

**WIFO**

TEL (+43 1) 798 26 01-0  
FAX (+43 1) 798 93 86

**ÖSTERREICHISCHES INSTITUT FÜR WIRTSCHAFTSFORSCHUNG**  
**AUSTRIAN INSTITUTE OF ECONOMIC RESEARCH**

WIEN 3, ARSENAL, OBJEKT 20 • A-1103 WIEN, POSTFACH 91  
P.O. BOX 91, A-1103 VIENNA – AUSTRIA • <http://www.wifo.ac.at>



**Donau Universität**  
**Dr.-Karl-Dorrek-Straße 30**  
**A-3500 Krems**

<http://www.donau-uni.ac.at/mis>

# **Current labour market situation in Austria and challenges of migration**

**Gudrun Biffi**

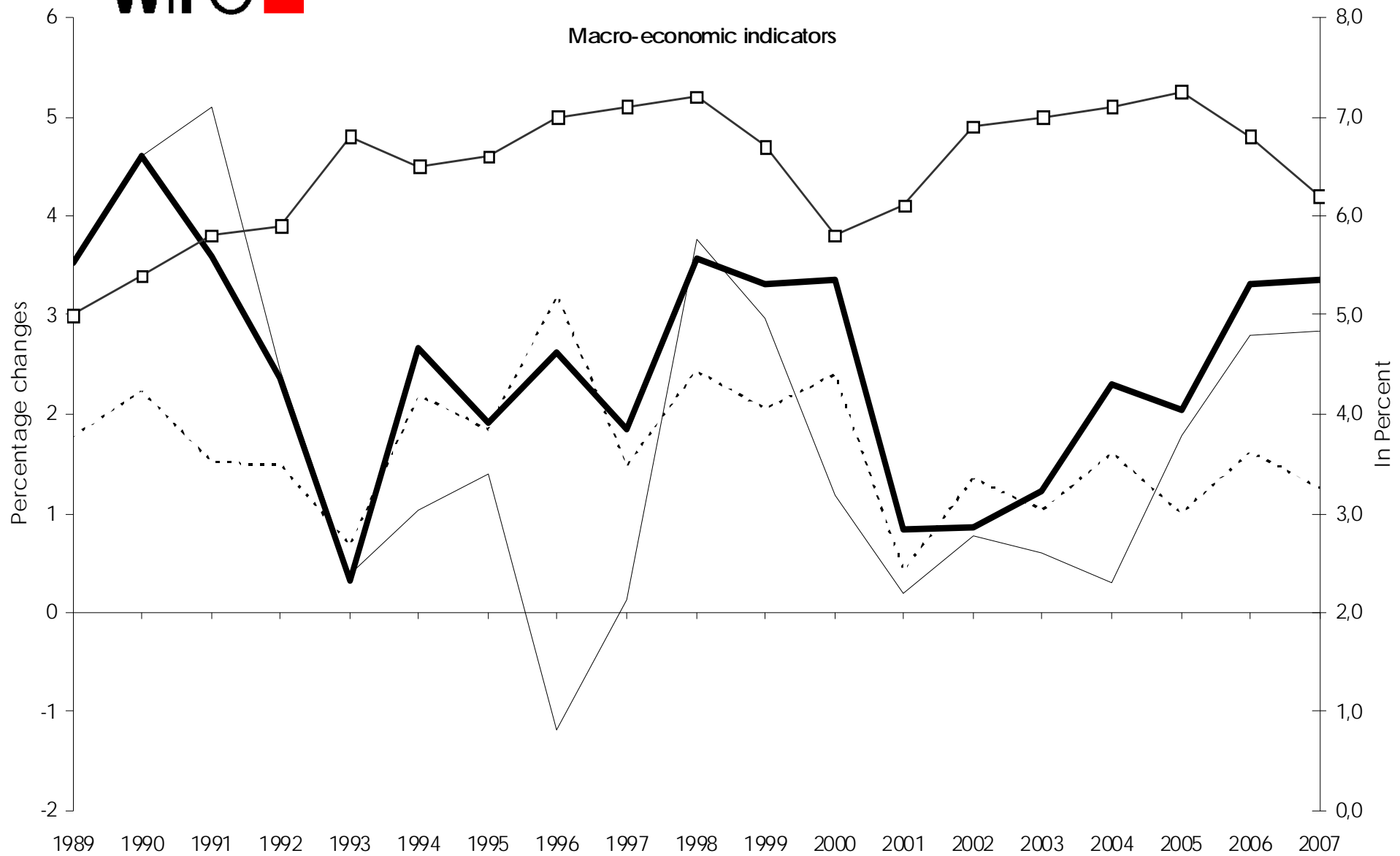
**Contribution to the expert workshop on transitional arrangements regarding the free  
movement of labour from new EU-MS  
Brussels**

