Analyses

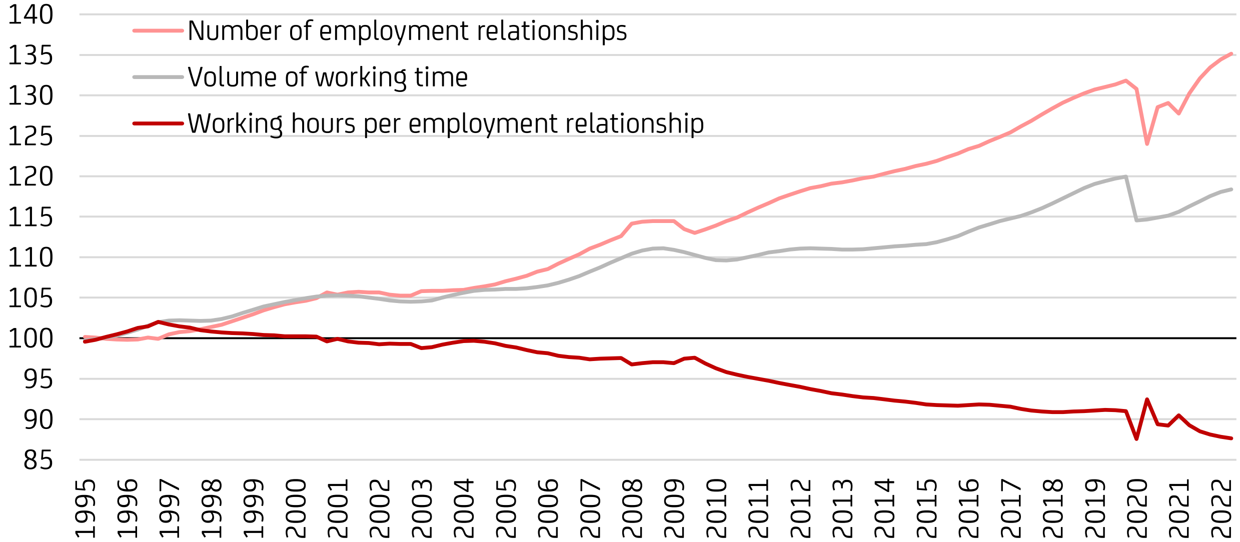
Bank Austria
Member of UniCredit

NOVEMBER 2022

No time for work?

NO TIME FOR WORK?

Employment relationships and volume of working time
(seasonal adjusted, 1995 =100)



Source: Statistik Austria, UniCredit Research

- The Austrian labor market is characterized by record employment and, at the same time, a record number of vacancies. The lamented shortage of labor can also be understood, at least in part, as a shortage of available working time of the labor supply.

- While the number of employment relationships has increased by about 35 percent since 1995, the volume of working time has increased by only about 18 percent. Average hours worked per employment relationship fell from 410 to about 360 hours per quarter. This represents a decline from about 32 to 27 hours per week.

- The decline in working hours per employment relationship is offset by a significant increase in productivity. Gross value added per hour worked doubled from around 30 euros in 1995 to over 60 euros. Adjusted for inflation, this corresponds to an increase of over 35 percent. On average, an employee has thus become one-third more efficient.

- The changes in (labor) law, in combination with sociopolitical and demographic developments, lead us to expect a continuation of the decline in average working hours per employment relationship, making this one of the major economic policy challenges for maintaining wealth in Austria.

Author: Walter Pudschedl

Imprint
Published by UniCredit Bank Austria AG
Economics & Market Analysis Austria
Rothschildplatz 1
1020 Vienna
Telephone +43 (0)50505-41957
Fax +43 (0)50505-41050
e-Mail: econresearch.austria@unicreditgroup.at

as of November 2022

Working hours per employment relationship have been falling for a long time, accelerating since Corona

Shortage of labor despite record employment

At mid-year 2022, employment in Austria reached a new record high. Including the approximately 3.9 million employed persons and the roughly 300,000 marginally employed persons, there were a total of around 4.2 million employment relationships. This corresponds to an increase of 1.1 million since 1995, with the number of jobs rising by an average of just over 1 percent per year, depending on economic developments. Following the slump during the first phase of the Corona pandemic, the high pace of recovery in recent months has now resulted in employment levels above the pre-crisis level. Despite the record employment, companies are complaining more loudly about a tightening supply in the labor market. The number of jobseekers, including training participants, has fallen to around 250,000 by mid-2022 and well over 100,000 vacancies cannot currently be filled. At 2.0, the job vacancy rate is by far the lowest it has been in the past three decades.

