ECONSTOR
Make Your Publications Visible.

A Service of
ZBW
Leibniz-Informationszentrum Wirtschaft
Leibniz Information Centre for Economics

Biffl, Gudrun

Working Paper

Placement Activities in Austria Before and After Deregulation

WIFO Working Papers, No. 103

Provided in Cooperation with:
Austrian Institute of Economic Research (WIFO), Vienna

Suggested Citation: Biffl, Gudrun (1998) : Placement Activities in Austria Before and After Deregulation, WIFO Working Papers, No. 103, Austrian Institute of Economic Research (WIFO), Vienna

This Version is available at:
https://hdl.handle.net/10419/128660

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

WWW.ECONSTOR.EU

Mitglied der Leibniz-Gemeinschaft

PLACEMENT ACTIVITIES IN AUSTRIA BEFORE AND AFTER DEREGULATION

Table of Contents

Chapter I: Introduction **1**

Chapter II: General Overview of the Austrian Labour Market **2**

1. Development of labour supply and demand since the 1960s *2*

2. Development of unemployment *4*

3. Development of job openings *7*

4. Unemployment and vacancies - the Beveridge-Curve *10*

Chapter III: Placement Services in Austria **11**

1. Public placement services *11*

Organisational structure of the reformed Labour Market Service **11**

Staff numbers in the public employment service and total expenditure **13**

Personnel training for PES-employees **14**

Efficiency management in the PES and management by objectives **14**

Services of the PES **16**

For workers *16*

For firms *17*

2. Types of private placement services *18*

Private placement agencies **18**

Cross-border private and public placement *20*

Temporary Work Agencies **20**

Personnel consulting and recruitment **24**

Chapter IV: The Market for Job Matching in Austria **26**

1. Recruitment strategies of firms in the mid-1990s *27*

2. Unemployment and vacancies in key occupational groups *30*

Occupational structure of registered unemployment and vacancies according to LMS-data **30**

The educational attainment level of registered unemployment and skills required in the job openings *32*

Increasing mismatch in the 1990s *33*
Stocks and flows of key occupational groups 1987-1996 *35*
Unemployed **35**
Job openings **37**
The structure of vacancies according to the printmedia in the mid 1990s **40**
3. The Role of the Labour Market Service in Job Matching *43*
Regional context **45**
Chapter V: General Overview and Evaluation **51**
References **54**

List of Tables

Table 1:	Regional distribution of temporary work 1996 (July)	23
Table 2:	Recruitment channels by region 1995/96 (enterprise survey, August)	29
Table 3:	Recruitment channels by occupational groups (enterprise survey, August)	30
Table 4:	Occupational structure of unemployment, vacancies and employment 1994	31
Table 5:	Skill requirements for job placements and educational attainment levels of the unemployed 1988 and 1996	33
Table 6:	Occupational and regional mismatch	35
Table 7:	Unemployment inflows and outflows by selected occupational groups	36
Table 8:	Job openings: inflows and outflows by large occupational groupings	37
Table 9:	Job openings according to the print media and the Labour Market Service	41
Table 10:	Inflows of vacancies by educational attainment in the print media and the Labour Market Service	42
Table 11:	Vacancies by occupation in the print media and the Labour Market Service	43
Table 12:	Degree of integration of the LMS into the job search of firms by skills (enterprise survey, August)	44

List of Graphs

Graph 1:	Long term labour supply and demand: Total (1960-1996)	3
Graph 2:	Long term labour supply and demand: Men (1960-1996)	3
Graph 3:	Long term labour supply and demand: Women (1960-1996)	4
Graph 4:	Development of unemployment flows by gender (1960-1996)	5
Graph 5:	Concomitant rise of unemployment and long-term unemployment	6
Graph 6:	Average duration of unemployment (in weeks) by gender (1960-1996)	7
Graph 7:	Development of job openings by gender (1960-1996)	8
Graph 8:	Development of inflows of vacancies by gender (1960-1996)	9
Graph 9:	Average time span (in weeks) to fill vacancies by gender (1960-1996)	9
Graph 10:	The Austrian Beveridge Curve	10
Graph 11:	Total expenditure on labour market policies 1970-1995	14
Graph 12:	Development of temporary work in Austria 1989 to 1996 (July)	22
Graph 13:	Employment and Turnover in Austria 1964 to 1996	27
Graph 14:	Unemployment and vacancies by occupation 1996	32
Graph 15:	Development of vacancies and unemployment between 1960 and 1996	34
Graph 16:	Outflows from unemployment and vacancies	38
Graph 17:	Inflows into unemployment and vacancies by major occupations	39
Graph 18:	Outflows from unemployment and vacancies by major occupations	40
Graph 19:	Inclusion rate of the LMS in job search on demand side (ESG-OS) and supply side (ESG-AS; Carinthia 1992-1995)	46
Graph 20:	Placement rate of the LMS on the demand side (ASG-OS) and the supply side (ASG-AS; Carinthia 1992-1995)	48
Graph 21:	Market shares of different recruitment channels in actual placement (Carinthia 1991-1995)	49
Graph 22:	Market shares of different recruitment channels in actual placement (Styria 1996)	50

PLACEMENT ACTIVITIES IN AUSTRIA BEFORE AND AFTER DEREGULATION

Chapter I: Introduction

This research has been undertaken with the aim of shedding more light upon the market for job matching in Austria and the role of public and private placement institutions therein. The analysis is focusing upon the reform of the public employment service (Labour Market Service) and the concomitant liberalisation of placement activities in the course of the 1990s. A short overview of labour market developments sets the scene for a better understanding of the driving forces behind the comparatively recent institutional change in the sphere of job-matching. In the era of massproduction, in which standardised work processes dominated, state monopoly of placement was an adequate means for job matching, last but not least because the dominant education and training system for manufacturing and the major services sectors, the apprenticeship training system, assured a high degree of transparency of the skills acquired thus facilitating job matching. With the onset of flexible specialisation job matching takes on a new and more complex dimension. Job content and skills required for filling a job are becoming more fluid and at the same time more fragmented. Transparency about the skills demanded and supplied is diminished thus increasing the need for more detailed information if one strives to reduce the insider-outsider dilemma, and for more specialised job brokering services if one aims at increasing the efficiency of the matching process. In the light of the change of the predominant production paradigm, deregulation and liberalisation have been embarked upon in order to facilitate the development of new forms of matching mechanisms more conducive to the new paradigm.

Austria has rather reluctantly conceded to institutional restructuring as a comparison with seven other EU-countries, which were part of a comparative research effort into the effects of deregulation of public placement services (of which this study is one of them), was to show. The other countries under analysis were Belgium, Denmark, Finland, Germany, Netherlands, Sweden and the United Kingdom. There is no doubt that the reform of public placement in 1994, with the focus on core services, has introduced more efficiency and flexibility into the matching process. Liberalisation has been limited, however, since the Austrian institutional setting is very complex which introduces an element of inertia into the institutional landscape. Austria tends to focus on control mechanisms at market entry points, i.e., credentials and skills decided upon and often certified by the social partners as prerequisite for carrying out a certain business or task. This basic regulatory philosophy is not conducive to letting the market take the lead for institutional change.

Chapter II: General Overview of the Austrian Labour Market

1. Development of labour supply and demand since the 1960s

During 1996 some 3,646,200[1] persons were in the labour force, of whom 3,415,700 employed (including 368,400 self-employed) and 230,500 unemployed. The unemployment rate amounted thus to 6.3 percent[2]. In Austria total employment has remained relatively stable over a long time period. During 1960 (the first year of full employment after the end of the Second World War) 3,194,700 persons were employed, only 221,000 or 6.5 percent less than during 1996. The number of unemployed then amounted to 79,300. Total labour supply has thus only slightly increased between 1960 and 1996 (+372,200, +10 percent versus 1960). It has to be mentioned, however, that in the course of the 1960s total labour supply had declined as a consequence of educational policies (prolongation of compulsory education and promotion of higher education), of social policies (universal coverage of different types of employment by retirement pension schemes) and labour-emigration (decrease in labour supply between 1960/1970: –178,300, –5 percent)[3]. With the rising inflow of foreign workers[4] in the early 1970s and the increased labour supply of women and youth (the babyboom-generation started to enter the labour market) in the second half of the 1970s labour supply started to rise again and continued to do so more or less continuously until today.

---

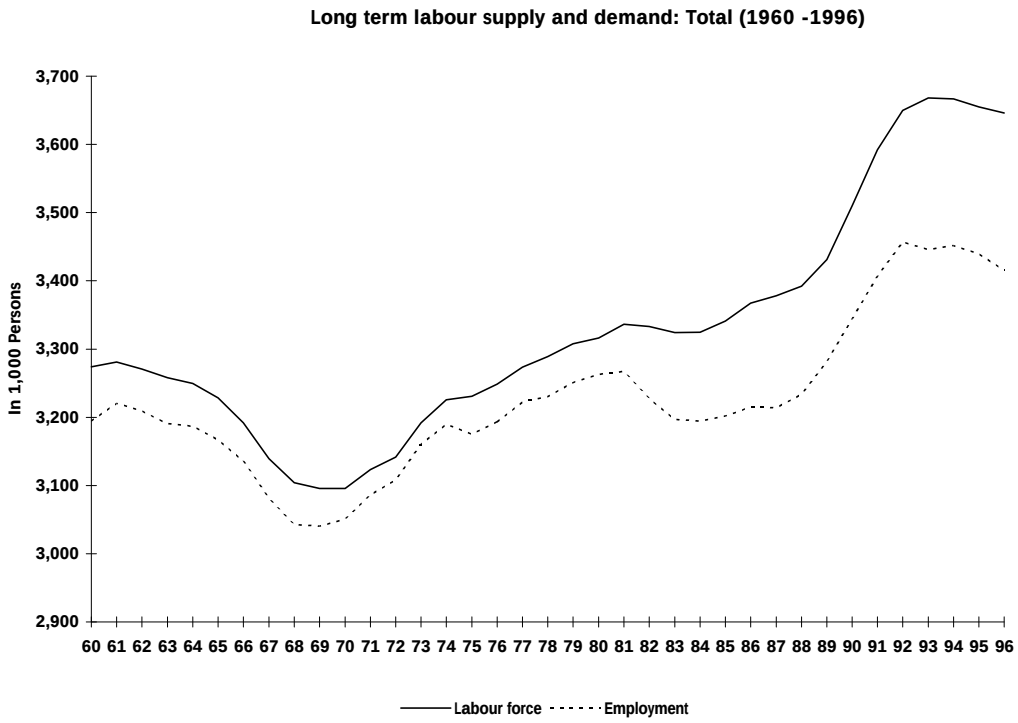
[1] The data base is social security data for dependent employment, census data in connection with social security data for self-employment and registered unemployment data (employment services). Due to statistical breaks the microcensus does not provide reliable time series for labour market data.

[2] As to the definition, data base and international comparability of unemployment rates in Austria see *Biffl,* 1997.

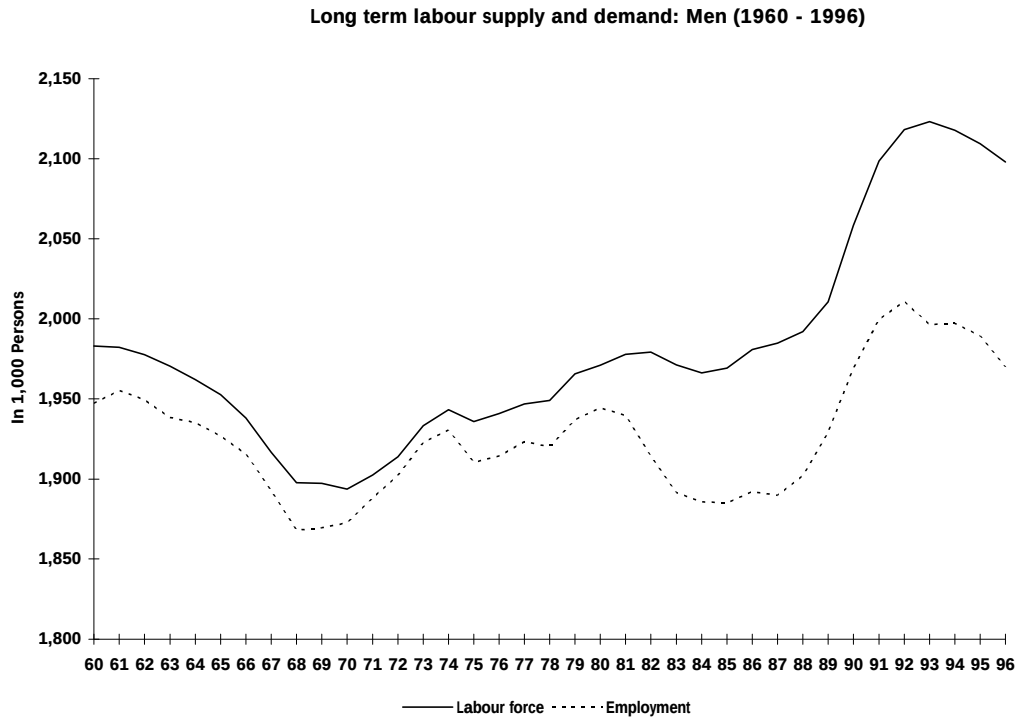
[3] For details about labour market demand and supply developments see *Biffl,* 1994.