**1 December 2008**

## In spite of economic boom slow decline in unemployment

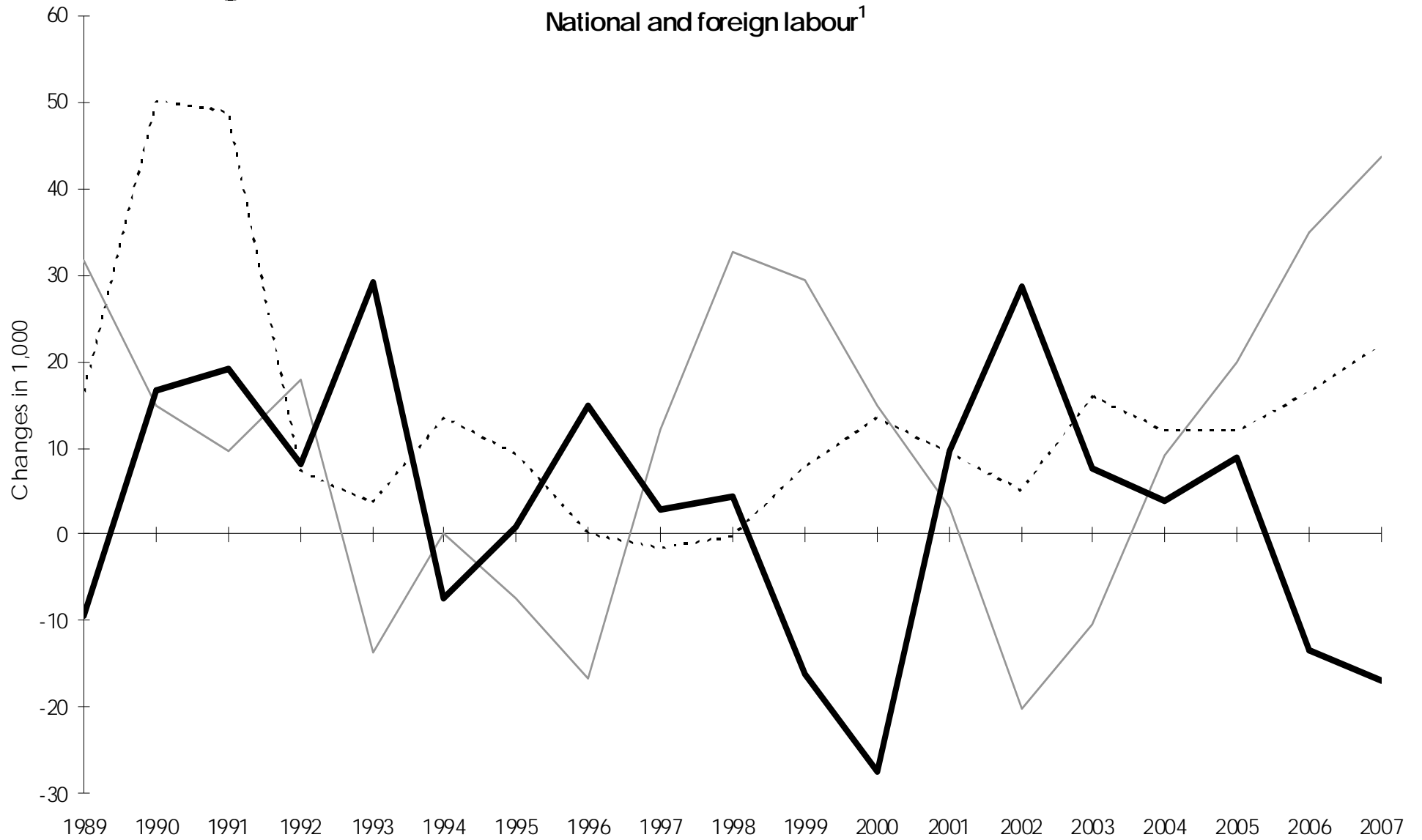
---

- 2008 sees slow-down in economic growth to 2% after 3.1% and 3.4% in 2007 and 2006 respectively
- Employment growth is nonetheless unbroken and will reach higher rates than in the last two years (1.9% versus 1.3% and 1.1%), i.e. some 70,000 versus some 45,000 and less)
- Unemployment has started to decline in 2006 for the first time in 6 years, but by much less than employment growth suggests.
- Accordingly, by 2008, Austria will have some 209,000 unemployed, i.e. more than in 2000, the peak of the last business cycle (194,000)
- The unemployment rate of wage and salary earners will decline to 5.9% and remain somewhat higher than in 2000 (5.8%)
- About one third of employment growth in the year 2008 accrued to foreigners, somewhat less than in the two previous years.
- Accordingly, the share of foreigners in total employment has reached 13.2%, after 12.3% in 2007.
- The real wage rate has started to rise in 2005 and reached a growth rate of 2.8% in 2006 and 2007. The current year will see a similar rise.
- Productivity growth has been quite small (about 1.5%)



S: AMS, HSV, WIFO-calculations.

National and foreign labour<sup>1</sup>



S: WIFO. <sup>-1</sup> Excluding formerly employed persons who are currently on parental

..... Foreign employment  
**—** Total unemployment

— National employment

- According to social security data, foreign employment (excluding self-employed and persons on parental leave) amounted to 435,600 in 2008 (23,000 or 5.6 percent more than a year ago).
