Source: Statistics Austria.

**Conclusion**
Unemployment in Austria: its Shape and Development Since 1990 – Summary

In the 1990s, accelerating structural change went hand in hand with an ever brisker pace of employment dynamics and an increasing deterioration of traditional employment structures. Expressing this structural change, the rise in unemployment is specifically affecting those individuals who are at the beginning or end of their employment career, i.e., the young and the old, as well as individuals of low or medium qualifications. As a consequence, long-term unemployment is on the increase. Types of fragmented employment (mostly) excluded from the social protection schemes against unemployment pose new challenges for social assistance schemes.