[4] Due to extreme labour scarcities foreign workers were employed on yearly contracts (the Swiss foreign worker model had been introduced in Austria in the 1960s).

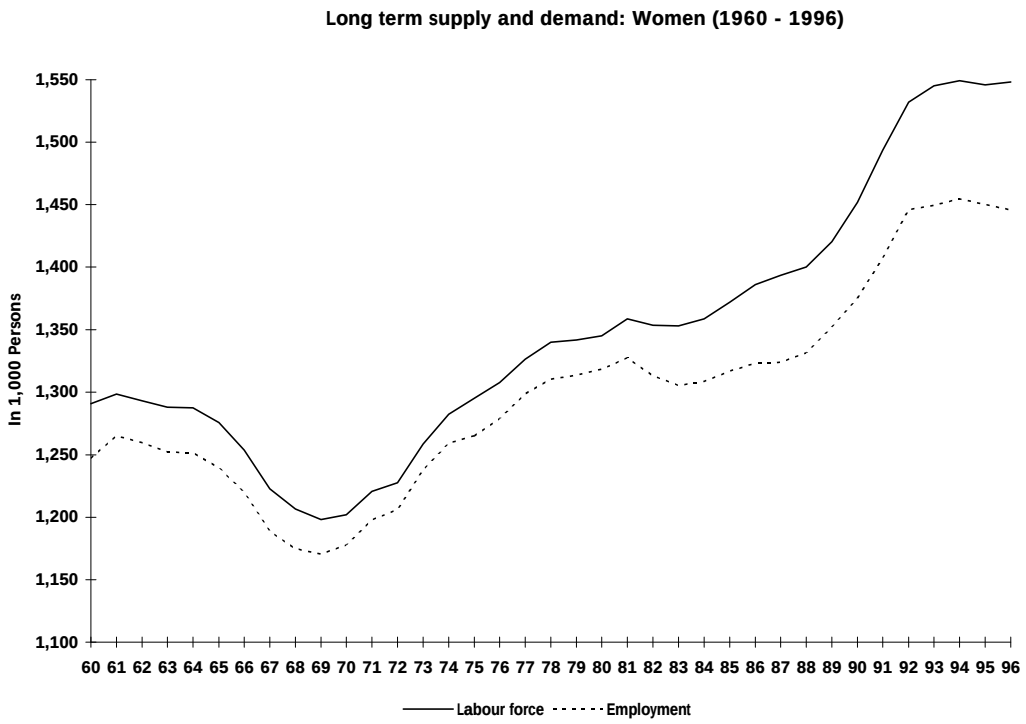
Graph 1: Long term labour supply and demand: Total (1960-1996)



Graph 2: Long term labour supply and demand: Men (1960-1996)



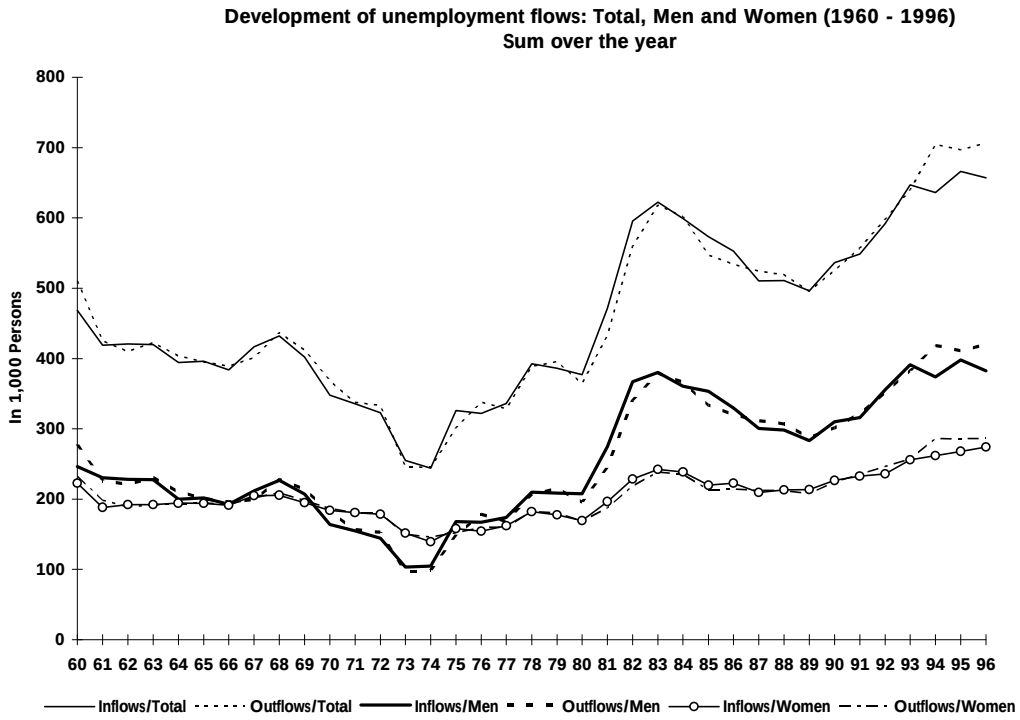
Graph 3: Long term labour supply and demand: Women (1960-1996)



2. Development of unemployment

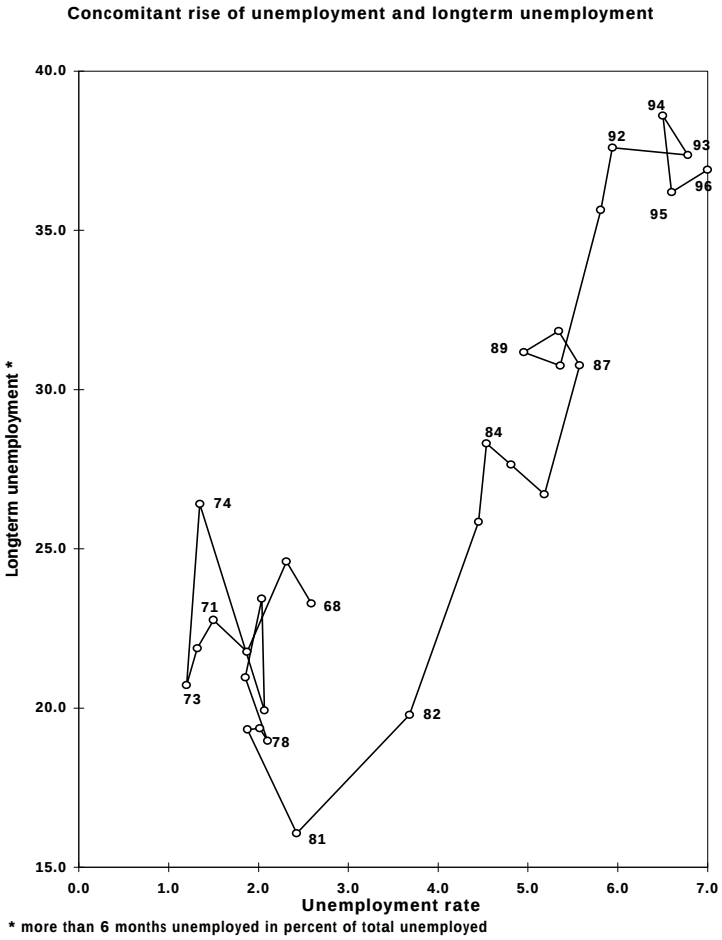
Unemployment tends to follow the course of labour supply developments, given the rather modest long-term growth in total employment (which was in the main employment in the public sector). With the decrease in total labour supply in the 1960s unemployment declined and reached rock-bottom in 1973 with 31,300 registered unemployed (the employment of foreign workers entailed a considerable export of seasonal unemployment). The turnaround in unemployment occurred in the wake of the economic recession in 1974/75. Unemployment increased to 55,500 in 1975 and remained at this level until 1981. The stock data does not reflect the break in labour market dynamics which set in in the mid 1970s. The changing demographic structure of labour supply, i.e., the rising number of groups of workers who tend to belong to the secondary labour force (women, youth and foreign workers), implied an increase in job fluctuation. Since the increasing inflows in unemployment were more or less offset by a boost in outflows, i.e., the duration of unemployment spells decreased markedly, stocks remained fairly stable until 1981 when a severe recession set in which coincided with the onset of industrial restructuring.

Graph 4: Development of unemployment flows by gender (1960-1996)



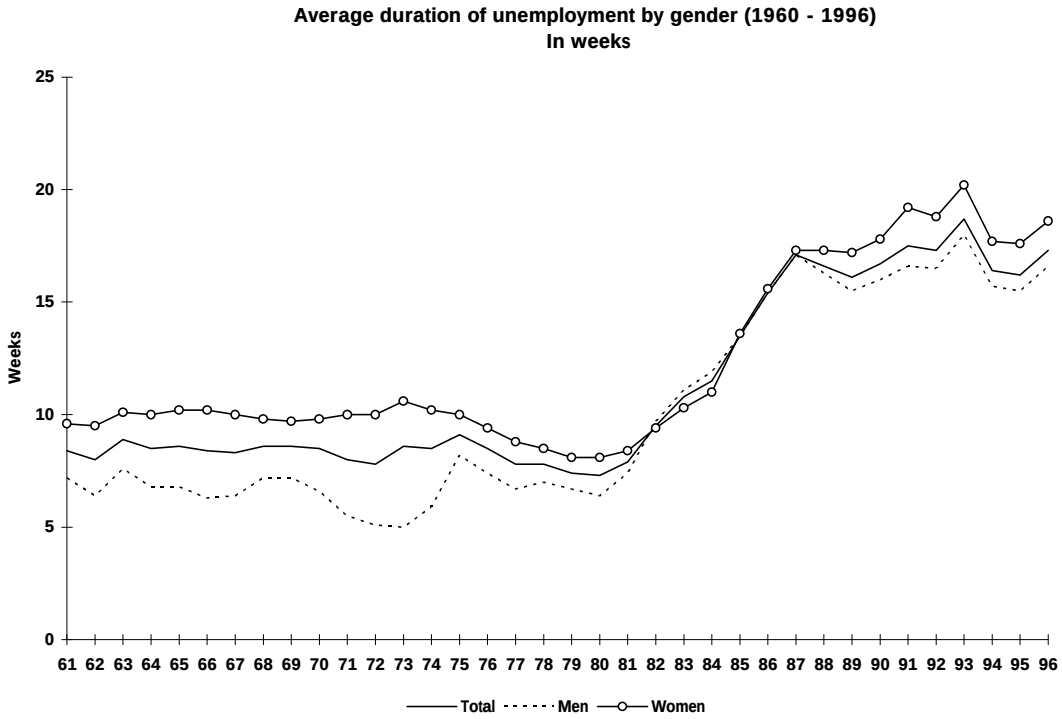
The yearly inflows into unemployment increased from 325,900 in 1975 to 471,200 1981. In the course of the 1980s inflows into unemployment continued to rise in the wake of intensified economic restructuring – starting out with nationalised industries (iron and steel) but encompassing in due time all sectors of the economy. In the 1990s increased competition as a consequence of entry into the EU and the opening up of markets in Central and Eastern Europe fuelled restructuring. Employment increases in economic upswings did not suffice to compensate labour supply rises (the babyboom generation started to move into age groups with high activity rates in the early 1980s; substantial migration inflows boosted labour supply at the end of the 1980s and in the early 1990s). As a consequence unemployment increased and long-term unemployment started to develop.

Graph 5: Concomitant rise of unemployment and long-term unemployment



During 1996 inflows into unemployment amounted to 656,800. Thus the ratio of yearly inflows into unemployment to the stock of unemployed declined from 6.8 : 1 in 1981 to 2.8 : 1 in 1996. Since outflows did not keep up with inflows the duration of unemployment crept up from 8 weeks on average in 1981 to 17 weeks during 1996.