- These data include EU citizens - their numbers have continually risen since Austria's EU membership. In the year 2008 90,320 citizens from the EEA/EU 14 were employed in Austria, i.e., 20.7 percent of foreign employment. Particularly Germans continue to flow into Austria in large numbers as the increasing integration of the Austrian and German labour markets promote cross-border mobility of workers. In 2008, some 65,000 Germans were working on an annual average in Austria.
- In addition to increased immigration from old EU-MS, rising numbers of migrant workers from new MS enter the labour market. In 2008, 77,700 citizens from the EU 12 worked in Austria on an annual average, i.e., 17.8 percent of all foreign workers. Only those citizens from the new member states can obtain free labour movement who have been legally employed in Austria for 12 months; in addition, the family members who reside in Austria legally with a family member who has the right to free labour mobility also gains free mobility on the labour market.
- The employment of citizens from third countries amounts to 267,700 or 61.5% of all foreign workers.



## Foreign wage and salary earners by citizenship

	Annual average				In % of all foreigners		
	Total	EU/EWR (EU15)	EU12	Third countries	EU-EWR	EU 12	Third countries
1994	291.018	19.103		271.915	6,6	0,0	93,4
1995	300.303	21.598		278.705	7,2	0,0	92,8
1996	300.353	23.527		276.826	7,8	0,0	92,2
1997	298.775	25.135		273.640	8,4	0,0	91,6
1998	298.582	27.065		271.517	9,1	0,0	90,9
1999	306.401	29.821		276.580	9,7	0,0	90,3
2000	319.850	32.537		287.313	10,2	0,0	89,8
2001	329.314	35.832		293.482	10,9	0,0	89,1
2002	334.432	39.608	49.985	244.839	11,8	14,9	73,2
2003	350.361	43.572	52.275	254.514	12,4	14,9	72,6
2004	362.299	53.539	55.533	253.227	14,8	15,3	69,9
2005	374.187	62.331	59.316	252.540	16,7	15,9	67,5
2006	390.695	71.648	63.016	256.031	18,3	16,1	65,5
2007	412.578	81.176	69.877	261.525	19,7	16,9	63,4
2008	435.600	90.300	77.600	267.700	20,7	17,8	61,5

