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## COMPANY INTEGRATION SUBSIDIES AS A TOOL TO INTEGRATE OLDER UNEMPLOYED

Within the scope of efforts to raise the retirement age, more emphasis has in recent years been awarded to the aim of re-integrating older unemployed in the employment system. For the immediate future, no relief can be expected for the employment situation of older people. This translates into a particular challenge for labour market policy, especially when considering that, for demographic reasons, older workers are about to grow as a share of the working-age population. One tool to achieve their re-integration is a subsidy scheme aimed at enticing companies to increase their hiring rates. In spite of the considerable effectiveness of the so-called Company Integration Subsidy, the tool does not extend to older unemployed at a rate properly reflecting their problematic situation.

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Older workers are less prone to firing as compared to younger ones, but when they do lose their job they have a significantly lower chance of getting another job. Statistical evidence shows a relatively large proportion of older workers among the long-term unemployed: In 1995, 51 percent of unemployed men aged 45 and over, and 45 percent of women of the same age group were recorded as being continuously unemployed for six or more months, as compared to 18 percent of the men and 28 percent of the women below the age of 45. By 1999, the share of long-term unemployed in the 45 and more age group was 45 percent for men and 41 percent for women (under 45: 15 percent men, 22 percent women). Their restricted opportunities for re-employment weigh in so severely that, in spite of the fact that older people in general are less affected by unemployment, joblessness among older people is markedly higher than among younger age groups. Thus in 1999, 12 percent of the stock of dependently employed women aged 55 to 59 and 13 percent of that of men were unemployed. Back in 1995, the figures had still been 6 percent for women and 11 percent for men.

Table 1: Unemployment in Austria, by age groups

	1995		1999		1995		1999	
	Men		Women		Men		Women	
	Unemployment rate as a percentage of supply of dependently employed				Unemployment rate as a percentage of population			
45 to 49	6.1	6.0	6.0	6.0	4.9	4.7	3.6	3.7
50 to 54	7.8	7.8	10.5	9.7	5.3	5.5	4.9	5.2
55 to 59	10.6	12.7	6.4	12.4	5.6	6.5	1.2	2.4
60 to 64	4.5	13.7	4.7	7.4	0.3	1.6	0.1	0.3
Total	6.4	6.5	6.8	6.9	4.7	4.6	3.8	4.0

Source: Austrian Public Employment Service, Federation of Austrian Social Security Institutions, WIFO calculations.

For a long time, early retirement was socially accepted as a response to the labour market problems faced by older workers. This strategy was reflected in the relatively low (by international standards) retirement age enjoyed by the Austrian workforce. But confronted with the problems of financing the old age pension system and in view of the expected (demographically caused) dearth of qualified labour, social policy has undergone a change in strategic paradigms: efforts are being made to raise the retirement age, mirrored in reforms of the social security system. But pursuing this goal also requires more intense efforts to be invested in a more sustainable re-integration of older workers in the employment system.

The restricted opportunities for re-employment faced by older workers need to be seen against a background of economically caused structural change and the resultant change in the demand for workers on the one hand, and the structure of the labour market on the other. Older unemployed are less likely than the younger workers to have acquired the qualifications demanded by the growth industries, and they are excluded from "internal" labour markets<sup>1</sup>: a system which gives preference to the older employed by emphasising seniority in payment and career structures will turn against them when they lose their job due to structural, cyclical or individual factors. At the same time, older workers face less employment opportunities due to job-caused wear effects.

For as long as competition from the young is brisk (as is frequently the case for the lower to middling qualification levels which are primarily affected by unemployment), qualification-improving training schemes by themselves will usually do little to refocus the unemployed: those affected are still unable to show practical experience and they are still handicapped by their age<sup>2</sup>.