Graph 6: Average duration of unemployment (in weeks) by gender (1960-1996)



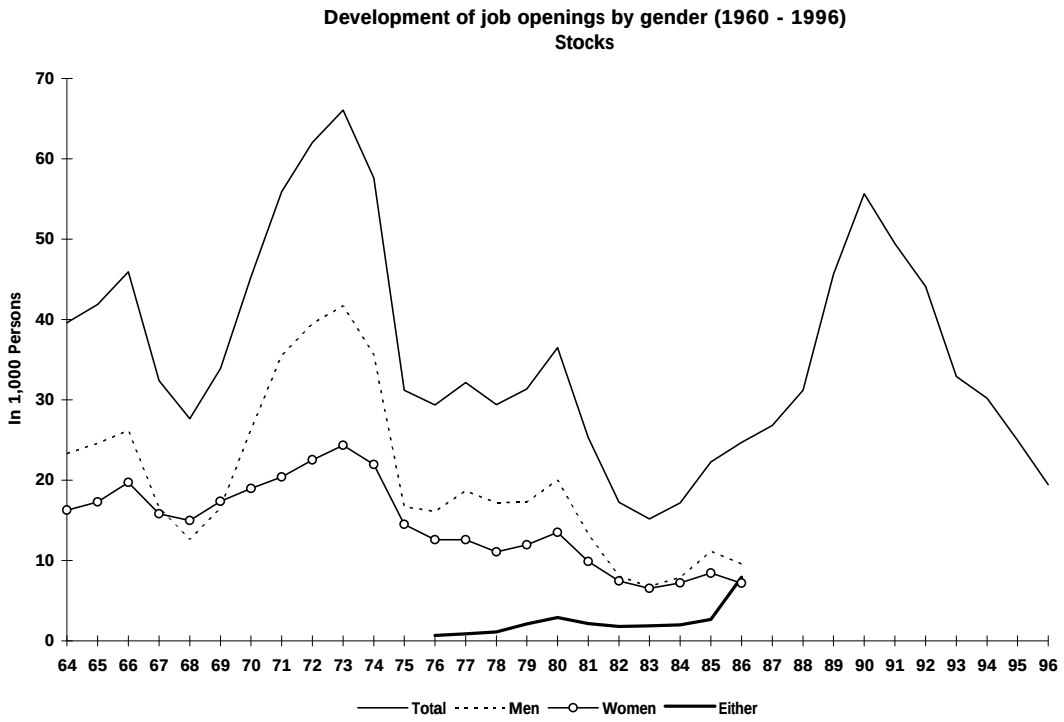
3. Development of job openings

Information on job openings is available from different sources. Time series on vacancies are available from 1960 onwards based on registration of job openings at employment services. In addition job-advertisements in the print media are collected and analysed since 1994 and enterprise-based surveys since 1995. The data on job openings registered with the employment services corroborate the above interpretation of labour market developments. In the course of the 1960s the number of vacancies followed a rising trend which gained momentum in the period of economic boom of the early 1970s. In 1973 the number of job openings registered with the employment services amounted to 66,100 and was thus more than double the unemployment figure. In the wake of the recession 1974/75 job openings declined to 31,200 in 1975. In the period of economic upswing job openings recovered again to 36,500 in 1980 and then again in the late 1980s and early 1990s. The high levels of vacancies of the early 1970s were, however, never again attained.

In that context it has to be mentioned that a high level of vacancies is not a valid indicator for a particularly efficient functioning of the labour market or a better employment performance. Certain institutional or structural features are conducive to low labour turnover, e.g., high degree of worker protection, low share of part-time work, limited degree of flexible work arrangements

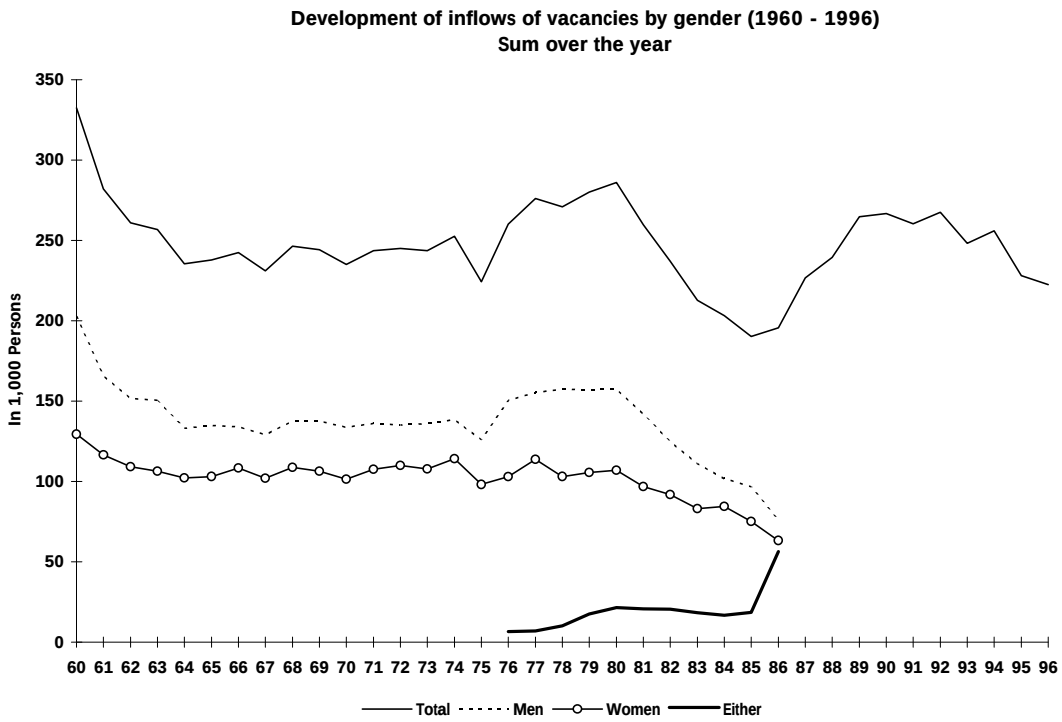
(e.g., fixed-term contracts, temporary work agencies, workers at home), high share of self-employed. If a large proportion of work takes place in private households (limited transfer of household work onto the labour market or undocumented work of household helpers like au-pairs, cleaning, etc.) the vacancy data reported from firms underestimate the actual volume of work compared to more market work oriented economies. Differences in vacancy rates over time and across countries do, however, provide some insight into the variation of the dynamics of the labour market.

Graph 7: Development of job openings by gender (1960-1996)

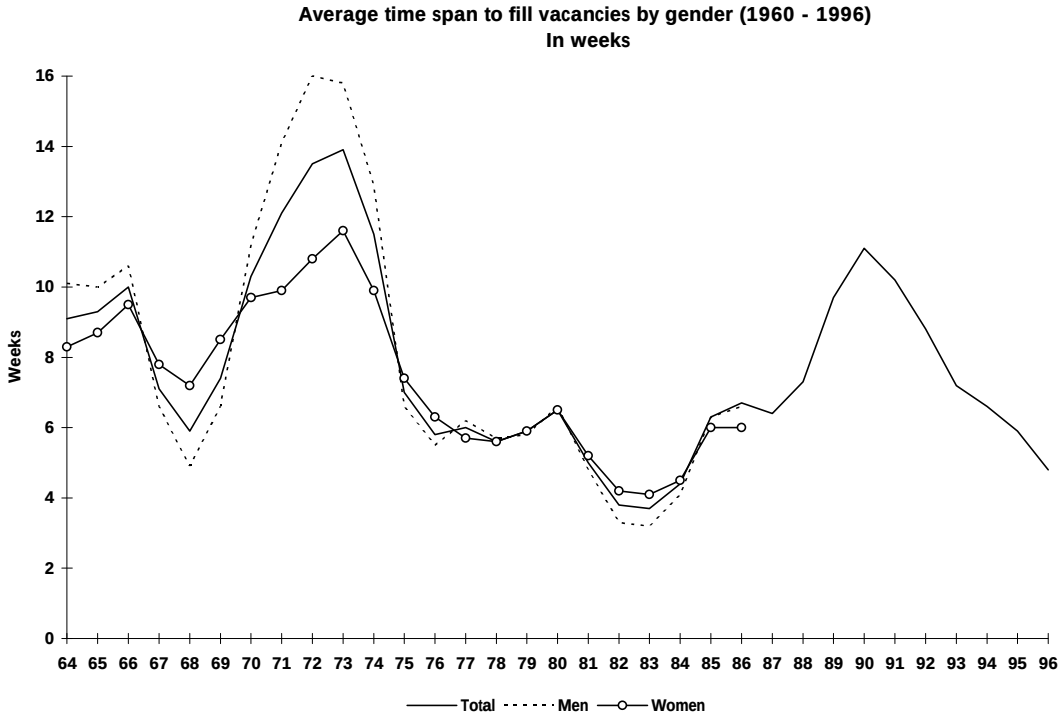


Job openings, stocks and even more so inflows, are good leading economic indicators. The relatively pronounced turnover of jobs and the important matching function of the labour market service becomes evident in the flow data. In the period of pronounced excess demand for labour 245,000 job openings were registered over the year at the employment offices, i.e., the ratio of inflows to the stock of job openings amounted to 4 : 1 in 1972. The average time span for a vacancy to be filled amounted to 14 weeks then. In contrast: in 1996 222,600 job openings were registered with the employment offices, i.e., the absolute number of inflows of vacancies into the register has remained remarkably stable in the long run contrary to unemployment flows. The stock of vacancies declined, however, since the vacancies could be filled much faster; in 1996 it took on average 5 weeks to fill the vacancies. The ratio of inflows to the stock had thus increased to 11.5 : 1 in 1996. The decline in the average duration to fill job openings appears to be to a large extent a consequence of the rising labour surplus.

Graph 8: Development of inflows of vacancies by gender (1960-1996)



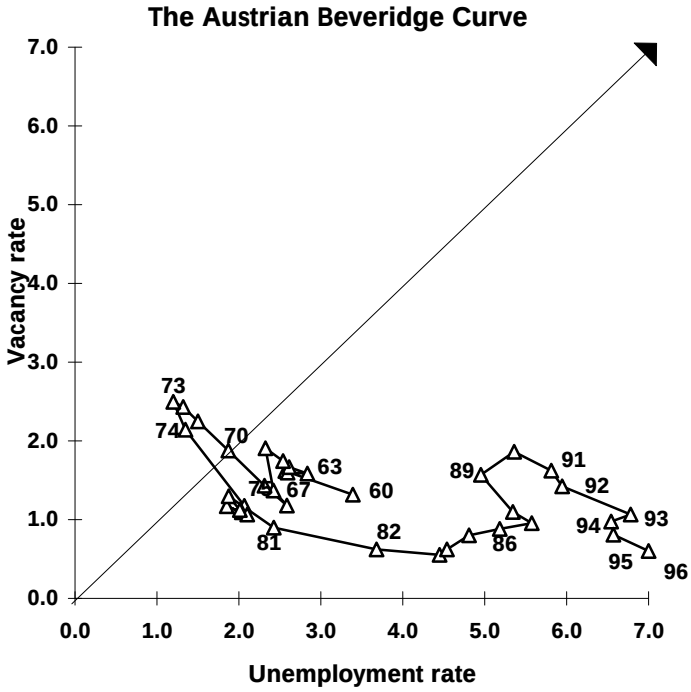
Graph 9: Average time span (in weeks) to fill vacancies by gender (1960-1996)



4. Unemployment and vacancies – the Beveridge-Curve

The change in the labour market regime from a period of excess demand in the 1960s and early 1970s to a period of excess supply in the course of the 1980s and 1990s can best be visualised by the Beveridge (or U-V) Curve. The link of the unemployment rate (unemployed in percent of labour supply) with the vacancy rate (vacancies in percent of labour demand) demonstrates not only that labour demand tended to equal or even surpass labour supply in the 1960s and 1970s (points around the dividing line) while the points fell more and more below the dividing line in the course of the 1980s and 1990s, indicating a continued rise in excess supply of labour. The curve also demonstrates that the matching process of labour supply with demand became more inefficient over time, i.e., the points moved further away from the origin.

Graph 10: The Austrian Beveridge Curve



The question arises as to the causal factors for the increasing inefficiency of the matching process of labour supply and demand. In Chapter IV we shall take a closer look at regional and occupational mismatch indicators in order to clarify if and to what extent the structure of vacancies and unemployment registered at the public employment service drifted apart over time.

Chapter III: Placement Services in Austria[5]

1. Public placement services

Public placement constituted an integral part of the Ministry of Labour and Social Affairs until July 1, 1994. Section III was the department within the Ministry responsible for placement and active labour market policy. The regional labour market services (9 federal state offices and 95 regional offices) were the decentralised executive offices for active and passive labour market policy responsible to the Ministry. Placement was a state monopoly – at least as to the letter of the law. In actual fact private career counselling and personnel recruitment firms were engaged in active job placement. Besides, a large share of placement was the result of personal connections and job advertisements in the print media. There was no legal obligation on firms to inform the PES about all job openings. The legal base for the new organisation of the labour market service (Arbeitsmarktservice) are the federal laws 313-315[6].

After a ruling by the coalition government in 1990 to reform the public employment service (in line with the reconsideration of the role of the state in a rapidly changing economic and institutional environment) a series of research studies into the effectiveness and efficiency of the PES was undertaken by independent domestic and foreign research institutions[7] on behalf of the Ministry of Labour in search of the most efficient way to deregulate the PES.

Aim of the reform was to create a public placement agency with a corporate identity of its own with the objective of:

1. decentralisation of decision making and increase of flexibility in regional deployment of resources;
2. concentration upon core duties;
3. inclusion of the social partners in a decision making and executive capacity (formerly only consultants);
4. abandonment of the state monopoly in placement; 5. financial control by the federal audit office.

Organisational structure of the reformed Labour Market Service

The regional structure of the labour market service has remained more or less untouched. It is composed of 1 federal, 9 state and 96 regional organisations and 14 branches. On all levels of the organisation two units prevail, the decision making and control unit (composed of a tripartite

[5] The major part of the research results are based upon personal interviews carried out by M. Pelz, in the case of temporary work agencies also by G. Schmidt.