# WIFO Austrian labour market since EU enlargement

## Foreign labour in Austria

	Employees		UE-	
	2007	2000/07	rate	
	Number		2007	
			Percent	
■ Transition regime no complete restricted access				
■ Free mobility for migrant workers and their families already residing in Austria before May 2004				
	Hungary	18,000	7,600	4.4
	Former CSFR	16,200	6,200	6.4
	Poland	14,600	3,400	8.5
	Romania	13,100	3,400	8.1
	Germany	63,800	42,900	5.1
	Former Yugoslavia	164,400	5,900	9.5
■ Also researchers may enter without a permit	Turkey	55,100	- 2,000	11.7
	Others	44,300	3,700	8.0
	<b>Foreign workers</b>	<b>412,600</b>	<b>92,700</b>	<b>8.8</b>
	<b>All employees</b>	<b>3,344,000</b>	<b>210,300</b>	<b>6.2</b>

- As a result of regulation of care work, many women from new MS came forward to legalise their clandestine work status
- Thus the numbers of self-employed from new EU-MS (10) are currently (end of September 2008) at 18,423, after 2,307 in 2003.
- The numbers from Bulgaria and Romania increased from 970 in 2003 to 3,503.



- Workers from the NMS earn 10-20 percent less than Austrians (partly due to education level)

- In the long run, this must affect Austrian workers' wages and entrepreneurs' preferences for foreign workers

Austria	100.0
Germany	91.5
Former CSFR	80.0
Former Yugoslavia	85.6
Poland	89.5
Romania	83.0
Turkey	84.6
Hungary	79.1
Others	84.0
<b>Foreign employees total</b>	<b>85.2</b>

---

	2000	2007
	Shares of total employees in percent	
■ Total	10.2	12.3
■ Agriculture	23.5	31.5
■ Industry	11.7	12.3
■ Construction	18.2	19.2
■ Trade, tourism, transport	16.2	21.2
■ Business services	7.6	10.7
■ Other services	4.6	6.3

- Absorptive capacity did not suffice to accommodate rise in labour supply

	<b>Total</b>	<b>Foreigners</b>
	2000-07 (changes in percent)	
• Labour supply	+ 7.1	+ 31
• Employment	+ 6.7	+ 29
• Unemployment rate	+ 0.4	+ 1.3

■ **Geographic situation:**

- 1,256 km common border with NMS
- 4 million people in the NMS live near the Austrian border
- Vienna – Bratislava: 65 km apart
- Brno – Győr – Sopron – Maribor: less than 60km

■ **Differences in GDP per head in 2007:**

	At exchange rates	At PPP
Austria	100	100
<b>Czech Republic</b>	<b>38</b>	<b>63</b>
Slovakia	31	54
<b>Hungary</b>	<b>31</b>	<b>50</b>
Poland	25	43