Accordingly, Austrian labour market policy has so far started out from the premise that measures which produce direct employment are more effective and efficient in re-integrating the older unemployed than training or qualification-generating approaches would be. In terms of human capital theory, this translates as a relatively short utilisation period for investment in older human resources. Furthermore, the distance to the educational (and initial training) system grows with age, so that older people are frequently viewed as being "remote" from education. According to *Koller – Plath* (2000, p. 112), however, the "main barrier to learning and performance" is "in activities pursued over a long term where nothing can be learned, so that people unlearn not just skills acquired earlier but also the capacity of learning per se." Considering the demographic outlook, greater emphasis will therefore have to be devoted to encouraging older workers to retain and improve their learning capacity.

Employment subsidies have always been a major tool to re-integrate older people. The "traditional" instruments, i.e., temporary employment subsidies granted to for-profit and non-profit companies, were supplemented by a Special Integration Subsidy (SIS) introduced in 1997.

This report offers a summary of the implementation and effectiveness of employment subsidies. Its emphasis is on the company level; non-market-oriented sectors such as public administration, health, social and educational services are excluded from consideration.

The Company Integration Subsidy (CIS) is granted to unemployed persons who are impossible to place without a subsidy. Long-term unemployed certainly meet this prerequisite. If the problem were rooted in lack of qualifications, training should be given preference over a subsidy, according to the Public Employment Service guidelines. This prerequisite is limited in that the people looking for work must be willing and able to undergo training. It follows that even unemployed people lacking qualifications, whose counsellors have categorised them as unwilling or unable to undergo training, will still be granted a subsidy. An application for the subsidy must be filed by the employer prior to the start of employment. People have no legal title to the subsidy, same as for any other labour market policy scheme under the Act Governing the Public Employment Service. In order to be granted the subsidy, a company must offer proper payment<sup>3</sup>, avoid substitution (the replacement of non-subsidised by subsidised employees)<sup>4</sup> and attempt to reduce dead-weight effects (subsidising hiring which would have been made anyway)<sup>5</sup>. The amount in subsidy depends on the before-tax wage/salary<sup>6</sup>.

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## The subsidies

<sup>1</sup> Internal labour markets are characterised in particular by the acquisition of company-specific human capital, internal career opportunities and seniority-focused remuneration structures.

<sup>2</sup> Their handicap is the product of circumstances and expectations by potential employers: declining physical performance, lower flexibility or lack of teamworking capability.

<sup>3</sup> As a minimum in line with the collective bargaining agreement or with the local custom.

<sup>4</sup> For the last four months prior to the start of the subsidised employment relationship, the company must not have cut down on its workforce by firing any employee working in the relevant sector.

<sup>5</sup> The subsidised worker must not have worked for the company for the past two years.

<sup>6</sup> The assessment basis is 150 percent of the before-tax wage/salary; the amount in subsidy is, at most, 50 percent of the assessment basis.

The Special Integration Subsidy (SIS) was introduced in 1997, in response to the international discussion of how to activate passive benefits. Currently it operates as a modified version under the name of "Comeback". The subsidy converts a passive transfer benefit into a tool that actively supports hiring, and is characterised by its legal certainty. An unemployed person can on his or her own initiative offer a potential employer 141 percent of the benefit accruing to him or her. Eligibility extends to recipients of unemployment assistance who have been unemployed for at least one year (age 25 to 44) or six months (people below and above that age limit), and recipients of unemployment benefit at the brink of long-term unemployment.

*The integration subsidy is regulated by detailed guidelines defined by the Public Employment Service.*

Because the SIS is based on unemployment assistance, its only direct effect on payment for the subsidised job is by way of the upper subsidy limit<sup>7</sup>. For the SIS to be granted, the beneficiary must first have become eligible for unemployment benefit, which excludes persons who are less integrated in the labour market and who are therefore not eligible for benefits. Secondly, the job-seeker must receive unemployment assistance in his or her own right, preferably at a level that motivates a company to hire him or her: the amount in unemployment assistance depends on previous income from work, so that the subsidy which can be offered a potential employer will be lower for people who had previously held part-time or low-earning jobs. The actual amount in unemployment assistance is, moreover, determined by a means test which takes into account the entire household income; as a result the entitlement is reduced for persons sharing their household with gainfully employed persons. The lower the unemployment assistance, the lower will be the subsidy and thus the incentive for a potential employer to hire the unemployed, especially for a full-time job. For this reason, the CIS, although losing ground in quantitative terms when the SIS was introduced, continues in its fundamental importance as a supplementary labour market instrument.