[6] Arbeitsmarktservicegesetz, Arbeitsmarktservicebegleitgesetz, Arbeitsmarktpolitikfinanzierungsgesetz.

[7] For example, the Institute for Policy Research, Leiden, documented in *BMAS,* 1992.

body[8] and the executive unit[9] (composed of the executive board and the regional managers) which has as its support body the regional labour market services (on the federal level a new support unit has been created – 'Bundesgeschäftsstelle'). In matters concerning the sovereignty of the state the Minister of Labour continues to be the prime official with the right to give directions (§58 AMSG). In the field of active labour market policy the Minister has the right to draw up general political strategies, to decide upon basic financial affairs, and has the duty to supervise and evaluate the work of the LMS.

The decision upon the use of specific instruments and financial resources lies with the LMS. The federal decision making and control unit (Verwaltungsrat[10]) is more than an administrative board; it is the unit in which specific policy measures (instrument-mix) are decided upon along the general guidelines of the Minister. The management on federal level (Vorstand[11]) has the duty to manage the regular business of the LMS, i.e., monitoring labour market performance and providing statistics, finance and controlling, organisation of labour market research, organisation of LMS-personnel training, drawing up of guidelines for labour market policy execution, organisation of meetings allowing the exchange of experiences with instruments, drawing up of a yearly report of preliminaries, of the financial performance, of labour market activities; development of long-term policy initiatives, concepts for guidelines and instruments to make labour market policy objectives operational, etc. (§9 AMSG). The federal LMS-management unit (Bundesgeschäftsstelle) is the body supporting the two managers (Vorstand) in setting up the management agenda and putting it into practice. It has to make sure that federal and state policies are coherent with the national objectives. It draws up the yearly objective of labour market policies (§4 AMSG). If new instruments or guidelines are introduced the support and advice of the federal states has to be taken into account (§12 AMSG).

The federal organisations[12] have to develop labour market policy objectives and targets for the respective federal states, co-ordinate and formulate regional needs to be considered in the national decisions and execute the national objectives in a regional context (concomitant bottom-up and top-down approach). They have to devise regional programmes and activities to fulfil the labour market targets, to co-ordinate and supervise regional service outlets, to organise and utilise external services (e.g., for education and training, social initiatives; §15 AMSG).

---

[8] Representatives of government (Ministry of Labour) and the social partners – the so-called 'Verwaltungsrat' on federal level, 'Landesdirektorium' on state level and 'Regionalbeirat' on regional level.

[9] Vorstand, Bundesgeschäftsstelle, Landesgeschäftsstellen und regionale Geschäftsstellen.

[10] Nine members. Three civil servants from the Ministry of Labour, two from the Chamber of Commerce, one from the industrialists, three from the Chamber of Labour together with the unions, one from the LMS (§1 AMSG).

[11] Made up of two persons – each a member of a major coalition party.

[12] They are composed of the federal state manager and his deputy as well as 4 representatives of interest groups (social partners) on the one hand and the executive body, the state labour markets service, on the other.

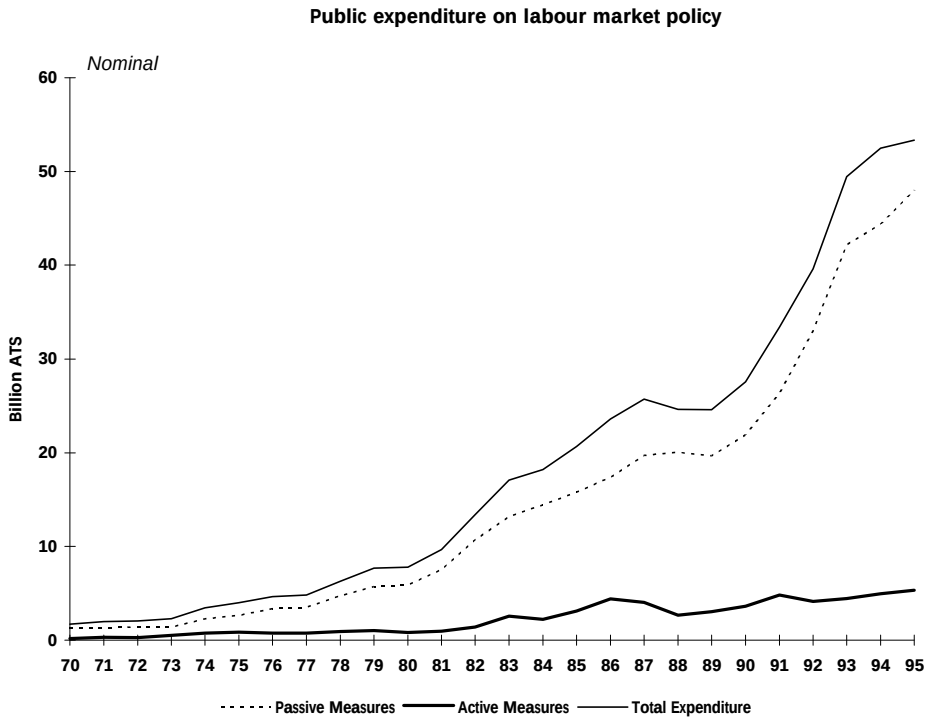
Staff numbers in the public employment service and total expenditure

In 1994 the LMS employed 4,230 persons of whom a considerable share remained tenured civil servants after deregulation (§63 and §64 AMSG). About 3,240 persons are working in the regional LMS-agencies. In addition 250 persons are responsible for special services, e.g., regular contact with personnel departments of firms, development of individual restart programmes for socio-economically handicapped, etc. The average number of employees in a regional office totals 34. On average every PES-officer has 250 personal clients to attend to (attributed by alphabetical order and date of birth). Special officers deal with young people as well as socio-economically challenged persons in the respective regional offices. Only Vienna has offices specialising in certain professional groups, e.g., youth, university graduates and highly skilled professionals, handicapped. These are remnants of the former occupationally oriented labour exchanges.

Total expenditure on personnel working in the PES amounted to ATS 1.664 billion, of which ATS 882.863 million for tenured civil servants, i.e., about half of the total expenditure on wages and salaries. The total administrative costs of the public employment service amounted to some 2 billion ATS in 1995.

Total expenditure on labour market policies, active and passive, as well as administrative costs amounted to ATS 53.320 billion in 1995, 4 billion ATS more than during 1994 (+8 percent). The major expenditure item has been, as in the past, on passive measures (48 billion ATS, +3.6 billion ATS, +8.1 percent versus 1994). Expenditure on active labour market policy measures amounted to 5.3 billion ATS in 1995, + 361 million ATS (+7.2 percent) versus 1994. The share of active labour market policies in total labour market policy expenditure increased therefore slightly from 9.5 percent in 1994 to 10 percent 1995.

Graph 11: Total expenditure on labour market policies 1970-1995



Personnel training for PES-employees

An aspect of the PES-reform has been a training reform of PES-staff. Formerly staff had to undergo special training for 14 weeks. The timing and spacing of individual training was chosen such that the continuous work process of the respective departments was not jeopardised. Today training has to be provided within the first two months of entry into the LMS for a duration of 41 weeks. 13 weeks of theory (labour law, occupational and career counselling, psychology, etc.), the remainder is applied work in different departments. For special tasks (e.g., counselling of handicapped persons, management of conflicts) parallel advanced schooling and training is obligatory. The professional training is provided on a decentralised basis, organised by the federal state LMS. Processoriented training is complemented by evaluation techniques focusing on results.

Efficiency management in the PES and management by objectives

Specific targets for every type of client are worked out between the federal managers of the LMS and the managers of the LMS on state level, e.g., for the re-integration of a certain number of long-term unemployed in the region. The choice of instrument-mix, by which the target is to be achieved, is up to the regional management. On a quarterly basis controlling takes place whereby the discrepancies between the real and the targeted path are being analysed just as well as the envisaged and actual expenditure developments (quantity and quality control). A pay-bonus system

for the achievement of targets (no bonus in case of failing the target) is currently in a trial phase in regional offices. This is to show that the management concept is process as well as target oriented. The conviction behind this concept is that as complex a matter as unemployment cannot efficiently be tackled on a centralised basis but much rather locally, i.e., the putting into operation of the target instruments is decentralised. The degrees of freedom granted by the states to the regional offices in choice of instruments differs substantially by federal state, however. Therefore some regions have more room to manoeuvre independently than others in their choice of working with different types of training institutions, with private and semi-public temporary work agencies and the like. The basic rationale is that clients (the unemployed looking for a job and firms looking for personnel) should be served by whatever means are best suited in the regional environment – some trust close co-operation with private firms to be more efficient others find a different regional infrastructure more conducive to achieving the overall target.

The federal LMS-institutions have limits in the autonomous development of instruments, e.g., they may not draw up guidelines for subsidies or develop new affirmative action and support programmes. The rationale behind this strategy is that neither the unemployed nor firms should be confronted with a different regional profile of institutional support for job matching. Basically the LMS concentrates upon increasing its own market share in job matching as well as temporary work. The argument generally used follows the slip stream theory, i.e., if the LMS obtains a high penetration in job matching (market shares in placement of unemployed) it will increase the chances of placing long-term unemployed. A good rapport with personnel departments of firms opens up job opportunities for the hard to place. The dilemma of a clash of interests (social service versus quality placement) remains a problem in the operation of the LMS even though a major step in overcoming the dilemma has been taken already by separating the control function (e.g., execution of the foreign worker law and control of work conditions through the labour inspectorate) from the service function to firms.

The management objectives are generally multifaceted. They encompass the re-integration of marginalised groups and re-entrants into the labour market (particularly women and youth) as well as the improvement of the matching process, the organisation of training for employed persons in order to secure their continued employment and the acquisition of job openings. Targets are quantified for every LMS. Federal states have developed a grading system for themselves (efficiency and performance indicators), e.g., on the basis of surveys which are supposed to inform about the degree of satisfaction of clients (firms and unemployed) with the different instruments and services, in order to improve labour market performance and thus the efficiency of regional labour markets (according to interviews carried out in Styria, Tyrol, Salzburg, Carinthia). Employees of the LMS in Salzburg, for example, have decided to evaluate their own performance on a regular basis ('self audits') and establish new targets for themselves. This is one regional response to the objective spelled out in the 'LMS-2000'-Programme to improve the quality of the services[13]. The interviews of persons within the different units of LMS-administration show that bureaucracy as such has not been reduced as a consequence of 'deregulation' but has taken on a

[13] This target orientation is, to the authors view, more reminiscent of planning along the lines of national objectives in the former command economies than the type of management by objectives carried out in private sector business.

new form. The integration of Austria in the EU has, of course, contributed to the new structuring of bureaucracy as Austria is focusing on targets of the EU, last but not least in order to be able to take advantage of EU-subsidies of labour market policies (e.g., the European Social Fund).

One of the objectives of the LMS is, among other things, self-representation and the development of a corporate identity. In 1995 a professional consultant firm has been commissioned with the development of a uniform representation of the LMS (national as well as regional) towards the outside world, e.g., corporate behaviour, wording, logo, common values etc.[14]. Discussions within the LMS and the regional outlets have been introduced in order to strengthen individual self-confidence and create a sense of corporate identity. The feedback from surveys confirms that the prestige of the LMS has improved – above all in the eye of firms, representatives of employers, the general public and politicians. This view is not shared by the unemployed (and private placement agencies). This opinion is understandable since the situation of the unemployed has not improved with the continued rise in unemployment, the reduction of different types of benefits, enforcement of regulations (e.g., the limitation of the rights of registered unemployed to refuse a job offer with increasing duration of unemployment), the tightening of the conditions for a grant of special benefit payments (Sondernotstandshilfe) and the like. The traditional treatment of seasonally unemployed (if they had a job to return to after a spell of unemployment they only consumed the benefit without having to report to the LMS or accept job offers while waiting for the season to start work with their traditional employer again) is also being questioned.

Services of the PES

For workers

According to §32 of the Labour Market Service Law (AMSG) the LMS has to provide placement services, services to secure (create) employment, and welfare benefits (replacement wages, i.e., passive measures). Placement services include information on the labour market and occupational developments, professional (career) counselling, provision of training and motivational support to assure employability, active support in the search for a job and help in the final choice. Computer-supported matching (with the jobs registered with the LMS) or active job search through increasing LMS-contact with firms in the region[15].

Clients may search on their own (facilitation of self-search by provision of data on job openings in the region on computer)[16] or with the help of personnel in the regional LMS. Pure information centres are specialising on particular groups, on university graduates (Jungakademiker-Service) or professional counselling (Berufsinformationszentren), Job-Centres. These information centres are concentrated upon larger agglomerations and not available in every region. Audio-visual

---

[14] In the past the different regional PES had developed their own public relations systems with little co-ordination among themselves or from the Ministry of Labour.

[15] Firms are invited to present themselves on the premises of the regional LMS (idea of a regional employment fair). Contacts of this sort are still rather the exception than the rule, though.

[16] 'Offener Kundenempfang' implies the institutionalisation of selfempowerment in job search.

information on professions is available to facilitate personal/individual procurement of information. Schools are invited for individual and group career counselling.

