

Analyses

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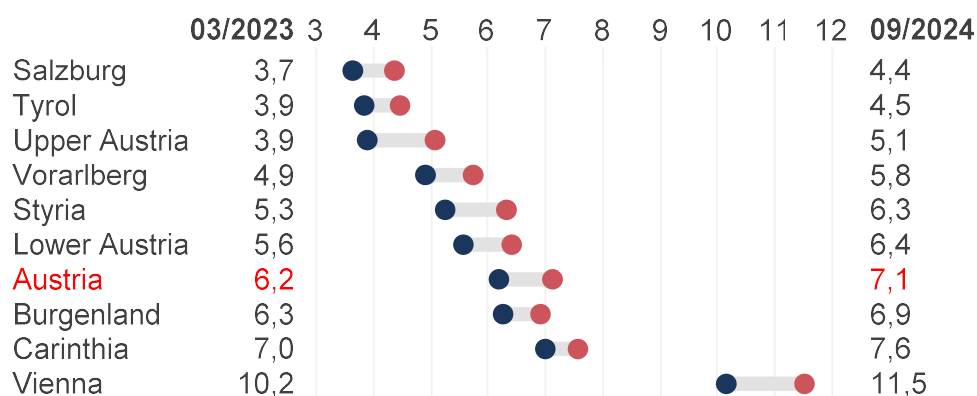
NOVEMBER 2024

**Labour market in Austria is cooling -
Unemployment rates have been
rising in all federal states**



UNEMPLOYMENT RATES RISE IN THE FEDERAL STATES

Unemployment Rates (seasonal adjusted)



Sources: AMS, Macrobond, UniCredit

- The weak economic growth in recent quarters has led to a sharp slowdown in the Austrian labour market. Unemployment rates have been rising in all federal states since the beginning of 2023, especially in Vienna and in the industrial-oriented federal states.
- In mid-2022, the number of vacancies reached a seasonally adjusted peak of just under 130,000 after the relaxation of the Corona measures and has since fallen to just over 87,000 in October 2024 due to the economic slowdown. At the same time, the number of unemployed has risen steadily since the beginning of 2023. In the same period, this led to an increase in the number of vacancies¹ from two to over 3 and was thus in the range of the pre-pandemic value of the beginning of 2020.
- The number of unemployed per vacancy has increased in all regions since May 2022 and has a wide range. In October, it ranged from 1.8 in Upper Austria to 7.1 in Vienna.
- The economic slowdown caused a decline in the number of shortage occupations. Since the peak in mid-2022 with almost 100 shortage occupations, this number halved by September 2024. However, the shortage of skilled workers in certain sectors remains a major problem of the Austrian labour market.

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As of: November 2024

¹ Number of unemployed per vacancy

Mid-2022 with historically lowest number of unemployed per vacancy

Right shift of the Beveridge curve with the onset of the pandemic

Since mid-2022: increase in unemployment combined with a slight shift to the left of the Beveridge curve

Labour market normalises after the upheavals caused by the pandemic

In April 2020, the coronavirus pandemic in Austria led to a sudden and massive increase in unemployment, accompanied by a sharp decline in job vacancies (see chart 1). With the relaxation of the Corona measures, there was a very rapid development in the other direction with falling unemployment figures and the number of vacancies increased. In May 2022, the number of unemployed per vacancy reached 2.0, the lowest value in history, i.e. nationwide and across all occupations, there were only two unemployed people for every vacancy.

Another consequence of the pandemic-induced lockdowns and economic restrictions was a strong shift to the right of the Beveridge curve (see red arrow in Figure 2), indicating inefficiencies in the labour market (e.g. mismatch unemployment²). The Beveridge curve is an important economic concept that describes the relationship between the unemployment rate and the vacancy rate³. It typically shows a negative relationship between these two variables: when unemployment is high, there are fewer job vacancies and vice versa. The curve can shift over time. A shift to the right, as was observed at the beginning of the pandemic in spring 2020, means that the number of vacancies is higher than it used to be, given the unemployment rate. There is therefore a greater mismatch between the skills required and the qualifications of the unemployed. The labour market is less efficient.