An evaluation of the SIS by L&R Social Research, Vienna, found that the tool has been widely used to subsidise part-time employment: 52 percent of the subsidised women and 10 percent of the subsidised men obtained a job involving fewer than 35 hours per week through the SIS.

The Company and Special Integration Subsidies may be the most important tools in quantitative terms for the Public Employment Service, but they are not the only instruments available to promote hiring by financial incentives. Other tools in the field are the Non-Profit-Company Integration Subsidy, aid to non-profit job projects and socio-economic enterprises<sup>8</sup>.

The structural change, which occurred in the Austrian economy attendant to the country's accession to the European Union, was accompanied by an aggravation of its labour market problems in 1995 and 1996. Confronted with these facts, the Public Employment Service already in 1997 opted to emphasise temporary employment subsidies to help re-integrate the hard-to-place and those threatened by long-term unemployment. Consequently, the total caseload of employment-creating measures rose by 63 percent against 1996, to about 17,500. After a drop to 12,600 in 1998, the following upswing then produced another peak in subsidies, at 24,800 cases<sup>9</sup>. Job-creating subsidised cases as a proportion of the average annual stock of dependently employed thus rose from 0.3 percent in 1995 to 0.8 percent in 1999<sup>10</sup>. Their share of total outflows from unemployment for at least six months rose from 7 percent in 1995 to 17 percent in 1999.

The share of the employment integration subsidies CIS and SIS in the total job-creating caseload expanded from 63 percent in 1997 to 73 percent in 1999. The importance of the Company Integration Subsidy was gradually reduced: from 38 percent of all job-creating measures to 20 percent in 1998 and 9 percent in 1999. In absolute terms this was a decline from 6,700 cases in 1997 to 2,200 in 1999. Simultaneously, the Special Integration Subsidy rose from 25 percent of all job-creating measures in 1997 to 31 percent in 1998 and 64 percent in 1999. In 1997, the SIS caseload was 4,400; in 1998 it was 3,900, and in 1999 it exploded to 15,700, with new cases quadrupling between 1998 and 1999. The surge was particularly noticeable among older job-

### Subsidies granted in 1997-1999

*Aid towards re-integrating unemployed persons grew massively up to 1999, due primarily to the use of the Special Integration Subsidy in 1999. The subsidies do not benefit older job-seekers to the same extent as younger ones.*

<sup>7</sup> Defined as a percentage of the before-tax wage/salary.

<sup>8</sup> Apprentice/trainee subsidies are a major tool to facilitate the employment of youths.

<sup>9</sup> Source: Subsidies statistics by the Austrian Public Employment Service.

<sup>10</sup> The Federation of Austrian Social Security Institutions assigns apprentices/trainees to the dependently employed category. The data on the subsidised caseload, on the other hand, do not include subsidies for apprentices/trainees. If they were included, the share of subsidised cases would have risen from 0.3 percent in 1995 to 1.2 percent in 1999.

seekers: among unemployed of age 45 and more, new benefits in 1999 were granted five times as often as in 1998.

Table 2: Inflows by age and gender

	SIS	45 years and more CIS	SIS and CIS	SIS	All age groups CIS	SIS and CIS
1997	926	1,965	2,891	4,376	6,699	11,075
Men	622	1,310	1,932	2,164	3,723	5,887
Women	304	655	959	2,212	2,976	5,188
1998	1,066	648	1,714	3,936	2,450	6,386
Men	729	442	1,171	1,901	1,316	3,217
Women	337	206	543	2,035	1,134	3,169
1999	5,522	384	5,906	15,749	2,217	17,966
Men	3,431	199	3,630	7,714	1,034	8,748
Women	2,091	185	2,276	8,035	1,183	9,218

Source. Austrian Public Employment Service, subsidies statistics; WIFO calculations. SIS . . . Special Integration Subsidy; CIS . . . Company Integration Subsidy.