Personal counselling takes place in case of training initiatives proposed to the unemployed to promote employment opportunities. For those receiving benefit payments a personal promotion plan is drawn up – in the main for the more highly skilled individuals (coaching). Career planning ideally may take the form of infrastructural help (day-care centres for children, etc.), training provision, employment in temporary work agencies of the PES (only in Steyr, Innsbruck and Vienna), subsidised (transitory) employment and last but not least (subsidised) employment in social firms for the socio-economically handicapped. Third parties may carry out one or the other measure for the LMS, e.g., career clubs in career promotion institutes like BFI (Berufsförderungs-institut), job-finding clubs, active search groups[17], resource-pools, etc. The diversity of outsourcing of re-integration and placement activities differs by region just as well as the organisational structure. New types of bureaucracy are developing in certain regions, e.g., in Vienna with the setting up of the WAFF (Wiener ArbeitnehmerInnen Förderungsfonds)[18] as a mediator between clients and institutional provision of services, while other regions are allowing market forces to drive the matching and training processes to a larger extent.

For firms

The reformed LMS is reaching out to firms to build up confidence and ties such that firms may increasingly use the LMS as an institution which helps them solve their personnel recruitment and training problems (Betriebsservice). In every regional office a department (or an officer, depending on the size of the office) has been set up which specialises in servicing firms as clients (Betriebsberater). They act as personnel recruitment counsellors which entails among other things the planning and execution of training for prospective as well as active employees in order to secure the viability of the firm and thus employment in the region. Firms are also informed about the types of subsidies they can obtain in the case of employment of the long-term unemployed or other groups of subsidised persons. Just as there are job centres specialising in the reintegration of the unemployed similar institutions have been set up to service firms. The LMS entered thus the market of counselling firms which had sofar basically been the domain of private firms. The LMS offers even the pre-screening interviews in the recruitment efforts of firms. The LMS sets up a rudimentary base of job-exchanges (Job Börse). The LMS does not only advertise the job openings in LMS-publications, local newspapers but also nationally and internationally (EU) over the computer network of the LMS and EURES. Thus one may say that the LMS is starting to build up a gamut of services for firms which are symmetrical to those for the unemployed. These services are free to the firms just as they are free to the persons looking for suitable jobs. The law (§32 AMSG)

---

[17] All these institutions depend financially partly or totally upon jobs performed for the LMS or interest groups, in particular the unions or the chamber of commerce.

[18] The WAFF is an institution of the social partners which is linked to the PES. Since adult vocational training is basically organised by WIFI and BFI (training institutes of the chamber of commerce and the trade unions, respectively) a certain bias in favour of these training institutions versus private providers of training courses is introduced into the system which is not conducive to increased competition in the adult education/training market.

does provide for the possibility of fee-charging – the federal administrative board (Verwaltungsrat) has not allowed fees to be charged as of yet, however. This is precisely the reason why private counselling firms tend to argue that the LMS has introduced unfair competition into the field of job matching.

2. Types of private placement services

Private placement agencies

Until 1992 the Ministry of Labour and Social Affairs had the exclusive right to engage in job placement (public placement monopoly) with the exception of artists. Exceptions to the rule could furthermore be granted to private non-profit institutions as well as legal representatives of interest groups and professional organisations with the right to participate in the collective bargaining process[19]. In 1992 the labour market promotion act was amended (*AMFG,* BGBl. No. 31/1969, §17 a-d, e, ff.), whereby one of the changes concerned placement services. A partial liberalisation of placement was obtained by granting private sector firms (generally firms which had already in the past engaged in personnel recruitment and consulting) the right to place highly skilled white collar workers on a remunerated basis (Führungskräfte und leitende Angestellte)[20]. The logic for the amendment was that managers do not functionally constitute 'dependently' employed labour (according to § 36,2(3) of the labour law; BGBl. No. 22/1974) but have a supervisory power over employees of a firm; they are responsible for the survival of the firm and therefore share basic characteristics with the self-employed. The wage to be paid for these management positions (which were allowed to be filled by private placement agencies) has to attain at least the level at which the maximum social security contribution has to be paid (§45 of the law on social security). The PES of the respective federal states has to grant permission to place managers. In 1994 15 private firms had taken up this job opportunity.

The second step towards liberalisation was taken at the time of deregulation of the public employment service in July 1994. Private placement was allowed for all types of occupation and worker status. Private placement services had to register with the Ministry of Labour after having received a licence as a placement agency from the Chamber of Commerce[21]. According to decree 506 of the Minister of Economic Affairs[22] (which came into effect January 1, 1997) private placement services nowadays have to notify their activities to the Federal Office of Social Affairs and the Handicapped (created in 1995) in the Ministry of Labour. The private placement company

---

[19] The Ministry of Labour and Social Affairs could also grant the right to place artists on a remunerated basis to specific persons after consulting with the Council of Labour Market Policy.

[20] The Chamber of Commerce defines the requirements for performing this job (gebundenes Gewerbe) and private consultants have to register with the Chamber of Commerce (Unternehmensberater sowie Unternehmensorganisator zur Vermittlung von Führungskräften).

[21] Obligatory membership of firms to the Chamber of Commerce is paralleled by obligatory membership to the Chamber of Labour by all employees. Voluntary membership is only given in the case of unions on the supply side and industrialists on the demand side (Industriellenvereinigung).

[22] Of September 24, 1996.

has to prove that it has the capacity to perform placements. On the basis of a certificate guaranteeing the capacity to perform the job[23] the Office may grant the right to perform the service (Nicht-Untersagungs-Bescheid). A number of rules have to be adhered to, e.g., only firms are to pay for placement activities, not the person looking for a job, the public employment service (regional labour market service) may access all information pertaining to placement activities (information on client firms as well as persons looking for a job) etc. Temporary work may not be offered by private placement agencies. Institutional control of private placement services is not only exercised by the public employment service (according to §17 AMFG) but also by the Chamber of Commerce (Gewerbeberechtigung für das gebundene Gewerbe der Arbeitsvermittler, §124 Z1).

The number of private placement agencies registered with the Federal Office for Social Affairs and the Disabled (Bundesamt für Soziales und Behindertenwesen) has risen from some ten in the beginnings of 1994 to 31 in 1996 (number of private placement companies registered with the Federal Office for Social Affairs and the Disabled by February 1, 1997). By the end of 1996 10 did not make any placements at all; of the remaining number only 945 placements were reported in total over the year. The firm-size of private placement is very small. Of the firms registered as private placement agencies the majority are in Vienna. Both the size structure as well as the limited number of private firms begs the question of the reasons for the lack of dynamics in privatisation which runs counter to international experience. Interviews of personnel managers helped clarify the situation.

The major impediment for private placement in Austria is according to interviews not so much the bureaucracy built around setting up a placement service – even though the requirements are beyond the usual necessities of the majority of EU-countries. A major deterrent for private placement is that the services provided are not confidential. All transactions linked to placements have to be visible publicly ('Einblicksrecht' of the LMS) – resulting from the idea that job matching is a public good[24]. Even though the provision of certain public employment services has the character of a public good this does not extend to the provision of placement per se which can very effectively be carried out by the market; competition between the firms assures that the service is performed efficiently and consumer protection legislation may assure that fraud and abuse is prosecuted. This is, however, not the way the Austrian authorities see the matter. Another deterrent for private placement is that private firms may not deny placement services to any particular person. Still another aspect which is forcefully argued by private placement agencies as a deterrent on the basis of principle, and not because of its relevance for everyday business, i.e., the right on the part of the person registering with the private placement agency to take action against

---

[23] This includes apart from the physical endowment, e.g., office space etc., the right to perform the job as a profession (Gewerbeberechtigung), i.e., the licence from the employers' institution, the certificate proving the obligatory training (written and oral exam or university degree). The exams are on topics along the lines of training of LMS-employees. The exams are taken before a (tripartite) commission set up in the Ministry of Labour.

[24] Another explanatory factor for this legislation may be the fact that the civil servants themselves are accountable to the public institution (the Ministry of Labour) and not to the client, be it a firm or a person. Their own legislative order is only extended to the private sector without considering the difference in the functional mechanisms of public and private sector business.

the placement-firm, in cases where the job offered by the placement firm does not conform to the promises made. The private placement firms may, in any case, not exercise any pressure on the unemployed to take up a job in a particular firm – contrary to the LMS, which has the right to discontinue benefit payments in case of refusal. The placement-firms and their institutional representation (Chamber of Commerce) argue that placement agencies should only be accountable to the firm which is paying a fee for eventual placement.

These factors led to the withdrawal from placement of some of the largest personnel consulting firms in Austria, who often have affiliates all over Europe. They continue their business as personnel consultants; some, however, continue to register as private placement agencies without any transactions in this capacity[25]. These firms continue to exercise their normal consulting business, i.e., they are providing a service to the firm – whereby part of this service constitutes job placement along the lines of the revised ILO Fee-Charging Employment Agencies Convention No. 96 (*ILO,* 1997).

The number of persons placed through private placement activities (as notified to the Federal Office) is minimal and stagnant at some 900 on an annual basis in 1995 and 1996. The annual average stock of persons searching for a job and registering with private placement firms amounted to 10,800 in 1996, i.e., double the figure of 1995. The annual stock of job openings notified to the Federal Office by the private agencies amounted to 400 in 1996, 100 less than during 1995. There is a certain discrepancy between the number of effective job placements and the number of persons looking for a job through private placement. The small and even declining number of job openings registered with private placement agencies compares well with the limited number of actual job placements. It is interesting to note, however, that about 80 percent of the job placements take place in occupations of the services sector, which may suggest a certain functional complementarity between public and private placement.

Cross-border private and public placement

Private placement is not confined to the Austrian territory but may take place across borders (§128,1 AMSG). No information on job placement across the border of private agencies is available, though. As to public sector placement Austria's membership to the EU entailed the opening up of the opportunity to participate in the activities of EURES (European Employment Service). In 1996 a specific regional link with the Alpine region – Eures-Interalp – has been established.

Temporary Work Agencies

Ever since 1989 private temporary work agencies could establish themselves on the market if they fulfilled the requirements for a licence to be issued by the Ministry of Labour (since 1995 the

[25] On questioning the rationale for staying on the register the firms argue that they are still hoping for a change in legislation. Since the institutional process for obtaining the licence is rather tedious they do not withdraw from registration in order to be able to go into business as soon as adaptations to the law have been carried out.

Federal Office for Social Affairs and the Disabled). The right to fee charging job placement activities has not yet been granted to these firms[26]. The law regulating temporary work (Arbeitskräfteüberlassungsgesetz BGBl. No. 196/1988) states that the wages to be paid to their temporary workers have to adhere to the collective wage agreements (awards) of the respective economic sectors. Temporary work agencies are required to prove their credentials (Befähigungsnachweis) just as any other occupational group. Instead of having market control mechanisms and consumer protection legislation, which would be typical for anglo-saxon countries, Austria tends to focus on control mechanisms at market entry, in particular certified skills agreed upon by the social partners[27].

Data on temporary work is only available from private sector firms, not from non-profit institutions which are increasingly set up – last but not least by regional LMS since 1994. The number of temporary workers in non-profit institutions like social partners and local communes is not known since these institutions are not required by law to inform the Ministry of Labour (Federal Office of Social Affairs and the Disabled) about their temporary work organisation (according to §1 AÜG), neither do they face the stringent control measures of private temporary work agencies. Recently also different regional employment services in Austria have gone into the business of organising temporary work on a non-profit basis – an option they did not have before the deregulation in 1994. Upper Austria has started out in Steyr[28], a highly industrialised city, with considerable success since its initiation in 1994; by 1997 some 200 persons were employed by the public temporary work agency on a regular basis (temporary workers are in the main employed in industrial plants, e.g., BMW). The former pilot project has been extended to Linz, the capital of Upper Austria. In Tyrol the regional office of Innsbruck is collaborating with Teamwork Tyrol since November 1996 to put temporary work on the market in Tyrol in 1997. In Vienna Flex-Work has started business in February 1997 (after two months in action 70 persons were already employed on a full-time basis).

The number of private temp agencies increased from 367 in 1989, the year this type of business could be set up in Austria, to 593 in 1996. The number of firms employing temporary workers rose from some 2,300 to 4,200 in the same time span. A similarly dynamic development can be observed in the case of the number of temporary workers. In 1989 some 7,900 persons were working on the day of the survey (July 31); until July 1996 the number rose to 14,600, i.e., 0.5 percent of all dependently employed. Upper Austria, Vienna and Styria are the federal states with the greatest recourse to temporary work – 70 percent of all temporary work agencies, 81 percent of all firms working with temporary workers and 82 percent of all temporary workers.