Increase in volume of working hours has lagged behind rise in employment for decades

In view of the record level of employment relationships, the volume of working hours in Austria is also at an all-time high of almost 1.5 billion hours in seasonally adjusted terms in the second quarter of 2022. However, the volume of working hours has "only" risen by around 18 percent since 1995, while the number of employment relationships has increased by 35 percent. The divergence between the two time series has become even more pronounced since the pandemic. The number of employment relationships is currently around 2.5 percent higher than in 2019, while the volume of working hours has decreased slightly.

Working hours per employment relationship down 14 percent since 1995

Based on these statistics, the shortage of labor complained about by domestic companies is more likely to be a shortage of available working hours in the labor supply. This is a trend that has been ongoing for years. At a seasonally adjusted 360 hours per employment relationship, the volume of working hours per employment relationship in the second quarter of 2022 is more than 50 hours lower than the average for 1995. This corresponds to a decline in average working hours of around 14 percent from around 32 hours per week to 27 hours per week. While in the first ten years - after initial increases - the decline in working hours per employment relationship remained relatively manageable, the pace increased significantly from 2005 onward and is currently even higher than in the pre-pandemic period. Since 2019 alone, there has been a decline in working time per employment relationship of 10 hours per quarter, or 3 percent. That is, weekly work hours have decreased by an average of nearly one hour over this short period.

Chart 1: Economic and employment development

(1995=100)

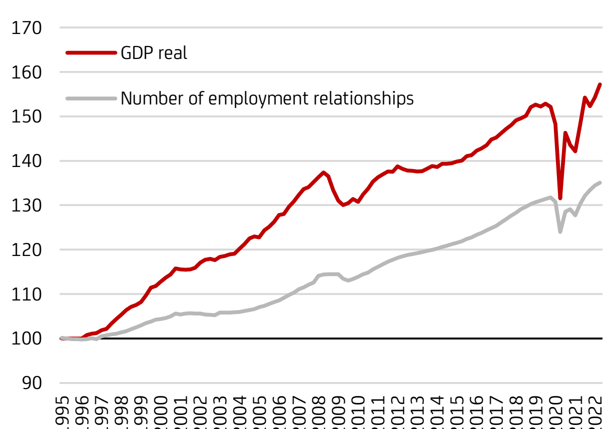
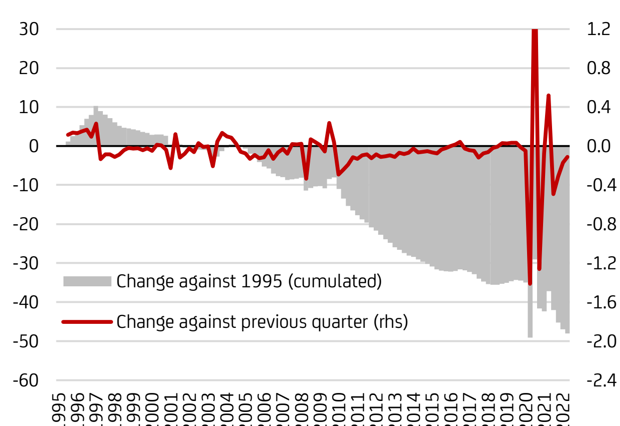


Chart 2: Working hours per employment relationship

(in hours per quarter)



Source: Statistik Austria, UniCredit Research

Strong differences in the individual sectors

Strongest decline in hours worked per employment relationship since 1995 in other services

Since 1995, there have been above-average reductions in working hours per employment relationship in agriculture and forestry and in the public administration, education, health and social services group, as well as in other services and in trade, transport, accommodation and catering, although this development was still somewhat distorted by people on short-time working until mid-2022 (see chart 3). While in the provision of financial and insurance services and in the manufacture of goods there was only a relatively small decline in working hours per employment relationship of around 15 hours per quarter, only in the construction industry did working hours remain constant compared with 1995.

Strong increase in hours in manufacturing and construction since start of pandemic

Compared with 2019, i.e. before the outbreak of the pandemic, the strong economic recovery phase from the pandemic has led to an increase in working hours per employment relationship in the manufacture of goods in addition to the construction industry. At around 9 hours per quarter, or over 2 percent, construction saw the largest increase within this relatively short period.