With the gradual relaxation of the pandemic measures, the number of vacancies increased again and unemployment decreased (orange arrow), similar to the period 2015 to 2020 (blue arrow), but at a much more inefficient level (further to the right). From mid-2022, this trend reversed and unemployment has been rising again since then, while the number of vacancies is decreasing (grey arrow). At the same time, however, there was a shift to the left of the Beveridge curve (green arrow), which indicates a slight improvement in the efficiency of the labour market, i.e. at present, for a given number of vacancies, there is less unemployment than in the period 03/2020 to 08/2022.

Figure 1: Labour Market Austria

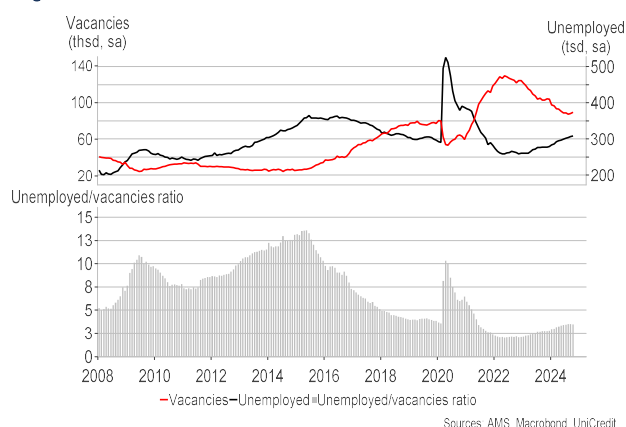
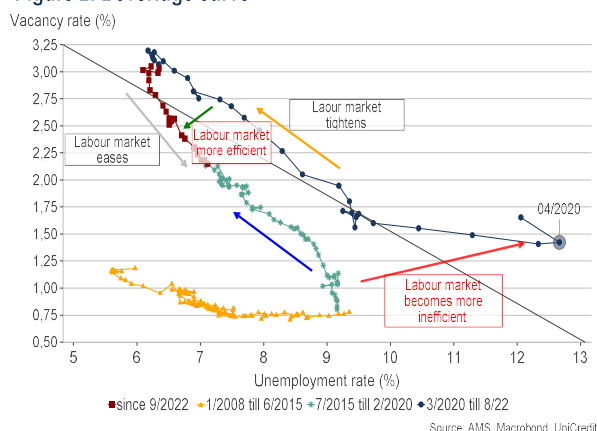


Figure 2: Beveridge curve



² e.g. the qualifications of the job seekers do not match the vacancies or there is a regional mismatch

³ Vacancies / (Vacancies+Employees)

Sharp increase in shortage occupations from January 2021 to summer 2022

Cooling of the economy leads to a decline in the shortage of skilled workers in recent months

Number of shortage occupations decreases again after tenfold increase

On the basis of detailed data from the AMS with unemployed and vacancies by occupation at 4-digit level with over 500 characteristics, it is possible to analyse the shortage occupations at a granular level. According to the Skilled Workers Ordinance of the Ministry of Labour, a profession is a shortage occupation if the number of unemployed per vacancy is less than 1.5. So there is a maximum of 1.5 unemployed people for every position. For Figure 3, the restriction was also introduced that the number of vacancies per occupation must be at least 100 throughout Austria.

The chart with the shortage occupations shows the strong increase from summer 2020 to mid-2022, which was due, among other things, to the distortions in the labour market due to the Corona pandemic and the high demand for labour as a result of the relaxation of the Corona measures. From December 2020 to the time of the peak in shortage occupations in June 2022, the number of shortage occupations multiplied from 11 to just under 100 occupations and almost 50 percent of all vacancies were in shortage occupations. At the beginning of 2021, only highly qualified professions such as doctors, mechanical engineers or data processing technicians were de facto a shortage occupation. By June 2022, for example, the following occupations had been added as shortage occupations: professions in tourism such as cooks and waiters, retail salespeople and skilled jobs such as bricklayers and electricians. Since then, the number of shortage occupations has fallen to just over 50 or less than 30 percent of all vacancies by September 2024. This is partly due to the disappearance of some tourism occupations as shortage occupations, whereby seasonal effects must also be taken into account here.