---

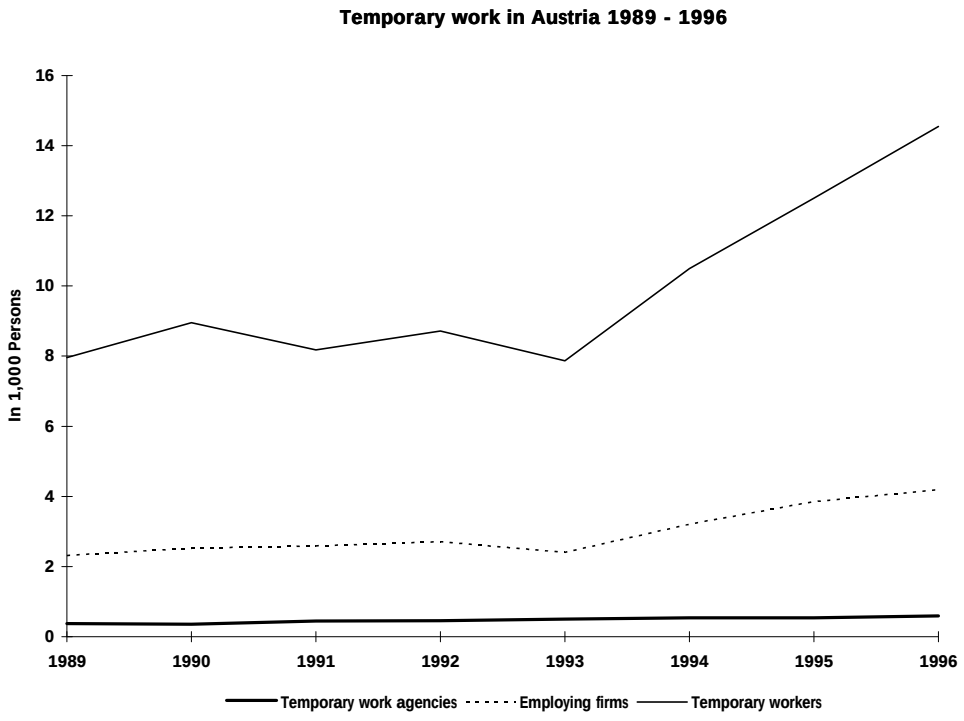
[26] Concerted action by temporary work agencies and placement agencies has already led to an appeal to the Supreme Court (Verfassungsgerichtshof) for the abolition of the prohibition to carry out the two functions jointly.

[27] This basic regulatory philosophy tends to favour 'insiders' with well established skills versus 'outsiders', who would like to try something new.

[28] The regional labour market service together with Espora Personalservice GmbH. The joint venture had in its beginning the integration of long-term unemployed as objective. The successful re-integration contributed to the awareness of a market niche of employment not tapped to its full potential. Currently an extension into profitoriented temporary-work for persons not yet marginalised is in the planning.

Upper Austria is the state with the highest share of temporary workers. This is also the first state in which temporary work was considered a viable integration instrument for the unemployed (the case of Steyr) on the part of the LMS. All other regions except Vorarlberg and Burgenland, i.e., the easternmost and westernmost provinces, have experienced a significant increase in the number of persons working in temporary work agencies since the beginning in 1989.

Graph 12: Development of temporary work in Austria 1989 to 1996 (July)



The regional structure of private temporary work agencies provides an indicator of the degree in which privatisation is allowed to enter the institutional structure of the organisation of the labour market by region. As to the gender distribution of temporary workers – it is mainly male workers who find employment through temporary work agencies. Only 1,600 or 11 percent of all temporary workers are women. This might be surprising at first sight but it is understandable when one looks at the skill and sectoral employment structure of temporary workers. Temporary work is apparently the socially accepted means by which labour flexibility can be introduced for men, even for the traditionally manufacturing-oriented jobs. Women tend to have other options – in the main part-time employment in the 'regular' labour market.

Table 1: Regional distribution of temporary work 1996 (July)

	Number of				
	Temporary work agencies	Employers	Temporary workers		
			Male	Female	Total
Burgenland	5	4	27	0	27
Carinthia	46	188	686	26	712
Lower Austria	78	275	915	74	989
Upper Austria	193	1,573	5,805	269	6,074
Salzburg	18	93	202	80	282
Styria	99	857	2,405	164	2,569
Tyrol	18	90	315	15	330
Vorarlberg	10	159	250	6	256
Vienna	126	951	2,369	940	3,309
Austria	593	4,190	12,974	1,574	14,548

Source: Ministry of Labour.

The sectoral distribution of temporary work demonstrates that firms use this instrument for typical male professions in order to gain flexibility in their use of labour in times of demand (market) situations with a high risk factor. 33 percent of the temporary workers were professional tradesmen (apprenticeship background) in crafts, 56 percent were working in large scale industries and only 5.5 percent in sales (Handel). In small scale manufacturing (craftsmen) the major occupational groups (70 percent of all workers) were lock- and blacksmiths, tradesmen in the construction sector, in particular electricians and plumbers. In large scale manufacturing industries the major occupations (69 percent of all workers) were in machine and steel work, electrical work, iron and metal processing, car production. This professional and industrial structure of temporary work is not surprising if one takes into account that it is above all the highly industrialised federal states which use this employment instrument to reduce adjustment costs to final demand fluctuations. Vienna is the exception – this is the only region in which sales play a significant role in the employment of temporary personnel – which explains the fairly high share of female temporary workers in Vienna.

The largest private temporary work agencies are former personnel consulting firms which opened up this line of private business as soon as it became legally possible. In order to find out about organisational details of this type of business interviews were carried out. One of the largest firms interviewed had international branches in 40 countries (2,500 firm outlets). In Austria 60 staff members were responsible for organising temporary work in 13 branch offices throughout Austria (major outlets in Vienna, Upper Austria and Salzburg). In periods of high demand some 2,500 temporary workers work for 500 client firms[29]. The personal characteristics of the temporary workers are very heterogeneous and range from students, (re-)entrants into the labour market to

[29] This information suggests that the total volume of temporary work organised through temp agencies is probably much higher than the data available indicates; since the survey is undertaken at a point in time (end of July) only those persons are registered who are actually working at that time excluding those on vacation or time-off.

unemployed and persons looking for another job. The work contract comes into effect as soon as the job is taken up in a firm. Beforehand persons are registered without any obligations on either side. In periods without work the temporary worker may continue to receive payment if he/she is ready to restart work at any time, but these periods may also be used for holidays or time off as a compensation for overtime in other instances (Zeitausgleich). There were cases, however, where slack employment has meant the termination of work in the temporary work agency without any possible claim.

The work contract with temporary work agencies usually contains a clause in which a certain period of minimum employment with the temporary work agency is agreed upon (two to six months) after which the temporary worker may be taken over by the firm which formerly employed the person (which happens in 80 percent of the cases). This confirms that firms are actively using temporary work agencies as recruitment and screening channels.

Some temporary work agencies did not grow from personnel consulting firms but other types of business, in particular firms performing industrial production. One such firm interviewed is carrying out its normal business (machine industry) as always and opened up a temporary work branch in 1992. This is a most dynamic business outlet with 80 employees in Austria in 1996 and a branch in Bratislava. In the Vienna region up to 1,300 temporary workers are working in that firm for some 250 client firms, in the main in technical professions, but more and more also workers with clerical skills as well as unskilled labourers. In the beginning above all persons wanting to change jobs became temporary workers. Nowadays more and more highly skilled older unemployed workers are taking up work as temps, which indicates clearly that older workers find it particularly hard to re-enter the labour market and that the employment in temporary work agencies offers the opportunity to enter the labour market on a continuous and hopefully long-term basis.

As of yet no firms in Austria are known for leasing their specialists in periods of economic slack to other firms as in France, Sweden or Finland.

Personnel consulting and recruitment

Personnel consulting firms have been playing an important role in the matching of labour supply and demand for a long time, the largest firms for more than 20 years. They have been engaged primarily in the recruitment of highly skilled personnel in services professions, i.e., managers and professionals. They are not required to obtain a licence from the chamber of commerce (Gewerbeberechtigung) nor do their employees undertake the aptitude tests required for employees of private placement agencies. The services provided to firms are, apart from management consulting, the development of personnel plans (in line with the strategic positioning of the firm), the drawing up of recruitment channels for the different positions (most effective search channels – including executive search, personal contacts, advertisements, contacts to universities), selection of personnel (performing tests, interviews, assessment groups). Placement

includes all types of contracts (short term, fixed term, part and full-time, etc.). The final recruitment choice is up to the firm[30].

They are very often acting in different Austrian regions as well as the international arena, with headquarters rarely in Austria. The two largest such enterprises, Neumann and Catro, each employ about 60 persons on a regular basis in Austria. The yearly placement figures are, according to the information from personal interviews, for every one of these two companies 3 to 4 times as high as the total of all private placement firms registering with the Federal Office. As these consulting firms do not register with the Federal Office – because job placement is an integral part of a larger more inclusive personnel and recruitment plan and effort – exact figures on a time series basis are not available.

Every staff member has to work on a certain average number of clients (cases, projects) per year – 15 in the case of the larger firms interviewed. It takes on average six to eight weeks to find a professional suitable for the job openings registered with personnel consultants (most of the recruits change jobs without an intermittent spell of unemployment). The fees to be paid for recruitment services are so high that jobs earning less than ATS 40,000 per month are not economically viable to be filled with the help of personnel consultants. This is the reason why firms are the relevant clients and not individuals looking for a job. The LMS has been using consulting firms in Vienna in the period 1991 to 1994 to find jobs for highly skilled unemployed. The consulting firms in question organised jobfinding courses. Ever since 1994 the LMS organises this type of courses itself[31].

A new work area exploited by counselling firms is the evaluation of job applications for jobs in the public sector – since recently applications for public sector job openings (which have to be made public by law) have to be judged by independent institutions as to the fulfilment of the professional requirements.

Personnel counselling firms may provide outplacement services. In this capacity they offer a direct service to persons in need of a new job – the firms pay for the service rendered, however.

Some personnel consultants have a temporary work branch. Even though temporary work agencies may by law not allow their personnel to start work on an ongoing basis in one of the firms in which they had been working as temporary workers – this happens rather frequently (but it is not prosecuted).

Staff training is an ongoing process in the large consulting firms interviewed. Apart from theoretical training courses, language and computer training, regular seminars ('competence circles') are organised to test communication skills and inform on market developments. Consultants tend to be university graduates with work experience in the sector in which consulting takes place (mentor-system at the beginning of the career as consultants).

---

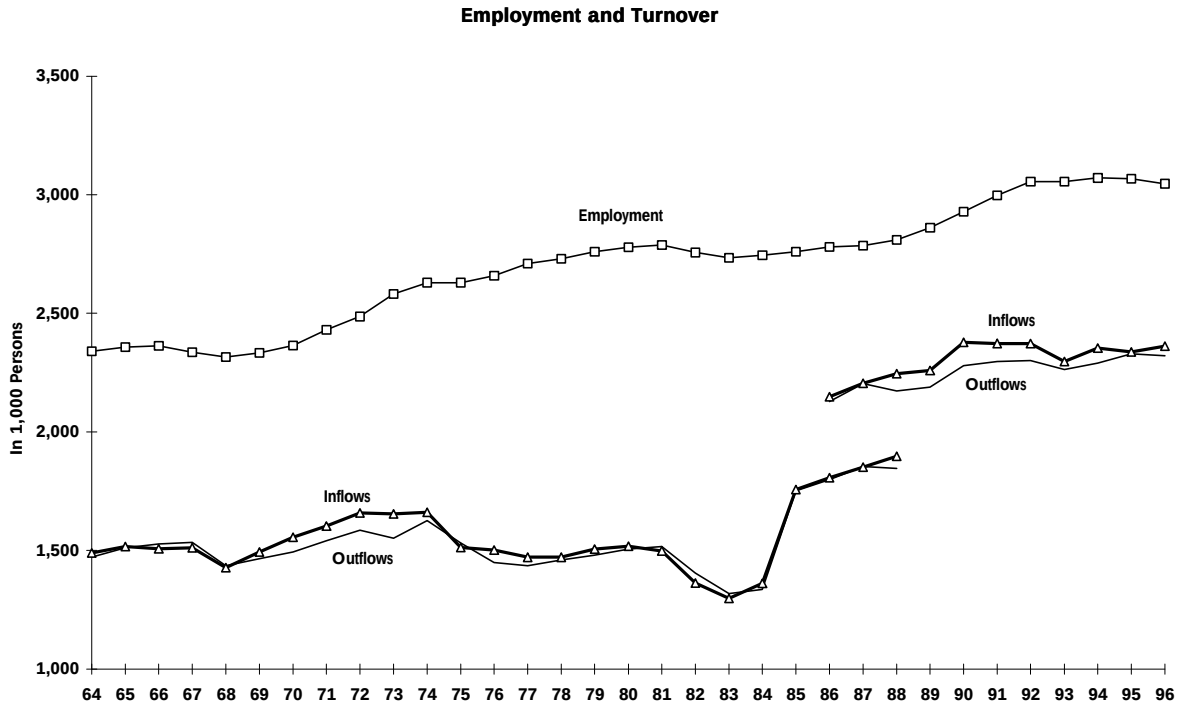
[30] In theory the consulting firm does not know about the final recruitment decision of the firm.

[31] The consulting and training firm interviewed had organised all in all 460 such courses. The fee per person had amounted to ATS 9,200 (paid by the LMS); the fee for outplacement per person amounts to ATS 70,000 to 250,000 paid by the firms. The latter job is more demanding but at the same time more lucrative.