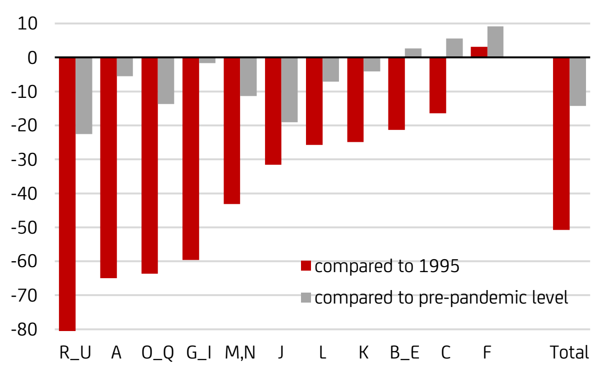
Productivity up

However, the decline in hours worked per employment relationship was offset by a significant increase in productivity. Gross value added per hour worked doubled from just over 30 euros in 1995 to over 60 euros today. Adjusted for inflation, this corresponds to an increase of over 35 percent since 1995. On average, an employee has thus become about one-third more efficient during this period. Until the onset of the financial crisis in 2008, the pace of productivity improvement in the domestic economy was particularly high. The subsequent losses were quickly made up for in the initial recovery phase. With the onset of the euro crisis, the pace of productivity improvement slowed significantly. The slump during the 2020 pandemic was quickly recovered and the pace of productivity growth was even slightly higher than in the previous years.

Significant increase in productivity offset

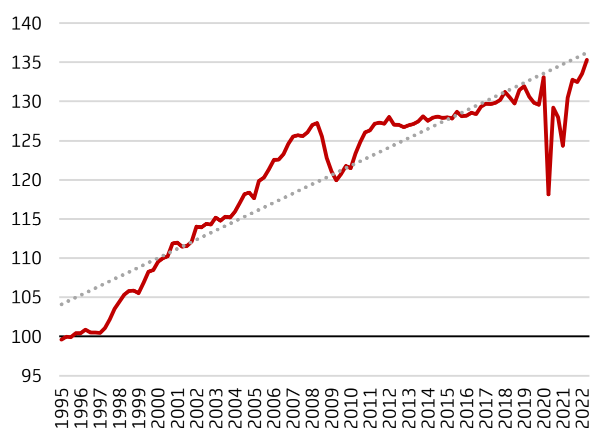
As expected, above-average productivity improvements have been achieved in industry since 1995. In the manufacture of goods, output per hour worked almost doubled. In the services sector, productivity growth has not kept pace with that in the manufacturing sector, with the exception of the provision of financial and insurance services, where productivity has actually more than doubled since 1995. While slightly below-average productivity gains were achieved in ICT, real estate and accommodation and food services, there were hardly any improvements in other service sectors, such as business services, and labor productivity declined in other services. Gross value added per hour worked has fallen by around 2 percent since 1995.

Chart 3: Working hours per employment relationship
(change since 1995 in hours per quarter)



A...Agricultrue and forestry, B-E...Mining, manufacturing, energy and water management, C...Manufacturing, F...Construction, G-I...Trade, transport, accomodation and food servcie, J...Information and communication, K...Financial services, L...Real estate, M-N Business related services, O-Q...Public administration, education health and social work, R-U...Other services

Chart 4: Real gross value added per working hour
(1995=100)



Source: Statistik Austria, UniCredit Research

Increase in value added slowed by around 12 percent due to reduction in working hours

Productivity growth and employment growth share value-added growth since 1995 more or less equally

The increase in productivity has played a major role in the rise in real gross value added in Austria by almost 60 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 more than 35 percentage points. The single effect of the increase in employment by 1.1 million since 1995 alone caused an increase in real gross value added of somewhat the same magnitude as the improvement in productivity. The reduction in average working hours per employee, on the other hand, dampened the increase in real gross value added. If average working hours had not decreased by around 50 hours per quarter or almost 5 hours per week between 1995 and 2022, real gross value added in Austria could have been more than 12 percentage points higher, all other parameters remaining unchanged. If the decline had been limited to around 4 hours per week, it would be possible in purely arithmetical terms to fully cover the working time requirements of the currently reported vacancies in the Austrian economy of just over 100,000 by this additional work of around one hour per week per employment relationship. This would correspond to exactly the same number of working hours that have been "lost" since the pandemic.

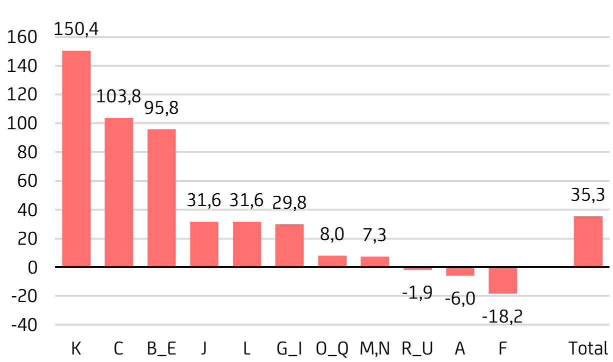
Increase challenges due to social and demographic change

Further decline in working time per employment relationship expected

The decline in available working time per employment relationship due to (labor) law and socio-political changes (keyword: marginal employment, part-time work, working-life balance, etc.) is expected to continue in the coming years. In addition, Austria is facing demographic developments that indicate at least a slowdown in the growth of the labor supply. In order to meet these challenges to prosperity in Austria, greater efforts are needed to increase employment (keyword: female employment) and to further improve productivity through innovation and the use of more efficient methods of service provision. However, this will be difficult to achieve in many service sectors, especially contact-oriented ones, such as accommodation and catering or the health sector, without compromising quality or service.