Figure 3: Number of shortage occupations

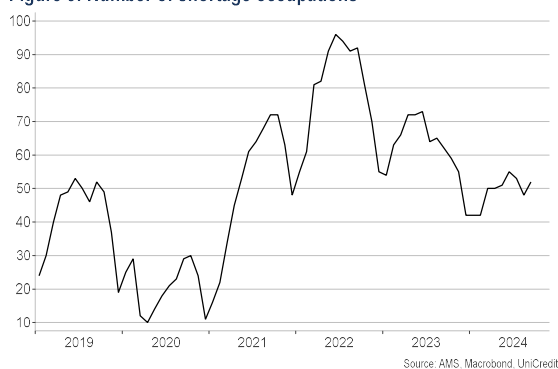
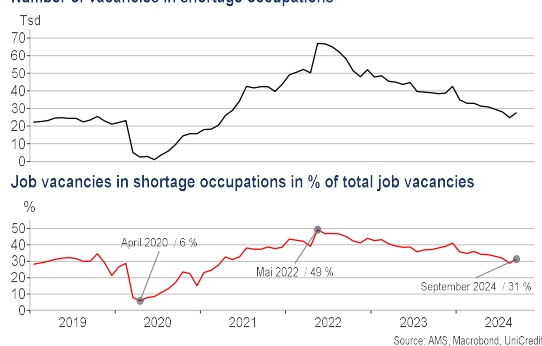


Figure 4:
Number of vacancies in shortage occupations



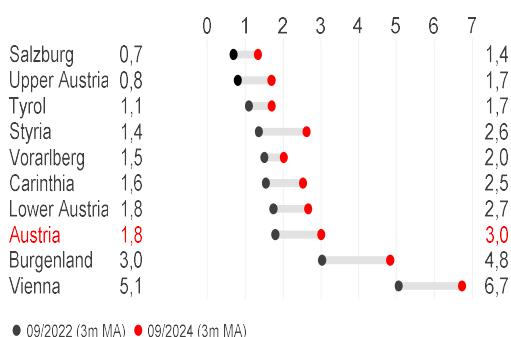
There are again more unemployed per vacancy in the federal states

Analysis at regional level

An analysis at the federal state level shows that since the peak of vacancies in Austria in mid-2022, the labour market in the regions has cooled significantly. The number of vacancies rose significantly in all provinces, most strongly in Burgenland and Vienna. There are two main reasons for this: the distortions in the labour market at the height of the Corona pandemic gradually dissipated and the economic slowdown caused a decline in vacancies while unemployment rose at the same time.

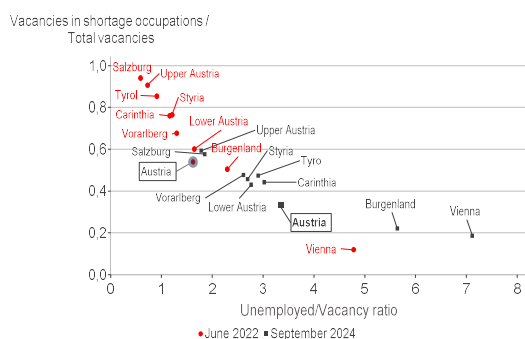
Figure 6 shows that there has been an increase in the number of vacancies in almost all federal states in recent months, combined with a decline in shortage occupations⁴ (shift to the bottom right of the graph). Only in Vienna was there an increase in the share of vacancies in shortage occupations in September 2024 compared to June 2022, albeit at a very low level in a comparison of the provinces. The federal capital has by far the lowest proportion of shortage occupations. In Salzburg, Upper Austria and Tyrol, on the other hand, the proportion of vacancies in shortage occupations is the highest in total vacancies and the number of unemployed/vacancy ratio is the lowest.

Figure 5: Unemployed/vacancy ratio in Federal States



Source: AMS, Macrobond, UniCredit

Figure 6: Shortage occupations and Unemployed/vacancy ratio



Source: AMS, Macrobond, UniCredit

About a third of the vacancies in federal states with shortage occupations could be filled by unemployed people from other regions without shortage

Table 1 shows the shortage occupations with the largest number of vacancies in the individual regions as of September 2024. As already mentioned, it is striking that there are only a few shortage occupations in Vienna and that a shortage occupation in one province (except Vienna) is usually also a shortage occupation in the other provinces (except Vienna). Electricians, food sellers and qualified nurses top the list of shortage occupations.

