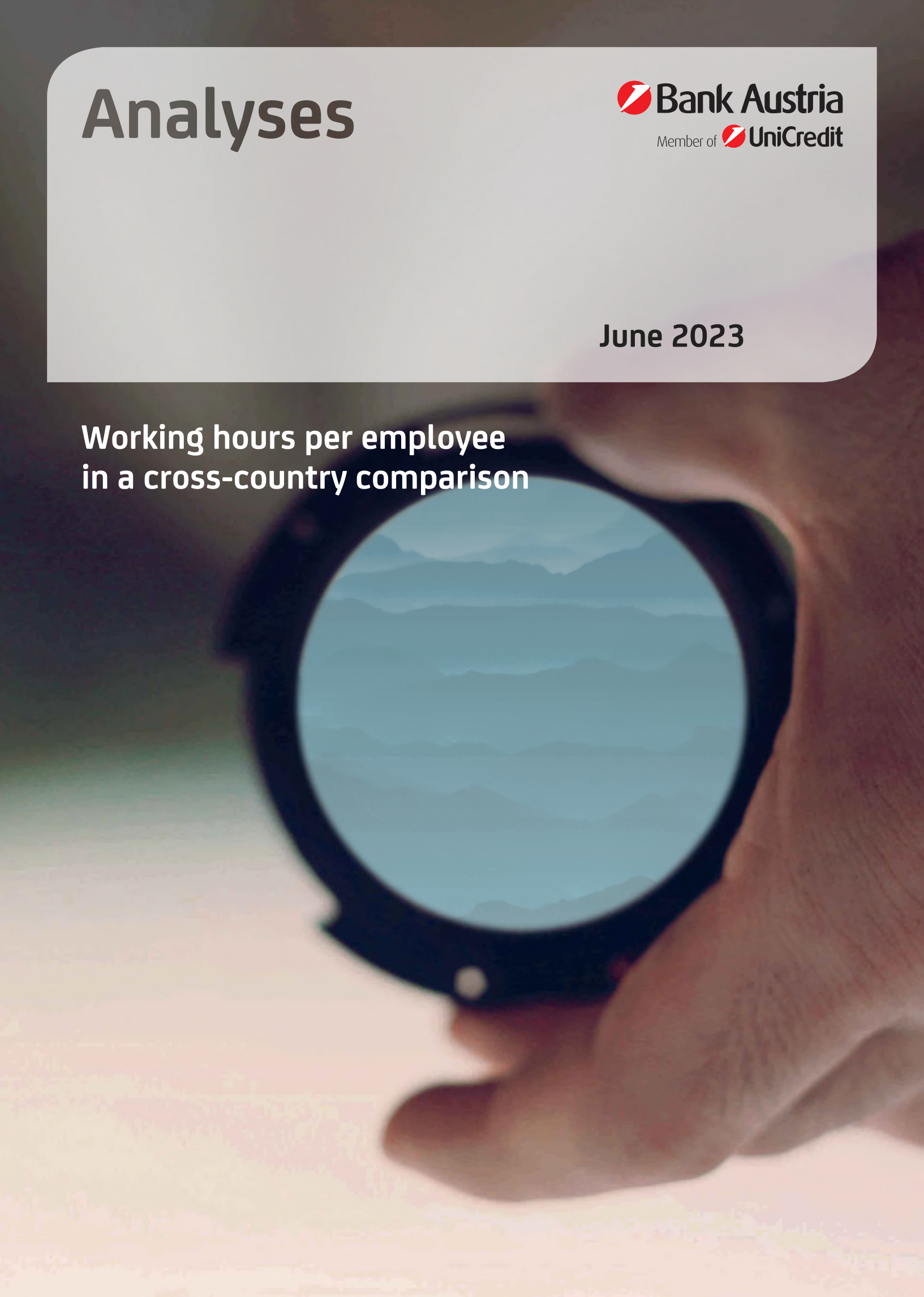


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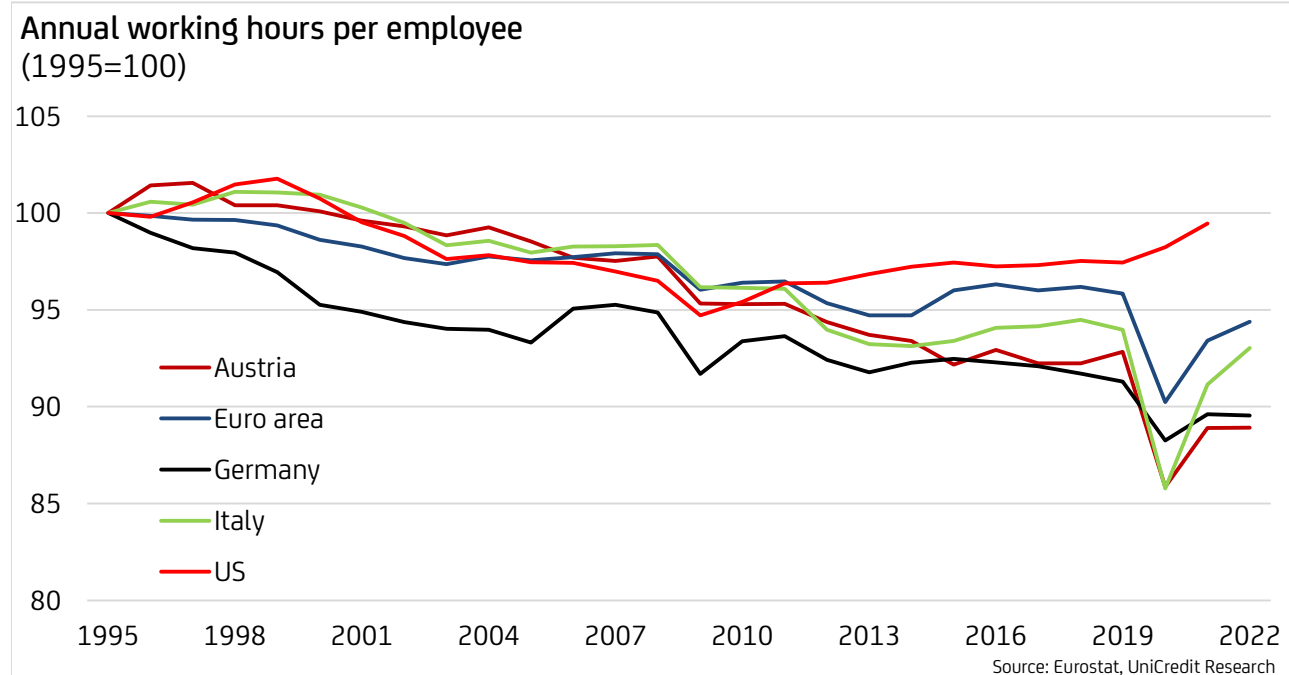
 **Bank Austria**
Member of  **UniCredit**

June 2023

**Working hours per employee
in a cross-country comparison**



WORKING TIME PER EMPLOYEE IN THE EURO AREA DECREASES, PARTICULARLY STRONGLY IN AUSTRIA



- The recovery from the pandemic brought an increase in employment and a reduction in the unemployment rate in the euro area to the lowest level since the founding of the monetary union. In Austria, too, there is record employment and the unemployment rate is at a 15-year low.
- This pleasing development coincides with a significant decline in the working time made available per employee. Since the increase in the volume of working time since 1995 has been significantly lower than the increase in employment in the euro area, the average annual working time per employee has fallen by around 6 percent or about 90 hours. In Austria, the average annual working time has even fallen by 11 percent or 180 hours, surpassed only by Slovakia.
- The decrease in working hours per employee is offset by a significant increase in productivity. Adjusted for inflation, gross value added per hour worked has risen by almost 25 percent in the euro area since 1995. On average, one employee has thus become a quarter more productive. In Austria even by more than a third.
- The socio-political changes in combination with the demographic developments lead us to expect a continuation of the decline in average working hours per employee and make this one of the major economic policy challenges for securing prosperity in Europe.