Looking at the CIS and SIS in total, we can conclude:

- The share of the 45 and more age group in the total caseload rose from about 26 percent in 1997 and 1998 to 33 percent in 1999. Nevertheless, the older unemployed benefited from the subsidies at a below-average rate. Their share of unemployment assistance recipients and long-term unemployed was noticeably higher than their share of subsidies, and continued to grow during the period of observation: In 1997, 35 percent of all recipients of unemployment assistance (annual average stock) were aged 45 or older; by 1999 that figure had climbed to 41 percent. In 1997, about half of all persons continuously registered as unemployed for at least six months were in the 45 and older age group; by 1999, it was 60 percent<sup>11</sup>.
- The Company Integration Subsidy is of even less importance for the older than for the younger unemployed (1999: 6 and 15 percent, respectively). The reason can be found in the comparatively stronger previous integration of older subsidised workers in the labour market and in the lower share of women among the subsidised workers of the 45 and more age group: prior to their unemployment, they had more frequently been fully integrated in the employment system and had achieved relatively higher earnings.

Table 3: Older unemployed – unemployment and integration subsidies (CIS and SIS)

	Recipients of integration subsidies (approvals)	Unemployment assistance recipients (annual average)	Long-term unemployed (at least 6 months – annual average)	Long-term unemployed (at least 12 months – annual average)
	Percentage of 45 and more age group			
1997	26.1	34.9	49.1	43.4
Men	32.8	45.3	60.2	52.4
Women	18.5	23.8	35.7	33.5
1998	26.8	37.5	46.6	53.0
Men	36.4	48.7	55.6	63.0
Women	17.1	25.5	36.6	40.2
1999	32.9	41.1	59.6	52.8
Men	41.5	52.8	69.4	62.6
Women	24.7	28.2	46.2	41.5
	Percentage of women in 45 and more age group			
1997	33.2	33.0	33.0	37.0
1998	31.7	33.1	36.6	33.6
1999	38.5	32.7	32.7	36.4

Source. Austrian Public Employment Service, WIFO calculations.

<sup>11</sup> The difference between the share of unemployment assistance recipients and long-term unemployed results, i.a., from the fact that older people receive unemployment benefit for a longer period before being transferred to unemployment assistance, and the lower participation rate of older people in training courses which interrupt unemployment.

## Effect of the subsidies

An integration subsidy reduces the payroll costs for the subsidised worker relative to those for the non-subsidised workers, thus allowing a company to determine, at low cost, whether an applicant, disadvantaged in other respects, is suitable for the job. The subsidy aims to compensate the higher cost of training caused by initially low productivity. Looking at this aspect, we need to emphasise the high degree of satisfaction with the Special Integration Subsidy shown by companies: only 2 percent of the participating companies were dissatisfied with the scheme, whereas the others were very ready and willing to repeat the experience (certainly repeat: 84 percent; perhaps repeat: 10 percent; Mitterauer – Reiter – Riesenfelder, 1999).

From the companies' point of view, the subsidy might be seen as selective undermining of minimum wages regulations without questioning the underlying economic principles determining wages and salaries. Considering that some labour market segments operate with automatic-hike wage schemes, this might be a crucial argument for re-integrating older workers.

The subsidy thus boosts employment opportunities for groups more disadvantaged on the labour market relative to those less disadvantaged. *Ceteris paribus*, this heightens effective competition for job openings on the labour supply side, to employ eligible unemployed rather than those not eligible for a subsidy (substitution effect). For measures which aim to achieve equality of opportunity between different groups of job-seekers and which are thus targeted at narrowly defined groups, such a substitution effect is desirable and thus should not be negatively evaluated<sup>12</sup>.