In September 2024, there were almost 30,000 vacancies in shortage occupations. In comparison, there were 10,000 unemployed in other provinces where the profession is not a shortage occupation. That is a third of the vacancies in shortage occupations. This is the reallocation potential with which the vacancies in shortage occupations could theoretically be filled with unemployed people from federal states where the occupation does not represent a shortage. This reallocation potential of 10,000 unemployed accounted for less than 4 percent of all unemployed in September 2024, compared to well over 10 percent in mid-2022.

⁴ Shown as the share of vacancies in shortage occupations as a percentage of total vacancies

Table 1: Regional shortage occupations with reallocation potential

AMS-Code - Occupation	Federal States with shortage	Vacancies in shortage occupations	Unemployed in Federal States without shortage	Reallocation Potential
2421 - Electrician	B, C, LA, UA, S, St, T, Vo	2835	916	916
4007 - Food vendors	C, LA, UA, S, St, T, Vo	2400	1675	1675
8061 - Nurse	B, C, LA, UA, S, St, T, Vo, Vie	2182	0	0
2201 - Motor vehicle mechanics	B, C, LA, UA, S, St, T, Vo	1293	317	317
2121 - Plumber	B, C, LA, UA, S, St, T, Vo	1050	508	508
6208 - Other Technicians for Mechanical Engineering	LA, UA, S, St, T, Vo	942	340	340
1958 - Other locksmiths	C, LA, UA, S, St, T, Vo	1044	244	244
8001 - Doctors	B, C, LA, UA, S, St, T, Vo	972	276	276
2208 - Other Rough Mechanics	C, LA, UA, S, St, T	717	343	343
2513 - Construction and furniture carpenters	C, LA, UA, S, St, T, Vo	732	258	258
6498 - Other technicians, unless otherwise classified	C, UA, S, St, T, Vo	556	447	447
2405 - Electromechanics	C, LA, UA, S, St, T, Vo	639	392	392
2021 - Lathe operator	C, LA, UA, S, St, T, Vo	698	77	77
6248 - Other Technicians for Heavy Current Engineering	C, LA, UA, S, St, T, Vo, Vie	700	10	10
1951 - Construction Locksmith	C, LA, UA, S, St, T, Vo	635	227	227
7301 - Public security organs	B, C, LA, UA, S, St, T, Vo	633	319	319
6458 - Other Business Technicians	C, LA, UA, S, St, T	552	233	233
2161 - Welder Operator	C, LA, UA, S, St, T, Vo	484	249	249
6475 - High skilled Data Processor	C, LA, UA, S, St, T, Vo, Vie	557	7	7
1954 - Machine fitter	LA, UA, S, St, T, Vo	484	223	223

Result

"Labour Hoarding" in Austria is decreasing, but there is still a shortage of skilled workers in some professions

In recent months, the number of unemployed has risen and the number of vacancies has fallen due to the sharp economic slowdown in all federal states. As a result, the shortage of skilled workers and also the so-called "labour hoarding" have decreased. Labour hoarding means that companies do not lay off their employees in the event of a temporary weakness in demand. The basic idea is to "hoard" the workforce so that the company can quickly fall back on well-trained personnel in a recovery phase. The decline in labour hoarding in Austria is due to a reduction in the shortage of skilled workers in some occupations, i.e. it is somewhat easier to get well-trained workers today than two years ago. Another reason is that companies expect the economic weakness to last even longer. However, the shortage of skilled workers remains a major problem, especially in the health sector and in some industrial occupations.

If one compares the reallocation potential, i.e. the pool of unemployed people in federal states without shortages, with the regional vacancies in shortage occupations, it can be seen that in some occupational groups (e.g. food sellers) a relatively high proportion of the vacancies offered could be filled by unemployed people from other federal states. On the other hand, the occupational group of registered nurses is a shortage occupation in all federal states, i.e. there is no potential for reallocation.

Despite the decline in the number of shortage occupations in recent months and thus a slight relief from the problem of skilled workers, labour market policy measures such as requalification of the unemployed, facilitation of changes of residence and the influx of qualified skilled workers from abroad should continue to be at the top of the agenda.

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