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Imprint
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as of June 2023

Decline in unemployment rate reflects increasing tightness in the European labour market

The European labour market has tightened

With the recovery from the Corona pandemic, the situation on the European labour market has improved significantly. The unemployment rate in the European Union has fallen to 6.2 percent on average in 2022. In the euro area, the unemployment rate was higher, but at 6.8 percent it reached the lowest level since the introduction of the euro in 1999. Despite the noticeable weakening of the economy since the second half of the year, the seasonally adjusted unemployment rate in Europe continued to decrease and at the end of the first quarter of 2023 was only 6 percent in the EU and 6.6 percent in the euro area. Austria also saw a reduction in the seasonally adjusted unemployment rate to as low as 4.8 percent on average for 2022 and a stable development in the first months of 2023. The low unemployment rates in Europe despite the subdued economic development in recent months are due to the high number of vacancies as a result of the strong recovery from the pandemic, which now serves as a buffer in the current economic phase.

Strong rise in employment in almost all euro area countries

Number of people employed in the EU to rise to 183 million by 2022

The fall in unemployment was accompanied by a sharp rise in employment. In the European Union, the number of people in work rose to over 183 million in 2022. This corresponds to an increase of 27 percent since 1995. In the euro area, the increase was even somewhat stronger at 30 percent. The strongest increases were recorded in Ireland and Luxembourg, where the number of employees more than doubled, while Latvia even experienced a decline. In Austria there was an above-average increase of almost 33 percent compared to 1995, while in the neighbouring countries Italy with about 25 percent and Germany with 21 percent the increases were somewhat below the average for the euro area.

...and the volume of working hours also increased strongly, but less so

Annual hours worked in the EU increased by 19 percent or 45 million since 1995

As the number of employees increased, so did the annual volume of working hours. In the EU, the volume of working hours increased by 19 percent compared to 1995. In the euro area, the volume of working time increased by almost 23 percent. The largest increase in the volume of working time within the euro area was in Luxembourg, where it more than doubled, followed by Cyprus, Malta and Ireland. In Estonia, Latvia and Slovakia, on the other hand, the hours worked actually decreased in absolute terms. While in Austria's most important trading partner, Germany, the volume of working hours has increased by 9 percent since 1995, in Italy, the second most important export market for the domestic economy, it increased by 16 percent and in Austria by 18 percent, but remained below the average increase in the euro area.

Chart 1: Employment in the euro area
(2022, 1995=100)

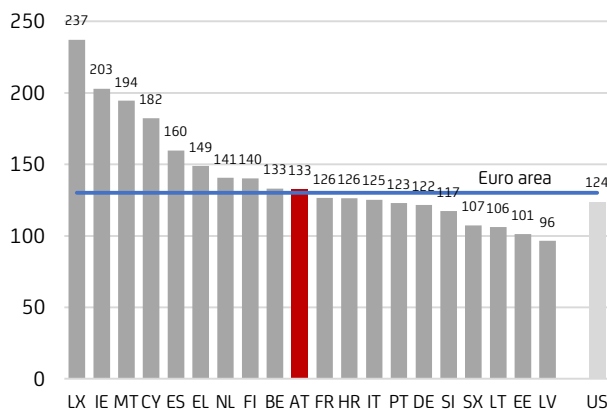
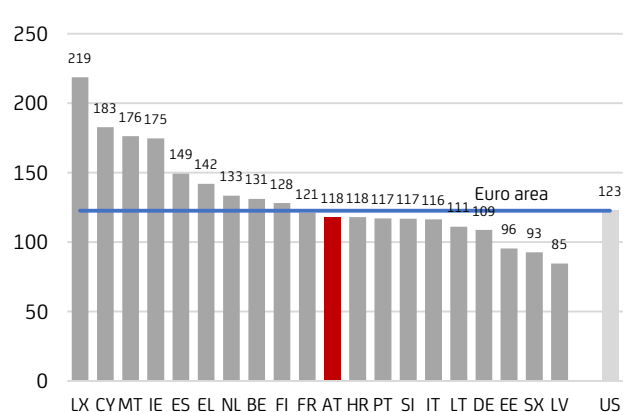