Greater supply-side competition for jobs reduces wage pressure on the upward side and increases it at the downward side. In the medium run, this tends to raise employment at a macroeconomic level. Nevertheless, this argument applies only in connection with labour markets linked by qualifications and regional proximity – and only after the total subsidies have exceeded a certain level. Another limitation is that this effect occurs only when the subsidy does more than compensate actual productivity disadvantages of the subsidised workers.

When integration subsidies are used contrary to the business cycle, they may trigger and be accompanied by advancement effects: the subsidy encourages a company to employ additional workers so that the duration of unemployment will decline and less human capital will be lost until the next upswing.

The integration subsidy may also trigger differing degrees of a dead-weight effect, i.e., subsidising an employment relationship which would have been concluded anyway. The SIS evaluation from 1997 found as follows (Mitterauer – Reiter – Riesenfelder, 1999, pp. 78ff): About 45 percent of the companies polled think that the employment relationship would have been concluded even without the subsidy<sup>13</sup>. Another 15 to 17 percent cannot fully exclude the effect<sup>14</sup>. Nevertheless, subsidies for older workers can be assumed to have lower dead-weight effects than those for the younger unemployed.

Most international studies find that people who are particularly hard to place do not fully benefit from company integration subsidies: Within the target group, it is the least disadvantaged who are selected (Erhel – Gautié – Morel, 1996). But for the target group of older unemployed, this positive selection appears to be of less importance than for the younger (see Buslei – Steiner, 2000, for Germany). In addition, the Public Employment Service offers other tools to the highly disadvantaged suffering from specific individual problems: integration subsidies for non-profit companies, jobs at non-profit projects, work training and socio-economic operations. For the disabled, there are job opportunities offered by the Federal Offices of Social Affairs and the Disabled and the Länder.

The prospect of getting a subsidy can cause a new motivational thrust in people who have been vainly looking for a job for a long time. They will intensify their search and thus improve their chances of finding employment. The effect will be more likely the

*Integration subsidies directly interfere with the market. They are linked to a number of positive effects, but should also be seen in terms of their negative effects. The specific scope of effects depends on the design of the scheme, the rate of uptake and the general framework.*

<sup>12</sup> Substitution of non-eligible by eligible workers increases in likelihood with the smoothing of differences between the two groups, the importance of payroll costs for the company and the proportion of the cost covered by the subsidy. The substitution effect will become a problem for labour market policy when the size of eligible and actually accessed target groups exceeds a given level and eligible unemployed compete primarily with those who are at the threshold of joining them due to their long-term unemployment. The scope of substitution and dead-weight effects also depends on the economic situation: in a boom period, substitution effects play a minor role and dead-weight effects a greater one; the situation is reversed in a slump.

<sup>13</sup> This finding was confirmed by 41 percent of the subsidised workers, who were similarly convinced that they would have got the job even without the subsidy.

<sup>14</sup> The study could not exclude selection effects. This means that those actually obtaining a subsidy are a positive selection from among the group of eligible unemployed.

more certain they can be of actually getting a subsidy when a job is found. Therefore, the effect should be stronger for a Special Integration Subsidy than for a Company Integration Subsidy, due to legal entitlement to the SIS – always providing that the target groups are informed that this option is available to them.

The individual net effect nevertheless is not clear, due to the signal sent to potential employers. The subsidy option can serve as a signal to the company that the job-seeker is particularly highly motivated in spite of adverse conditions, and it will thus enhance the personal effect. But it may alternatively be seen as signalling a "difficult", i.e., inadequately productive, worker, reducing his or her chance of employment, which, when combined with previous experience, can discourage the individual<sup>15</sup>.

The evaluation of SIS has shown that the subsidy has a number of positive effects for beneficiaries: 42 percent of the employment relationships remained valid for at least nine months after the subsidy had ceased to be paid, with the positive employment effect rising with the age of beneficiaries<sup>16</sup>. Proper consideration should also be given to the positive effects linked, in the view of participants, with the subsidy: about half of the beneficiaries felt a higher self-worth (36 percent of the beneficiaries over 50 years of age); 52 percent (48 percent of those over 50) no longer felt marginalised by the labour market; 26 percent (20 percent) felt in better health; 47 percent (28 percent) once again had an occupational perspective; 31 percent (24 percent) were again able to build contacts to others.