Chapter IV: The Market for Job Matching in Austria

The volume of job-matching depends upon the turnover of employment, i.e., the flows into and out of employment. Inflows into employment may be the result of schoolleavers first entering the labour market, of persons re-entering after a spell of unemployment, a period of education and training, a phase outside the labour market to fulfil unpaid household work and the like. Outflows on the other hand are the result of retirement into old age or disability pensions, into the household or other unpaid work, into adult training and education and the like. There is therefore at any point in time a massive stream of persons entering and exiting the labour market and firms have to strive to replace jobs (replacement need), to find personnel for new types of jobs (growth needs) and to restructure the workforce in the internal labour market whereby some jobs may become obsolete while others are created to respond to changing demand as well as technological progress. There is a strong cyclical component to inflows and outflows, whereby in periods of tight labour markets the share of voluntary quits increases and in periods of labour slack dismissals. Statistics on the total volume of turnover are not available in Austria. Social security data do, however, convey an idea about the relative importance of turnover and thus job matching for wage and salary earners. This data includes not only job fluctuation on the external labour market but also on internal, firm specific labour markets. The annual inflows and outflows from social security employment are available from 1964 until 1988 on a statistically comparable basis, and again from 1986 till 1996. This data shows that there is considerable turnover on the Austrian labour market with very pronounced cyclical movements. Turnover increased in the period of extreme labour shortages of the late 1960s and early 1970s (dominated by voluntary quits as a consequence of good job prospects), declined in the period of severe economic downturn and the onset of microeconomic reform and restructuring in the early 1980s and increased again more or less continuously since the mid 1980s as new forms of employment became more prominent. According to this data between 60 percent and 70 percent of the wage and salary earners are on average changing their status in the course of a year. About two thirds of the flows are the result of a movement within internal labour market, i.e., movement along internal career ladders or intercompany transfers. Thus about 25 percent of the Austrian work force or some 760,000 persons are on average recruited externally in the course of a year. This figure is very high in international comparison and is to some extent due to an above average share of economic sectors with high seasonality in total employment (tourism, construction, agriculture and forestry – to name the most important ones), but the main reason seems to be the importance of small, and medium sized firms in total employment, which by definition are close to the external labour market and therefore exhibit sizable fluctuation in their work force.

Graph 13: Employment and Turnover in Austria 1964 to 1996



1. Recruitment strategies of firms in the mid-1990s

Information on recruitment strategies by firms is available since 1995 (survey once a year, in August) on a nation-wide basis from enterprise surveys undertaken by Synthesis, a labour market research institution, on behalf of the Federal Labour Market Service. In principle a firm may use a variety of recruitment channels depending on the national infrastructure for placement and the types of skills needed. The survey, which is conducted once a year, provides information on structural features of the evolving labour demand. It does not, of course, provide sufficient information on cyclical and seasonal developments of labour demand. The vacancy concept is not strictly defined[32], i.e., it is left up to the firm and its conception of job openings, which renders the interpretation of the data rather elusive.

The enterprise survey of August 1996 covered a total of 2.1 million employed persons (compared to 3.1 million dependently employed persons (wage and salary earners) in the total economy at the same time). Firms were actively engaged in searching for an additional number of 81,700

[32] Since a symmetry of information about registered unemployed and job openings is the objective, only active search activity is taken into account; no distinction is made between part-time and full-time, the time horizon of employment (temporary vs. long-term, fixed-term jobs, contract work, seasonal work, in particular the recall of seasonally laid-off workers etc.), external recruitment vs. internal recruitment or via temporary work agencies and the like.

workers (compared to a total of 19,800 registered job openings at the public employment service in August 1996). Thus the vacancy rate, calculated as the number of vacancies in percent of the total job-potential of the private sector, amounted to 3.7 percent (versus less than 1 percent in the total economy as to registration data)[33]. The largest number of job vacancies in relation to total potential demand has been in the Southern regions (Carinthia and Styria) with 5.9 percent, followed by the Eastern regions (Burgenland, Vienna and Lower Austria) with 3.2 percent. In the latter region Vienna was most dynamic with a vacancy rate of 3.8 percent. The westernmost regions had the lowest vacancy rate with 3 percent.

The labour market dynamics should a priori be different by firm size and economic sectors. In August 1996 the highest vacancy rate was exhibited in small to medium sized firms (between 20-99 employed persons) with 5.2 percent, followed by firms with 0-4 employed (3.8 percent) and 5-19 employed (3.6 percent). Larger firms tend to recruit within an internal labour market. It is therefore not surprising that their vacancy rates are below average. As to the economic sectors with above average vacancy rates: the leaders tend to be high tech segments in the economy (9.8 percent), followed by tourism (8.2 percent) – an employment sector with a high seasonal employment component which has at the same time a concentration of employment upon small scale firms.

The structure of the preferred recruitment channels differs by occupation and region. The most common recruitment method is an advertisement of some sort on the part of the firm. In 50 percent of all vacancies firms placed an advertisement in the newspapers. Next in line is the public employment service as a search instrument. For 46 percent of all job openings the recruitment channel of the public employment service was used (up from 44 percent a year previously). In 5 percent of all vacancies personnel consultants were introduced into the search process. In 23 percent of all cases recruitment within the firm (internal labour market) was envisaged, and in 22 percent of all cases informal contacts were used as recruitment channels. These figures show that often more than one channel is used to search for suitable personnel to fill job openings.

[33] But even a vacancy rate of 3.6 percent in August 1996 remained substantially below the unemployment rate of the wage and salary earners at the same point in time (5.7 percent).

Table 2: Recruitment channels by region 1995/96 (enterprise survey, August)

	1995				
	Active job search of firms				
	Total	East	Vienna	South	West
	Absolute	Percent			
Labour Market Service	39,739	37.2	22.5	26.4	36.4
Advertisements	48,932	44.6	33.0	18.3	37.1
Personnel consultants	5,129	57.0	43.0	14.0	28.9
Applications of individuals	25,100	39.1	28.5	33.4	27.5
Internal recruitment	19,365	35.9	23.5	31.1	33.0
Informal contacts	20,648	36.3	21.8	30.4	33.4
Total	91,293	44.4	29.1	20.0	35.6

	1996				
	Active job search of firms				
	Total	East	Vienna	South	West
	Absolute	Percent			
Labour Market Service	37,535	31.9	16.0	37.4	31.2
Advertisements	40,498	40.4	29.1	24.7	35.2
Personnel consultants	4,167	55.9	36.5	17.3	27.0
Applications of individuals	24,027	33.7	23.0	41.1	25.6
Internal recruitment	19,092	31.9	24.5	31.6	37.0
Informal contacts	17,682	45.5	28.5	29.8	25.4
Total	81,746	37.0	24.5	32.0	31.0

Source: Labour Market Service.

There are pronounced differences in preferred recruitment channels by occupation. In the case of unskilled labourers, skilled workers with apprenticeship training and in the case of apprentices firms have a strong preference for recruiting via the labour market. This tendency has even intensified in 1996 versus 1995. This corroborates the general hunch that job openings for standardised skills and work processes tend to be registered with the LMS. In the case of specialised skills personnel consultants are introduced, in particular for professional and managerial staff. A large share of professionals (often with tertiary education) is, however, either recruited as a result of an advert on the part of the firm or through personal applications and/or informal contacts.

Unfortunately the question about the number of successful job placements by recruitment channel is not asked. Thus no information on the market share of the LMS in filling the job openings of firms is available on a national basis. Every federal state has introduced a survey among the firms, which register their job openings with the PES (at the latest since 1996), enquiring about the number of successful placements with the help of the LMS and the satisfaction with the services provided. This information allows the calculation of a placement rate of job openings registered with the PES – it was in the range of 40 to 50 percent in 1996 for all federal states – it does not give an insight into the market share of the LMS in all labour placement transactions, though.

Table 3: Recruitment channels by occupational groups (enterprise survey, August)

	1995 Search channels in percent					
	Labour Market Service	Advertise-ments	Personnel consultants	Applications of individuals	Internal recruitment	Informal contacts
Managers	7.9	37.9	62.1	22.9	24.6	30.0
Highly skilled personnel	9.5	41.9	43.6	43.8	21.5	24.6
Technical, medical personnel	19.2	49.0	12.8	41.9	19.7	33.5
Skilled services, sales	24.1	50.2	11.9	33.5	23.9	28.6
Administrative, clerical services	35.7	51.1	7.6	38.3	20.8	15.2
Semi-skilled services, sales	34.3	62.0	2.6	31.5	21.9	21.1
Agriculture, forestry	45.9	90.3	0.0	50.8	13.0	13.0
Skilled workers (apprenticeship)	47.4	52.8	2.0	18.9	18.7	21.2
Operators	61.9	50.4	1.4	33.9	31.9	31.8
Unskilled workers	64.9	51.2	1.4	21.4	20.3	21.1
Total	43.5	53.6	5.6	27.5	21.2	22.6

	1996 Search channels in percent					
	Labour Market Service	Advertise-ments	Personnel consultants	Applications of individuals	Internal recruitment	Informal contacts
Managers	12.1	39.4	39.4	18.9	24.2	21.2
Highly skilled personnel	14.3	51.0	34.8	35.2	14.8	32.4
Technical, medical personnel	17.6	47.0	18.4	38.1	21.4	29.2
Skilled services, sales	21.8	64.7	20.7	34.8	27.0	37.1
Administrative, clerical services	29.2	51.3	6.1	33.4	20.9	23.4
Semi-skilled services, sales	40.8	57.8	5.7	21.1	31.2	16.3
Agriculture, forestry	0.0	0.0	0.0	0.0	0.0	0.0
Skilled workers (apprenticeship)	52.5	56.8	1.1	28.8	31.5	24.9
Operators	47.7	43.6	1.0	17.3	12.6	18.0
Unskilled workers	60.8	34.4	1.0	36.9	13.6	14.6
Apprentices	49.5	22.0	2.8	22.9	18.3	27.5
Total	45.9	49.8	5.1	29.4	23.4	21.6

Source: Labour Market Service.

2. Unemployment and vacancies in key occupational groups

Occupational structure of registered unemployment and vacancies according to LMS-data

During 1994 the number of registered unemployed persons amounted to 214,900. Of this number 50.7 percent belonged to only 4 large occupational groups, i.e., legal, administrative and other clerical work, tourist services, metal workers and electricians as well as workers in construction industries. This is an occupational structure of the unemployed which corresponds fairly well with the labour supply structure (48.8 percent of the dependent labour force). The level of job vacancies was very low in 1994, with a total of 30,200 job openings registered on a yearly average. The occupational structure corresponded rather well with the unemployment and labour force structure. 51.5 percent of all job openings were in the above major occupational groups.

Table 4: Occupational structure of unemployment, vacancies and employment 1994

Annual average

	Unemployment	Vacancies	Unemployment	Vacancies	Dependent Labour force[1]
	Absolute	Absolute	Percent	Percent	Percent
Agriculture and forestry	4,428	816	2.06	2.70	1.27
Mining	77	1	0.04	0.00	0.05
Construction, stone- and mineralworkers	23,954	4,770	11.14	15.80	6.68
Metalworkers, electricians	26,100	3,639	12.14	12.05	13.02
Wood and paper processing	4,940	1,427	2.30	4.73	3.06
Leather, textile, clothing workers	6,636	720	3.09	2.38	2.12
Printers, graphics	2,166	80	1.01	0.26	0.72
Chemical, rubber workers	2,349	121	1.09	0.40	1.00
Food processing	2,854	576	1.33	1.91	1.43
Unskilled workers	20,477	1,607	9.53	5.32	3.65
Trade, sales personnel	20,262	3,567	9.43	11.81	6.88
Transport workers	9,469	1,451	4.41	4.81	6.72
Tourism	27,003	4,531	12.56	15.00	5.26
Domestic services	3,338	363	1.55	1.20	1.77
Cleaning	8,826	1,372	4.11	4.54	3.98
Personal services	2,503	444	1.16	1.47	1.13
Technical personnel	6,756	598	3.14	1.98	4.61
Legal, administrative, clerical work	31,401	2,579	14.61	8.54	23.78
Health, education	11,259	1,536	5.24	5.09	11.71
Others	144	1	0.07	0.00	1.16
Total	214,941	30,197	100.00	100.00	100.00

Source: Labour Market Service (LMS), Austrian Central Statistical Office. – [1] Microcensus.

Ever since 1994 a certain incongruity between the occupational structure of the unemployed and the job openings has been building up in addition to the opening up of the gap between the number of job openings and unemployed (1996: 230,500 unemployed and 19,400 vacancies). While the majority of job openings continues to be in tourism (1996: 18 percent of all job openings), in metal and electrical industries (14 percent of all job openings), closely followed by construction industries and trade (in particular sales personnel), i.e., in occupations where the number of unemployed remained high until 1996, unemployment starts to build up in clerical jobs (14 percent of all unemployed), in unskilled work, in transport services jobs, recently also in teaching professions without having a counterpart in job openings registered with the labour market service.