Chart 2: Volume of working hours
(2022, 1995=100)



Source: Eurostat, UniCredit Research

Decline in working time per employee in the euro area by almost 7 percent since 1995

Above-average decline of over 11 percent in Austria

Part-time employment on the rise

Over 20 percent of employees in the euro area work part-time

Average working time per employee in Europe decreases

Due to the 30 percent increase in employment in the euro area since 1995 and the much smaller 22.7 percent increase in the volume of working time, the average working time in the euro area has declined by almost 6 percent or about 90 hours per year. The sharp drop in the first pandemic year 2020 by almost 5 percent compared to the previous year could only be partially compensated for, so that since the Corona pandemic a slight intensification of the declining trend is evident.

Lithuania is the only country in today's euro area where the average working time per employee has increased since 1995. In Cyprus and Slovenia, individual working time remained unchanged, but in all other euro area countries there were clear declines in some cases. In Austria, the decline was above average at over 11 percent or 180 hours per year. In Austria's most important trading partners in the euro area, such as Germany (- 10.4 percent or 150 hours) and Italy (-7.0 percent or 115 hours), the decline was also above average. The strongest reduction in average working hours since 1995 can be seen in Ireland with almost 14 percent or 260 hours per year.

While in the euro area the average working time per employee decreased continuously, influenced in the short term by a strong fluctuation during the Corona pandemic, it also decreased in the USA, but in 2021 (latest available data) it was only just under one percent or 10 hours below the 1995 value. The declining trend stopped in the USA at the end of the financial crisis in 2009. Since then, working hours per employee have been rising steadily

Part-time work is en vogue

The reduction in individual working hours in Europe is reflected in an increase in part-time employment. The absolute number of part-time workers almost doubled in this period to over 31 million. In Austria, the number of part-time workers increased from just under 500,000 in 1995 to almost 1.3 million in 2022. This corresponds to an increase of almost 170 percent. Only in Luxembourg, Malta, Spain and Italy was there an even higher dynamic.

In the euro area, the number of part-time workers as a proportion of total employment was 20.5 percent in 2022. In 1995, the part-time ratio in the current euro area member countries was only around 13 percent. At 21.5 percent, the part-time rate in the euro area reached a peak in 2015. The onset of economic recovery after the euro crisis led to a decline in the part-time rate, which continues to this day.

Chart 3: Working hours per employee
(2022, 1995=100)

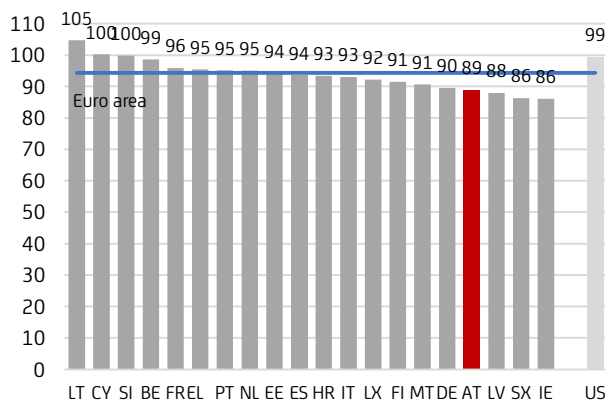
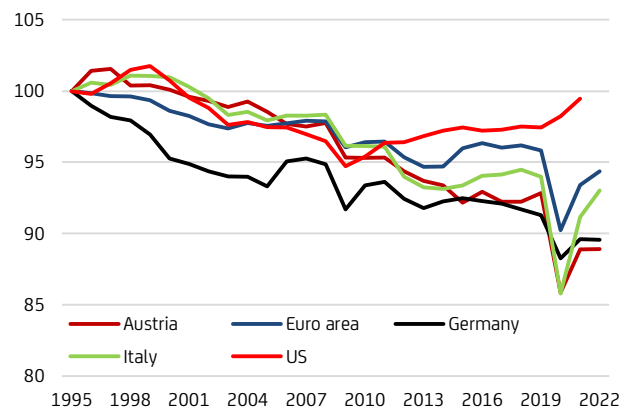