In granting subsidies, no explicit allocative objectives are pursued, yet the scheme does have this effect. On the one hand, integration subsidies can accelerate structural change by supporting employment in growth areas, yet on the other hand they may be linked to a socially compatible deceleration of structural change, specifically for older workers.

Below, the industries are categorised by their employment growth and unemployment rates. This method offers a base for analysing the target industries for integration subsidies.

In line with the medium-range employment trends for 1995-1999, the industries in the market-oriented sector are categorised as those with increasing and those with declining demand for labour. The across-the-year average of dependently employed persons over the marginal earnings threshold rose by 2.1 percent between 1995 and 1999, according to the Federation of Austrian Social Security Institutions. Only a handful of the industries in the market-oriented sector recorded positive growth rates: metal production, machinery and equipment, transport equipment, hotels and restaurants, business services and other personal services. In this connection, three industries in the services sector should be noted for their mid-range decline of jobs: the transport and communications sector was unable to compensate for job losses in 1996 and 1997 over the next two years; job drainage in the wholesale trade was greater than the job growth for the trade in motor vehicles and retail trade, so that overall employment declined for trade as such; the financial intermediary business was confronted with stagnating employment in 1998 and 1999, following adjustments in the years before.

According to the administrative statistical figures and as an average of categories, unemployment declined from 7.0 percent in 1997 to 6.7 percent in 1998 and 6.6 percent in 1999. Relative unemployment in the industries remained almost unchanged, ranging (at the two-digit ÖNACE level) from 1.3 percent (energy supply) to 18.0 percent (hotels and restaurants) as a 1999 average.

High-unemployment industries as referred to below are those whose industry-specific unemployment rate in 1999 was at least 0.5 percentage points higher than the Austrian average; low-unemployment industries are those with an unemployment rate lower by at least -0.5 percentage points. Industries not falling in either category are categorised as medium-unemployment industries. The high-unemployment group includes in particular textiles and textile products, pulp, paper, paper products and publishing, rubber and plastic products; construction, wholesale and retail trade, agriculture, and hotels and restaurants. Three of the seven categories are seasonal industries. Unemployment is comparatively low in mining, chemicals and chemical products, machinery and transport equipment, manufacturing n.e.c., electricity, gas and water supply, transport, storage and communication, and financial intermediation.

### A glance at the allocative effect of integration subsidies

*Integration subsidies are utilised especially by industries suffering from high unemployment. Accordingly, there is hardly any rerouting of the unemployed to low-unemployment sectors.*

<sup>15</sup> The more broadly defined the eligibility group and the less the entitlement is based on individual features, the lower will be the likelihood of a negative signal, even though dead-weight effects will impact as well.

<sup>16</sup> Before-after differences to a control group (see Mitterauer – Reiter – Riesenfelder, 1999, p. 127).