Chart 5: Real gross value adde per hour

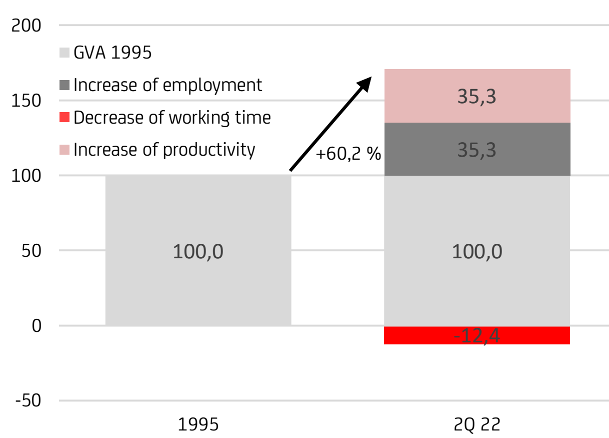
(2Q 2022, change against 1995 in % per sector)



A...Agricultrue and forestry, B-E...Mining, manufacturing, energy and water management, C...Manufacturing, F...Construction, G-I...Trade, transport, accomodation and food servcie, J...Information and communication, K...Financial services, L...Real estate, M-N Business related services, O-Q...Public administration, education health and social work, R-U...Other services

Chart 6: Gross value added

(Composition of the real increase in EUR bn)



Source: Statistik Austria, UniCredit Research

We invite you to visit the economic analyses on Bank Austria's website: www.bankaustria.at under "Direct access – Markets & Research - Analyses & Research" in the section "Economic Research Austria" or directly at http://www.bankaustria.at/en/about-us-publications-economic-research-austria.jsp .

If you would like to receive information on our most recent publications by e-mail, please subscribe to the newsletter Bank Austria Economic News by sending an email to econresearch.austria@unicreditgroup.at

If you have further questions, please send an e-mail to econresearch.austria@unicreditgroup.at

Disclaimer of liability:
This publication is neither a marketing communication nor a financial analysis. It contains information on general economic data. Despite careful research and the use of reliable sources, we cannot assume any responsibility for the completeness, correctness, up-to-dateness and accuracy of information contained in this publication.

The opinions of the authors do not necessarily reflect those of Bank Austria and those of the companies which have engaged the services of the authors. The information contained in this publication is not to be interpreted as an offer or invitation for the sale or purchase of securities of any kind. We reserve the right to modify the views expressed in this publication at any time without prior notification. This information should not be interpreted as a recommendation to buy or sell financial instruments, or as a solicitation of an offer to buy or sell financial instruments. This publication serves information purposes only and does not replace specific advice taking into account the investor's individual personal circumstances (e.g. risk tolerance, knowledge and experience, investment objectives and financial circumstances). Past performance is not a guide to future performance.

The information in this publication contains assessments of short-term market developments. We have obtained value data and other information from sources which we deem reliable. Our information and assessments may change without notice."

Imprint

Disclosure according to Sections 24 and 25 of the Austrian Media Act (Mediengesetz - MedienG):

Published by:
UniCredit Bank Austria AG
1020 Vienna, Rothschildplatz 1,
which is also the media owner.
Business objective: credit institution pursuant to Section 1 (1) of the Austrian Banking Act (Bankwesengesetz)

Interests held in the media owner pursuant to Section 25 of the Austrian Media Act:
UniCredit S.p.A. holds 99.996 percent of the shares in the media owner (key details of the shareholder structure of UniCredit S.p.A. are available at https://www.unicreditgroup.eu/en/governance/shareholder-structure.html).
"Betriebsratsfonds des Betriebsrats der Angestellten der UniCredit Bank Austria AG, Region Wien" (the Employees' Council Fund of the Employees' Council of employees of UniCredit Bank Austria AG in the Vienna area) and "Privatstiftung zur Verwaltung von Anteilsrechten" (a private foundation under Austrian law; founder: Anteilsverwaltung-Zentralsparkasse; beneficiary: WWTF – Wiener Wissenschafts-, Forschungs- und Technologiefonds) have a combined interest of 0.004 percent in the media owner.