

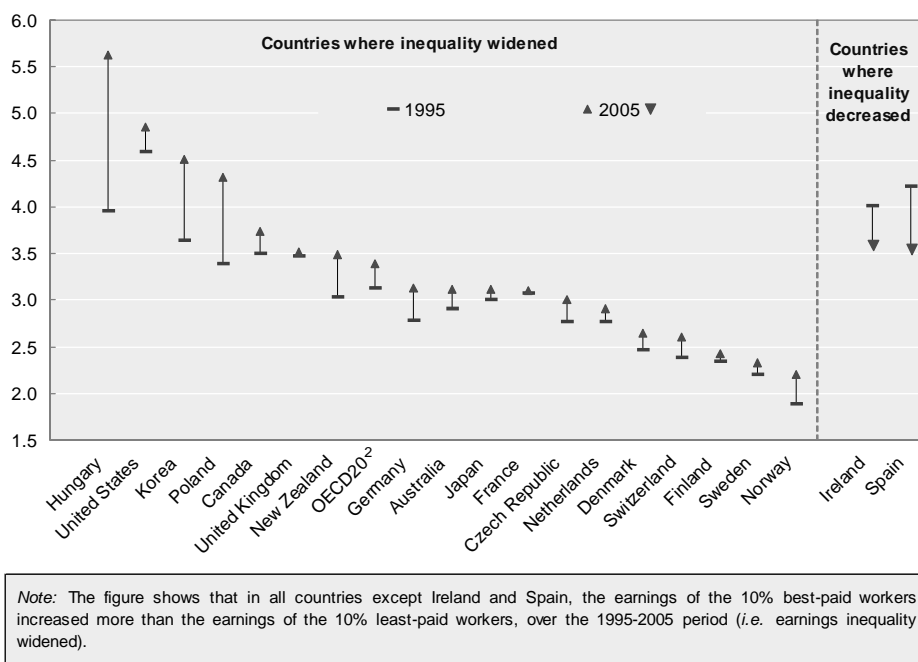
OECD- Employment Outlook 2007 – How does Austria compare

In recent years, Austria has introduced some innovative reforms in employment policy, but like the majority of other OECD countries, **it should provide workers with stronger and more effective support in meeting the challenges of the new global economy.** Employment policy, social insurance and labour law should be structured such that employees can cope with necessary job changes rather than stay in branches and jobs which have no future. At the same time, the social insurance burden on wages should be lightened in order to offset relative loss of incomes and encourage higher employment. So concludes the current year's OECD-Employment Outlook published on 19 June in Paris by the Organisation for Economic Cooperation and Development (OECD).

The Study comes to the conclusion that technical change and globalisation have, above all, weakened the bargaining power of low-skilled workers in the OECD countries. Relocation of jobs or the threat of it have increased the risk of unemployment and kept a lid on wages. **Thus in the vast majority of OECD countries, income inequalities have increased and the share of wages in economic output has fallen** (see graph on "Income inequalities" – no data are available for Austria).

Income inequalities in most countries have increased

Ratio of the highest and lowest ten per cent of wages ¹

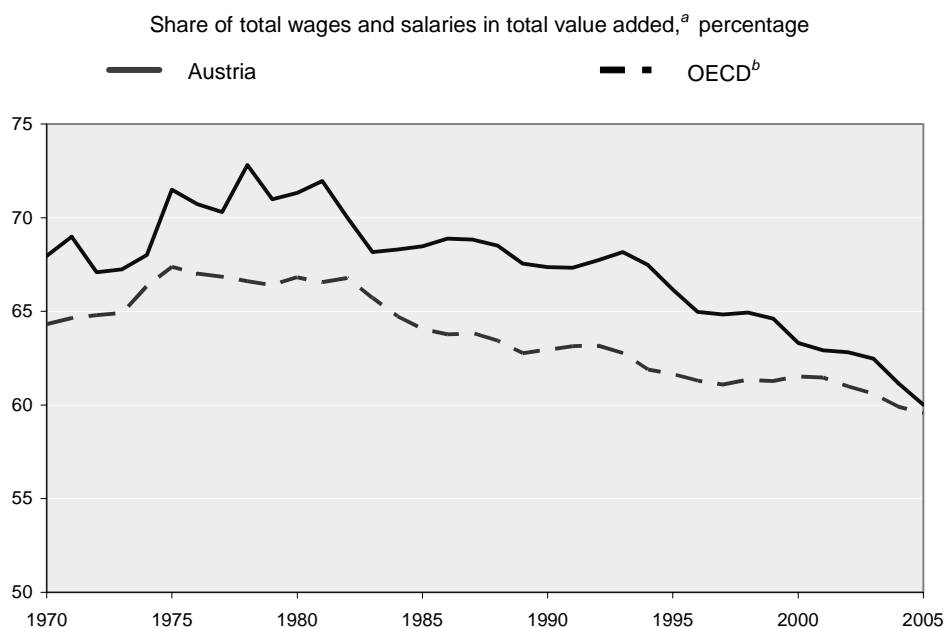


1. Employees who are employed full time for the whole year. The data are consistent for all countries over the period but do not relate to the absolute level of income inequality and are not fully comparable between individual countries. The reason is different reporting cycles and differences in variations in the employees included
2. Unweighted average of the countries shown in the graph.

Source: OECD database on Earnings Distribution.

In Austria, the drop in the share of wages was especially sharp. Between 1995 and 2005 alone, it fell from 66.2 to 60.0 per cent, three times faster than the average of the 20 OECD countries for which data are available (see graph "Share of Wages"). The proportion of short-term employed (tenure up to one year) in Austria also rose in the same period from 11 to over 15 per cent. Conversely, the average stay in a job remained stable at just ten years.

Wage share of national income in Austria and the OECD area, 1970-2005



a) Total labour compensation, including employers' social security and pension contributions and imputed labour income for self-employed persons.

b) GDP weighted average of the following countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Korea, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States.

Source: OECD Employment Outlook 2007.

The Study further suggests that countries with high social security contributions, such as Germany, Austria and Belgium, should finance their social insurance on a broader basis. Especially for health and nursing care insurance, where the amounts paid do not match the total service provision, financing from taxation could lighten the burden on incomes. This could be financed, the authors believe, from Value Added Tax or Income Tax.

The Study also recommends making it easier to change jobs without depriving workers of social security. The so-called Flexicurity Model is a successful strategy in this regard. As an example of a successful measure, the authors point to the new severance pay regulations, whereby employers regularly pay amounts into an individual account for each employee. In the case of redundancy, this resource can be used as compensation or transferred to a new employment. If an employee does not claim these funds during his work-life, they can serve as a pension supplement after retirement.

Furthermore, according to the report, **support for the unemployed should be more thoroughly monitored in future, so as to ensure that its effects are employment-friendly.** This can be achieved through appropriate benefits in combination with measures to "activate" employees, so that they engage in independent job search. Pre-conditions for an effective "activation" policy are appropriate staff/client ratios, the signing and follow-up of back-to-work agreements and regular checks of availability-for-work, coupled with moderate unemployment benefit sanctions. Experience in the Nordic Countries and Australia shows that such policies, if well structured, significantly increase the employment prospects of the unemployed. On many of the "activation" indicators used Austria is among the group of better-performing countries.

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