Table 4: Dependent employment and unemployment rates, by economic categories

ÖNACE; annual average

	1995-96	Dependently employed			1995-1999	Unemployment rate		
		1996-97	1997-98	1998-99		1997	1998	1999
	Percentage changes					As a percentage of stock of dependently employed		
Textiles and textile products	- 8.8	- 5.8	- 3.2	- 5.6	- 21.5	11.2	9.8	10.3
Extra-territorial organisations and bodies	- 1.8	- 6.7	- 4.3	- 0.8	- 13.0	3.8	4.0	4.0
Other non-metallic mineral products	- 9.4	- 1.7	± 0.0	- 2.1	- 12.8	7.1	6.6	6.8
Tanning and dressing of leather	- 6.2	- 3.8	- 0.5	- 2.6	- 12.6	7.7	7.3	7.4
Manufacturing n.e.c.	- 5.5	- 1.6	- 0.8	- 3.1	- 10.6	6.5	6.0	6.1
Private households with employed persons	- 0.5	- 0.5	- 2.9	- 5.9	- 9.5	13.0	12.3	13.0
Food products, beverages and tobacco	- 2.8	- 2.1	- 2.3	- 1.6	- 8.5	6.5	6.3	6.4
Pulp, paper and paper products; publishing and printing	- 3.2	- 1.4	- 0.4	- 2.1	- 6.8	9.9	9.7	9.8
Electrical and optical equipment	- 5.0	- 0.9	+ 1.8	- 1.5	- 5.6	6.5	5.9	5.9
Mining and quarrying	- 0.3	- 0.8	- 1.3	- 2.4	- 4.8	5.0	4.8	4.9
Electricity, gas and water supply	- 1.6	+ 0.1	- 0.1	- 2.2	- 3.8	1.7	1.4	1.4
Wood and wood products	- 0.8	+ 0.3	- 1.2	- 1.5	- 3.2	6.7	6.7	6.8
Financial intermediation	- 1.5	- 0.6	+ 0.1	- 0.1	- 2.0	2.5	2.5	2.5
Construction	- 1.3	+ 0.8	- 0.7	- 0.7	- 1.9	12.6	12.9	12.9
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal household goods	- 0.3	- 1.2	- 0.6	+ 0.7	- 1.5	8.3	7.9	7.9
Rubber and plastic products	- 3.9	- 3.1	+ 2.5	+ 4.0	- 0.8	8.6	8.1	7.8
Agriculture, hunting and forestry	- 0.6	+ 0.2	- 1.3	+ 0.8	- 0.8	12.8	13.3	13.2
Transport, storage and communication	- 1.8	- 0.8	+ 1.0	+ 1.2	- 0.5	4.2	3.8	3.8
Chemicals, chemical products	- 0.3	- 0.7	+ 1.9	- 0.4	+ 0.5	5.4	5.0	5.0
Machinery and equipment n.e.c.	± 0.0	+ 0.3	+ 3.2	± 0.0	+ 3.5	5.4	4.8	4.8
Hotels and restaurants	+ 0.2	+ 0.6	+ 1.2	+ 2.0	+ 4.1	18.9	18.3	18.0
Basic metals, fabricated metal products	- 1.5	+ 4.9	+ 5.6	- 0.3	+ 8.7	6.4	5.8	5.8
Other community, social and personal service activities	+ 1.8	+ 2.3	+ 3.9	+ 4.9	+ 13.5	7.4	6.8	6.5
Transport equipment	+ 6.3	+ 2.7	+ 3.1	+ 9.6	+ 23.4	3.8	3.3	3.0
Real estate, renting and business activities	+ 4.0	+ 6.1	+ 6.4	+ 7.6	+ 26.2	7.3	6.5	6.1
All categories <sup>1</sup>	- 0.6	+ 0.4	+ 1.0	+ 1.2	+ 2.1	7.0	6.7	6.6

Source: Dependently employed over the marginal earnings threshold as per the Federation of Austrian Social Security Institutions; unemployment as per the Austrian Public Employment Service; WIFO calculations. – <sup>1</sup> Including administration of the state and the economic and social policy of the community, education and research, health and social work.

Table 5: Dependent employment and integration subsidies, by industry groups

1999

	Total dependently employed			Subsidised, 45 and more age group			Subsidised, up to age 44		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
	Percentage shares								
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Industries with declining demand for labour	68.3	72.3	61.7	68.2	71.3	63.0	62.0	68.8	56.4
With low unemployment	23.0	26.6	17.2	13.0	14.7	10.1	13.2	15.5	11.3
With medium unemployment	6.2	6.6	5.5	6.3	6.9	5.4	6.1	7.8	4.7
With high unemployment	39.0	39.1	39.0	48.9	49.7	47.5	42.7	45.5	40.4
Industries with growing demand for labour	31.7	27.7	38.3	31.8	28.7	37.0	38.0	31.2	43.6
With low unemployment	19.3	20.0	18.1	17.6	18.9	15.4	16.8	19.1	14.9
With medium unemployment	5.9	3.7	9.7	6.0	4.7	8.1	8.6	5.3	11.3
With high unemployment	6.4	4.0	10.5	8.2	5.1	13.5	12.7	6.8	17.4
Industries with low unemployment	42.4	46.6	35.3	30.6	33.6	25.5	30.0	34.6	26.2
Industries with medium unemployment	12.1	10.3	15.2	12.3	11.6	13.5	14.7	13.1	16.0
Industries with high unemployment	45.5	43.1	49.5	57.1	54.9	61.0	55.3	52.3	57.8