GDD/head at exchange rates: relevant for decision to migrate

GDP/head at PPP: relevant for decision to commute

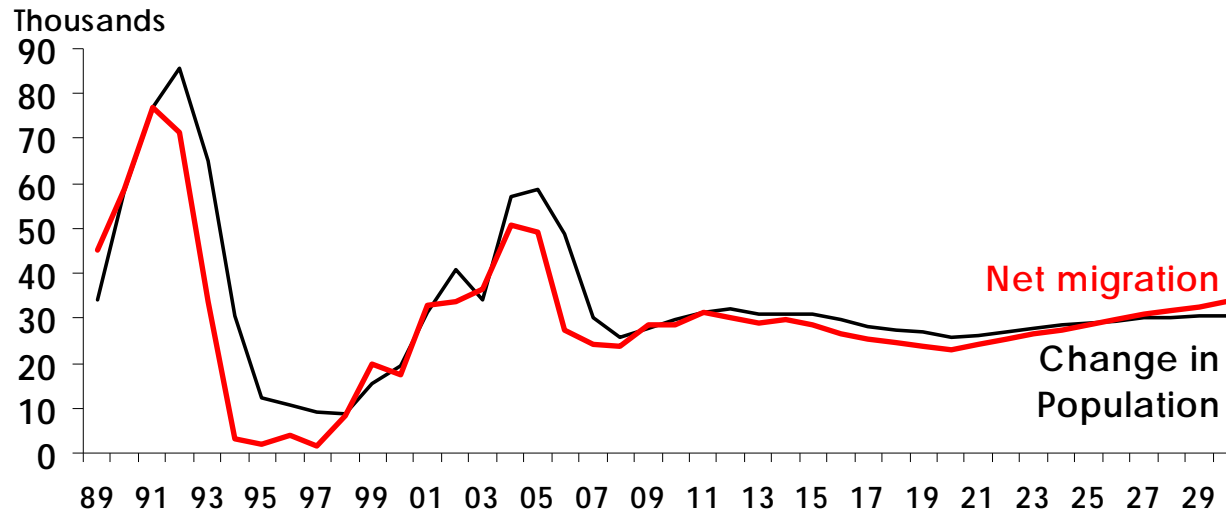
- **A social experiment in Austria:  
Free movement of labour in 1990-91**
- **What was the effect?**
  - **Unusually high increase in GDP and employment**
  - **But rising unemployment in a boom period**
    - + 100,000 foreign workers
    - + 70,000 employees
    - + 30,000 unemployed persons

**Foreign workers and older native workers were substituted for new foreigners**

**First wave of immigrants in the early 1970s:**

**No increase in unemployment since the access was controlled (permits only if no unemployed available)**

## Immigration dominates demographic development



- Net migration dominates the change in population

- About 35,000 per year = 0.4 percent of population
  - Family reunification + political refugees + immigration on economic grounds
  - Family reunification is important as a result of the long history of immigration
  - Sizeable inflow of economic immigrants from East Germany (after Hartz IV)

Net migration rate (Per 1,000 population)

■ **Austria's unique position:**

- High net migration rates in Ireland, UK, Italy (not from NMS), Austria and Switzerland

	1985	1990	2000	2003	2004	2005
Austria	0.7	7.6	2.2	4.4	6.2	5.9
Germany	1.5	16.3	2.0	1.7	1.0	.
Ireland	- 9.3	- 2.2	8.4	7.8	11.6	.
Italy	- 0.5	0.2	3.1	10.6	9.6	.
Netherlands	1.7	4.0	3.4	0.0	1.2	0.6
Sweden	1.3	4.1	2.8	3.2	2.8	3.0
Switzerland	2.1	8.4	2.8	5.9	5.4	4.6

Source: OECD

- Net migration rate in Austria (with transition arrangements) higher than in Sweden (free mobility from NMS)
- Low migration to Germany since 2000 due to poor labour market conditions

## **WIFO** ■ Potential for migration and commuting

- 
- Forecasts of labour flows from NMS to Austria after lifting transition arrangements:
    - About 0.7 to 1.2 percent of employees per year, depending on economic conditions
    - Flows to Great Britain and Ireland were much higher than in EU forecasts (partly due to restrictions in most other countries)
    - There will be more commuters than migrants from NMS to Austria
  - Main differences between EU Southern and Eastern enlargement:
    - Opportunities for cross border commuting
    - Backlog of potential migrants in the NMS (Southern Europeans emigrated in the 1950s)



- 
- In spite of transition regulations, official inflow from NMS to Austria quite high
    - Free mobility to citizens of NMS who worked in Austria before May 2004, incl. family members
    - Priority to citizens of NMS in case of application for a work permit
  - High increase in labour supply in recent decade added to employment, but also to unemployment in Austria (through substitution processes)
  - Pressure on wages since foreign workers earn 10-20 percent less
  - After lifting the transition arrangements, the inflow of commuters and migrants from NMS to Austria will substantially increase: +1 percent of labour force per year