

The 2015 edition of the OECD Employment Outlook provides an international assessment of recent labour market trends and short-term prospects with a special focus on statutory minimum wages. It also contains chapters on: skills and wage inequality; the role of activation policies to connect people with jobs; earnings mobility, labour market risk and long-term inequality; and job quality in major emerging economies.

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Labour market developments in Austria



Source: OECD Short-Term Labour Market Statistics database, <http://dx.doi.org/10.1787/data-00046-en>.

RECENT LABOUR MARKET TRENDS AND PROSPECTS

Labour market conditions are improving in many OECD countries but the recovery from the recent economic crisis remains very uneven. Employment is still growing too slowly in the OECD area to close the jobs gap induced by the crisis, even by the end of 2016. Consequently, unemployment for the OECD as a whole is projected to continue its slow decline, reaching 6.6% by the end of 2016.

- Austria experienced a renewed downturn in its economy and labour market between mid-2011 and late-2014, with increasing rates of unemployment largely due to slack domestic demand. But there are recent signs of a slow recovery: overall and youth unemployment rates and the incidence of long-term unemployment all started to fall in the first quarter of 2015, if only marginally, and employment continued to increase.

- The mid-term outlook, however, remains bleak with unemployment set to increase again in the second half of 2015 and to fall only slightly during 2016. With much faster recovery in recent years in most other OECD countries, the gap between Austria (traditionally a very good performer) and the OECD average is shrinking.

MINIMUM WAGES

A growing majority of countries use minimum wages as a tool to raise wages at the bottom of the wage distribution and to prevent workers' families from falling into poverty. The effectiveness of these policies depends upon the level of the minimum wage, which could lead to job losses if set to too high, and how much minimum-wage workers receive after taxes and benefits.

- Austria is among the small minority of OECD countries without a statutory minimum wage. Back in 2009, the social partners agreed to a wage floor of EUR 1 000 per month for all

sectors but, first, this level has remained unchanged since and, secondly, it is very low relative to median average earnings. The share of workers covered is therefore negligible.

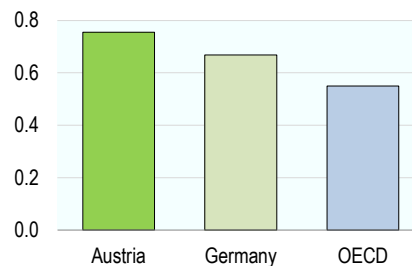
- As in other OECD countries, Austria will need to consider ways to address the declining effectiveness of the collective bargaining system in establishing a wage floor and the risk of growing in-work poverty. Recent tax reform has improved the net returns from work but the tax on labour remains high in Austria, also for low-wage earners.

ACTIVATION POLICIES FOR MORE INCLUSIVE LABOUR MARKETS

Effective activation policies help connect unemployed and inactive people with jobs. To do this, they need to strengthen the motivation and employability of jobseekers while improving their job opportunities. These elements need to be managed by strong labour market institutions and policies, which are the keystone of any successful activation strategy.

- In the 2009 recession, Austria continued its strong activation approach and enforced active job search and participation in programmes to improve employability. This policy contributed to containing the increase in unemployment.
- Spending on active labour market programmes is high in Austria (close to 0.8% of GDP) relative to many other OECD countries, and three out of every four jobseekers contact the Public Employment Service to seek help, which is thus in a good position to provide help.
- The disappointing unemployment trends in the past three years, however, suggest that active labour market programme spending should be boosted up now, to reach more jobseekers with effective support and to foster labour mobility.

Expenditure on active labour market programmes Percentage of GDP, 2013



Source: OECD Employment Outlook 2015, Chapter 3.

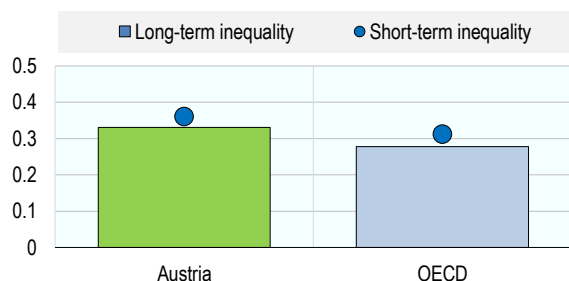
THE QUALITY OF WORKING LIVES

How earnings inequality at any point in time translates into long-term inequality in labour incomes depends on the degree of earnings mobility – defined as moving up or down the earnings ladder and in and out of work. Key drivers of persistently low earnings include chronic unemployment, weak cognitive skills, atypical work arrangements and poor productivity firms. Unemployment benefits help to cushion incomes in the event of job loss.

- Earnings inequality (including inequalities in hourly wages, working time, benefit income) is particularly high in Austria, for both men and women. Chronic unemployment and low skills for some groups of the population and low unemployment benefit levels are among the explanatory factors.
- Skills development, and measures to facilitate labour mobility between declining and expanding sectors and firms, will be critical in Austria to tackle both high wage and high earnings inequalities.

Short- and long-term earnings inequality

Gini coefficient for persons in the labour force



Source: OECD Employment Outlook 2015, Chapter 4.

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