Chart 4: Working hours per employee in comparison
(selected countries, 1995=100)



Source: Eurostat, UniCredit Research

Part-time employment rate in Austria at almost 30 percent, one of the highest in Europe

In Austria, the part-time rate rose to almost 30 percent by 2022. This is the highest part-time rate within the euro area apart from the Netherlands. In contrast to the pan-European trend, the part-time rate in Austria has increased continuously since 1995, even after 2015. Only about one-third of part-time workers in Austria in 2022 report having care responsibilities for children or other family members. Not quite 8 percent cannot find full-time employment and almost 4 percent are only working part-time due to their own illness or disability. This means that more than 50 percent of part-time workers in Austria voluntarily do not seek full-time employment.

Increase in value added slowed by around 7 percent due to reduction in working hours

The decreasing working time per employee in the euro area is contrasted by a significant increase in productivity. Gross value added per hour worked doubled from 30 euros in 1995 to almost 60 euros in 2022. Adjusted for inflation, this corresponds to an increase of 22 percent since 1995. On average, an employee has thus become almost a quarter more productive in this period. Until the beginning of the financial crisis in 2008, the pace of productivity improvement in the European economy was particularly high. The subsequent losses were quickly made up for in the first recovery phase after the financial crisis. With the onset of the euro crisis, the pace of productivity improvement slowed somewhat and remained subdued during the Corona pandemic.

Productivity of employees in the euro area has risen by a quarter since 1995, even by more than a third in Austria.

The strongest productivity gains among the euro area countries were recorded by the Central and Eastern European members, such as above all the Balts and Slovakia. The structural change in the course of the transformation of the economies after the opening of the East was reflected in productivity gains of up to 300 percent. Among the western member states, Ireland, which benefited from a large number of company relocations thanks to the granting of tax advantages, has the highest productivity increases, while in Greece, as a result of the massive economic problems in the course of the so-called euro crisis, productivity has actually fallen. Austria shows an above-average productivity growth of about 35 percent since 1995, which is also higher than the main trading partner Germany (+31 percent). At 67 euros in 2022, gross value added per hour worked is more than twice as high as in 1995 and now exceeds the comparable value for the euro area by 16 percent. In 1995, gross value added per hour worked exceeded the value for the euro area by only 7 percent.

Chart 5: Part-time rate in the euro area

(2022, share of part-time work in % of total employment)

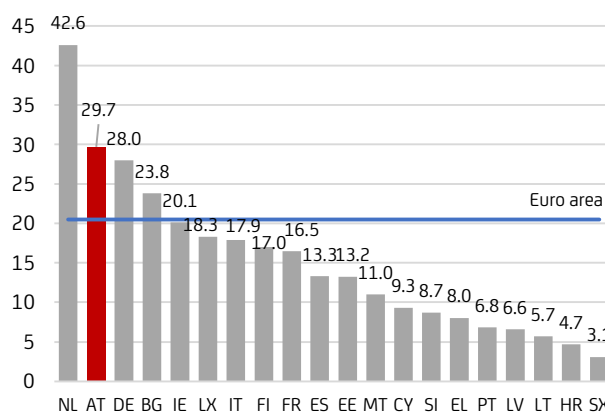
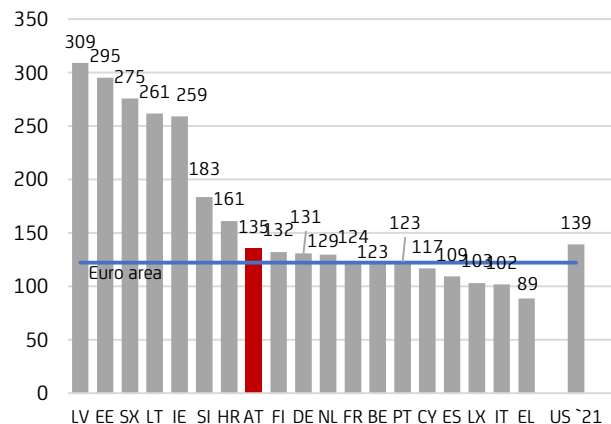


Chart 6: Real gross value added per hour

(2022, 1995=100)



Source: Eurostat, UniCredit Research

Productivity growth contributes to just under 50 percent and the increase in the volume of working hours slightly more than 50 percent of the growth in value added in the euro area since 1995.