Source: Austrian Public Employment Service, Federation of Austrian Social Security Institutions, WIFO calculations.

Integration subsidies awarded to unemployed persons below 45 years of age will more rarely be directed to jobs in industries declining in the medium run than to industries with a growing demand for labour in the medium run: Declining industries employ 68 percent of all dependently employed workers in the market-oriented sectors, but just 62 percent of subsidised workers, whereas among subsidised workers over 45 years of age, 68 percent found jobs in shrinking industries.

A different situation emerges relative to the industry-specific unemployment rate: Equally for declining and growing sectors, the greatest users of the subsidies are industries that

suffer from above-average unemployment. Industries with a declining demand for jobs and relatively high unemployment employ 39 percent of the stock of dependently employed in the market-oriented sector, but take up 43 percent of subsidised workers under 45 and 49 percent of those over 45. Subsidies thus concentrate on segments characterised by high supply competition and segments with strong structural unemployment. Neither the shrinking nor the growing segments show any shift to industries with low unemployment.

This finding is the outcome of an interplay between a range of factors, among them qualifications and other employment-relevant features of unemployed workers as against features in demand by employers, the regional labour market situation as linked to geographic mobility of job-seekers, and the economic sectors in which the jobless seek jobs.

Faced with the loss of their job, older workers are also confronted with particularly grave problems of re-integration. Even though integration subsidies as a labour market policy tool can be seen to be particularly effective for them, they do not reap their full benefits. Inadequate information regarding the subsidy option on the part of the job-seekers, lack of experience in looking for work and a dearth of knowledge of the range of available employment opportunities may play a role, as can be deduced from evaluation results. Nevertheless, older job-seekers are also restricted with regard to their actual job opportunities: strict internal separation of labour market segments and health problems close them off from access to a large range of activities. Integration subsidies offer companies the chance to determine, at low cost, whether applicants eligible for the subsidy will actually be suitable for the job. The positive experience gained by companies from integration subsidies might serve as a signal to others that have so far shied away from employing people who fall under the subsidy scheme.

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## Conclusions

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### *Company Integration Subsidy as a Tool to Integrate Older Unemployed – Summary*

Within the scope of efforts to raise the retirement age, increasingly greater importance has been awarded in recent years to schemes aimed at reintegrating older unemployed workers in the employment system. For the coming years, no relief can be expected in the employment situation for older people, which translates into a particular challenge for labour market policy. One tool to achieve reintegration is the company integration subsidy granted by the Public Employment Service.

The granting of a temporary employment subsidy allows a company to determine at low cost whether or not an applicant eligible for the subsidy is suitable for the job. The positive experience gained by companies from integration subsidies might serve as a signal for others that have so far shied away from employing people who fall under the subsidy scheme.

The integration subsidy is an effective labour market policy instrument to achieve integration, particularly for older unemployed where the employment effect is greater than for the young. Nevertheless up to 1999, the subsidy did not adequately take into account the problems of older persons. This group may be hampered by a shortage of information on the subsidy on the one hand, and by inexperience in looking for work and lack of knowledge of the range of employment opportunities on the other hand. Added to this are the restrictions facing older people when it comes to their actual job opportunities: the strict internal separation of labour market segments and health problems close them off from access to a large range of activities.

Against this background, the subsidy is utilised, especially for older unemployed, by sectors where labour demand is declining and unemployment is high. There is hardly any redirection on low-unemployment sectors. The current use of the integration subsidy should thus be viewed primarily as a tool to help make structural change more socially compatible.