Increase in value added slowed by around 7 percent due to reduction in working hours

The increase in productivity has played a major role in the rise in real gross value added in the euro area by almost 50 percent since 1995. Assuming an unchanged number of employees and working hours, the increase in productivity alone caused real gross value added to rise by 22 percentage points. The single effect of the increase in the annual volume of working hours by 36 billion hours since 1995 alone caused an increase in real gross value added by about 28 percent. The reduction in average working time per employee, on the other hand, dampened the increase in real gross value added. If average working hours had not decreased by about 90 hours per year or 2 hours per week between 1995 and 2022, real gross value added in the euro area could be 9 percentage points higher, all other parameters remaining unchanged. In Austria, with an above-average increase in real gross value added of about 60 percent, the increase in productivity accounted for about three-fifths and the increased volume of working hours for two-fifths of the increase. The strong decline in average working hours reduced the potentially achievable gross value added in Austria by 12.5 percent since 1995.

Challenges increase due to social and demographic change

Without countermeasures, a further decline in working hours per employee is to be expected.

The decline in available working time per employee due to (labour) law and socio-political changes (keyword: marginal employment, part-time work, working-life balance, etc.) will probably continue in the coming years. In addition, Europe is facing a demographic development in the form of an ageing population, which at least points to a slowdown in the growth of the labour supply. In order to meet these challenges to prosperity in Europe, increased efforts are needed to increase employment (key words: female employment, part-time work, skilled migration) and to further improve productivity through innovation and the use of more efficient methods of production. This is all the more true as, for example, the annual working time per employee in the USA is 300 hours higher than in the euro area and has even increased by around 85 hours since 2010. However, this will be difficult to implement in many, especially contact-oriented, service sectors, such as accommodation and catering or in the health sector, without a loss of quality or service.

Chart 7: Real gross value added per hour worked
(1995=100)

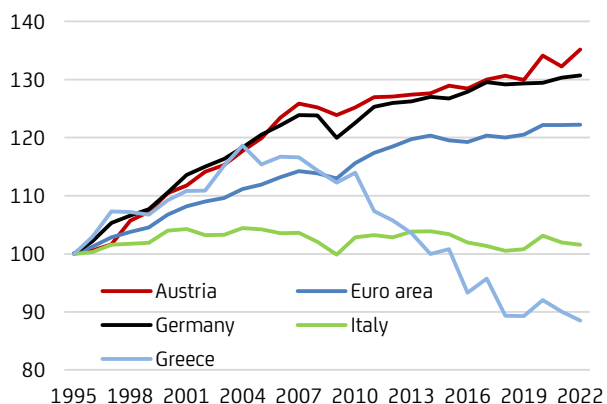
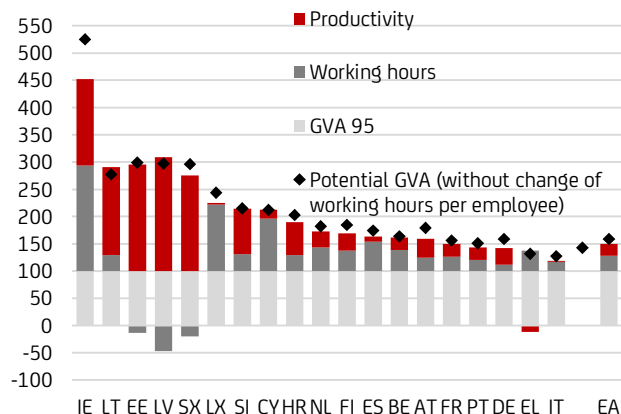


Chart 8: Gross value added
(Composition of real change compared to 1995 in %-points)



Source: Eurostat, UniCredit Research

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Published by:

UniCredit Bank Austria AG

1020 Vienna, Rothschildplatz 1,

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