Graph 14: Unemployment and vacancies by occupation 1996

The educational attainment level of registered unemployment and skills required in the job openings

If one looks at the required skill structure for filling the job openings and compares it with the skill structure of the unemployed one has to note a certain incongruity building up in the course of the 1990s. Firms tend to use the employment service primarily as recruitment channel for unskilled labour (1996: 51 percent of all job openings registered with the employment service, 1988: 47 percent), and skilled workers with apprenticeship training (1996: 41 percent of all job openings, 1988: 45 percent); this appears to be a long-standing tradition which does not seem to have changed yet in the wake of the reforms of the public employment service (both deregulation and decentralisation coincided with the creation of the LMS as a corporate entity in 1994).

In contrast to the stagnating skill structure of registered vacancies the educational attainment of unemployed is becoming more varied. While the share of unskilled labourers (1996: 44 percent of all unemployed) and skilled blue collar workers (with apprenticeship training, 1996: 39.6 percent) is still very high, more and more persons with lower and upper secondary vocational training and university education become unemployed. The change in the skill structure of the unemployed suggests that the functional mechanisms of the labour market are changing. The finance squeeze of the public sector (lean state) has an immediate impact upon the employment opportunities of university graduates (currently in particular legal professions, teachers and

medical personnel), technological innovations affect above all clerical professions and microeconomic reform processes in general make for an increasingly heterogeneous group of employed as well as unemployed.

The incongruent development of the skill structure of unemployed and vacancies registered with the employment service suggests an increase in the skill mismatch between the clients of the public employment service on the labour demand and supply side.

Table 5: Skill requirements for job placements and educational attainment levels of the unemployed 1988 and 1996

Educational attainment	1988		1996	
	Unemployment	Vacancies	Unemployment	Vacancies
	Percent			
Tertiary education	2.5	1.3	2.9	1.1
Upper secondary vocational education	2.9	3.3	4.1	2.9
Upper secondary general education	2.5	0.1	2.6	0.1
Lower secondary education	5.9	3.0	6.3	3.4
Apprentices	37.3	45.4	39.6	41.2
Compulsory education	47.8	46.9	44.3	51.3

Source: Labour Market Service.

Increasing mismatch in the 1990s

The calculation of an occupational mismatch indicator[34] is possible for the period 1987 to the present day (vacancies and unemployed by 31 occupations). The mismatch coefficient has decreased slightly from 1987 till 1991 and increased somewhat since then again. The occupational groupings appear to be too large, however, to be able to capture the increasing skill content of the occupations of the registered unemployed and the stagnation thereof in the registered job openings.

Analogously to the occupational mismatch indicator one may construct a regional one, based on the argument that the job openings are in different regions than the unemployed. According to this indicator the regional mismatch was particularly pronounced in the 1960s, the period of severe labour scarcities, and decreased more or less continuously until 1983. Regional mismatch, according to this crude indicator, started to increase again in the late 1980s and was highest in

[34] Occupational mismatch: $OMM = \sum_{1}^{j} \left| \frac{V_j}{V} - \frac{U_j}{U} \right|$; whereby V = Vacancies, U = Unemployed, j = Occupations, j= 1, . . . , 31; the coefficient may have values between 0 (complete identity of the two structures) and 2 (complete dissonance of the two occupational structures, i.e., no job opening for any unemployed); regional mismatch $RMM = \sum_{1}^{i} \left| \frac{V_i}{V} - \frac{U_i}{U} \right|$; whereby i = 1, . . . , 9 regional states.

1996 with a level similar to that in 1981. The relatively minor increase of mismatch between registered unemployed and registered job openings in the course of the 1990s suggests that labour market mechanisms are in the process of changing substantially rather than skill and regional mismatch. Therefore the institutional infrastructure and its capacity to adapt to the new labour market requirements is facing the greatest challenge in the face of the current deterioration of labour market performance.

Graph 15: Development of vacancies and unemployment between 1960 and 1996

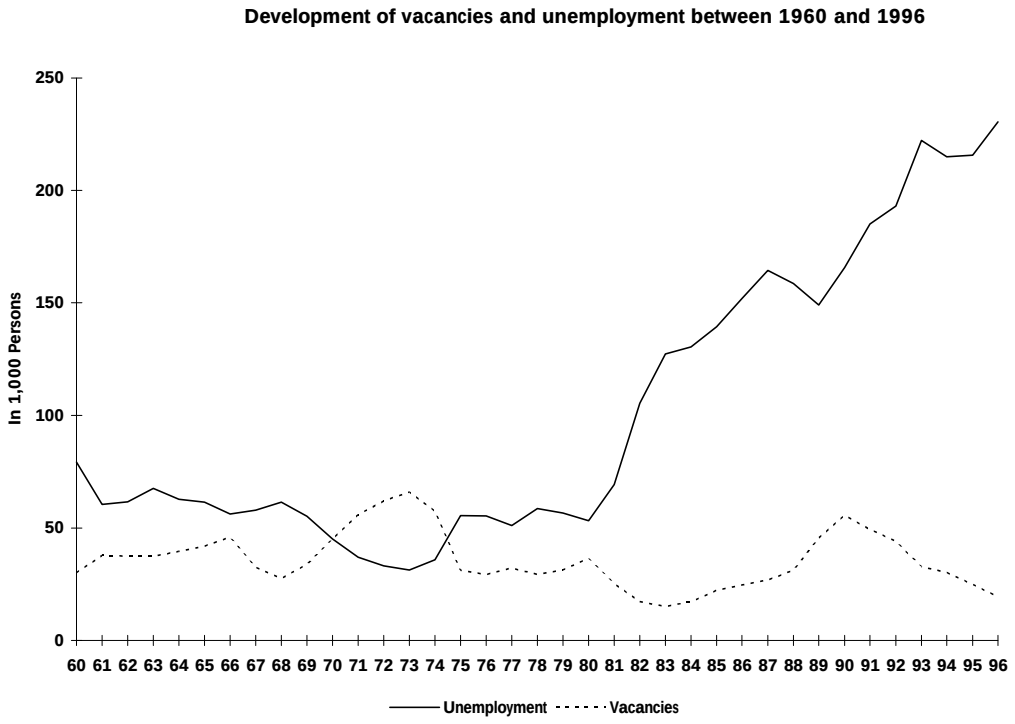


Table 6: Occupational and regional mismatch

	Regional *RMM*	Occupational *OMM*
1964	0.6264	–
1965	0.6075	–
1966	0.5467	–
1967	0.6053	–
1968	0.5962	–
1969	0.6571	–
1970	0.6063	–
1971	0.5485	–
1972	0.4795	–
1973	0.4718	–
1974	0.4281	–
1975	0.3620	–
1976	0.3499	–
1977	0.3585	–
1978	0.3664	–
1979	0.3269	–
1980	0.3207	–
1981	0.3137	–
1982	0.3166	–
1983	0.2255	–
1984	0.2352	–
1985	0.2514	–
1986	0.2183	–
1987	0.2225	0.4210
1988	0.2832	0.4205
1989	0.3184	0.3968
1990	0.2347	0.3420
1991	0.2373	0.3240
1992	0.2347	0.3585
1993	0.1928	0.4214
1994	0.2267	0.3745
1995	0.2557	0.3715
1996	0.3102	0.3831

Source: Labour Market Service , own calculations.

Stocks and flows of key occupational groups 1987-1996

Unemployed

Inflows into unemployment as well as outflows have been following a rising trend between 1987 and 1996. Cyclical fluctuations around the trend, which are more pronounced for men than for women, have changed their traditional pattern towards the end of the 1980s. Even though Austria experienced a prolonged economic upswing from 1987 to 1991 as a consequence of booming exports to Germany, a result of German reunification, inflows into unemployment started to rise from 1989 onwards more or less continuously until 1995, when stabilisation set in. The reason for the reverse development of the cyclical unemployment pattern can be found on the labour supply

side. The labour demand increase of the late 1980s and early 1990s had been accompanied by an unprecedented rise in labour supply, to a large extent labour migrants, which resulted in cut-throat competition on the lower end of the wage scale connected with labour substitution and increases in unemployment[35] unusual for periods of economic upswing.

The major occupations in the flow data are, in analogy with stock data, in the manufacturing sector including construction. These occupations of the secondary sector accounted for 45 percent of all inflows into unemployment in 1987. As restructuring in the export oriented secondary sector had already taken its toll on employment in the course of the 1980s, the share of inflows into unemployment from the industrial segment in total inflows into unemployment decreased somewhat until 1996 (to 41 percent). Other occupations, in particular services jobs which faced increasing competition from abroad (banking and insurance, telecommunication, tourism, transport workers) and from within due to technological and microeconomic reform (clerical work and administrative staff) kept their weight in the inflows into unemployment (increase from 34.6 to 35.7 percent). Sales personnel (rose from 11.4 to 12.8 percent) and public sector job holders (4.2 to 5.3 percent) increased their share in unemployment inflows somewhat. Outflows from unemployment did not keep pace with inflows lately in the case of construction workers, of metal workers and electricians as well as administrative staff and clerical workers thus contributing to a rise in long-term unemployment.

Table 7: Unemployment inflows and outflows by selected occupational groups

Sum over the year

Inflows	Agriculture and forestry	Mining and Manufac-turing	Trade, and transport workers	Services	Technical personnel	Administrative, clerical work	Health, education	Others	Total
1987	15,36	229,34	57,934	122,72	9,023	54,273	21,431	11	510,101
1988	15,33	225,87	58,864	126,31	8,988	53,708	21,820	188	511,089
1989	13,88	209,73	58,762	127,64	8,635	53,957	23,469	307	496,401
1990	15,19	232,54	62,794	132,39	10,053	57,719	25,377	584	536,658
1991	14,34	230,84	66,310	139,69	11,125	59,792	26,167	510	548,780
1992	15,21	257,43	71,073	144,99	13,029	62,596	26,963	423	591,724
1993	16,28	280,23	78,446	155,39	16,291	70,607	29,313	420	646,996
1994	14,84	261,97	78,938	160,88	16,299	71,284	31,027	457	635,713
1995	15,06	284,82	84,450	158,62	16,427	72,926	33,088	539	665,950
1996	14,03	270,89	84,052	158,51	17,841	76,362	34,468	588	656,753
Outflows	**Agriculture and forestry**	**Mining and Manufac-turing**	**Trade, and transport workers**	**Services**	**Technical personal**	**Administrative, clerical work**	**Health, education**	**Others**	**Total**
1987	15,67	242,42	59,025	125,58	8,552	53,431	19,663	7	524,370
1988	15,62	235,19	58,510	128,73	8,479	52,182	20,269	160	519,157
1989	14,20	218,87	57,799	122,42	8,207	52,521	21,672	192	495,897
1990	14,54	223,27	62,817	132,71	9,547	57,350	24,857	482	525,583
1991	14,90	239,33	67,293	138,10	10,460	60,117	26,117	512	556,833
1992	15,38	256,82	72,028	152,46	11,909	62,335	26,598	404	597,948
1993	15,58	280,81	76,772	156,19	14,438	68,326	27,661	369	640,170
1994	15,99	300,15	88,035	170,94	17,748	79,074	32,416	439	704,809
1995	15,63	295,15	88,934	167,27	17,232	78,298	33,877	486	696,895
1996	14,80	307,04	90,717	158,99	18,148	81,251	34,982	497	706,449

Source: Labour Market Service.

[35] **For details see** *Biffl,* **1996.**

Job openings

The inflows of vacancies registered with the public employment service have been rather stable between 1987 and 1996 and could be filled to a large extent within the year as the outflows demonstrate. The turnover of registered job openings is thus very high in international comparison. The decline in the stock of job openings from 1990 to the present is basically a consequence of the rising speed by which the registered job openings can be filled. The occupations with the largest share in inflows and outflows are production workers, in particular builders, and services personnel, above all in tourism, i.e., seasonal workers. In the light of this finding part of the substantial turnover of employment in Austria is the result of the way seasonal work is organised in Austria. The share of employment of these sectors in total employment is not substantially higher than in other EU-countries but the financial support system on the labour demand (investment) and supply side (unemployment benefits) differs.

Table 8: Job openings: inflows and outflows by large occupational groupings

Sum over the year

Inflows	Agriculture and forestry	Mining and Manufac-turing	Trade, and transport workers	Services	Technical personal	Administrative, clerical work	Health, education	Total
1987	3,565	91,90	22,82	85,542	3,387	15,342	4,05	226,623
1988	3,740	96,95	24,68	90,204	3,726	15,890	4,31	239,514
1989	4,338	105,72	27,84	98,189	4,325	18,105	6,06	264,586
1990	5,120	109,04	29,31	91,594	4,300	21,194	6,20	266,773
1991	5,629	103,61	29,10	88,685	4,008	22,092	7,24	260,375
1992	6,320	104,03	31,77	92,262	3,790	21,491	7,76	267,437
1993	5,712	94,67	29,62	87,592	3,275	20,636	6,80	248,315
1994	6,849	100,55	32,45	85,275	3,850	20,216	6,80	255,996
1995	5,914	84,61	29,89	79,870	3,470	18,249	6,17	228,188
1996	7,384	81,68	29,22	77,275	3,653	16,920	6,44	222,591

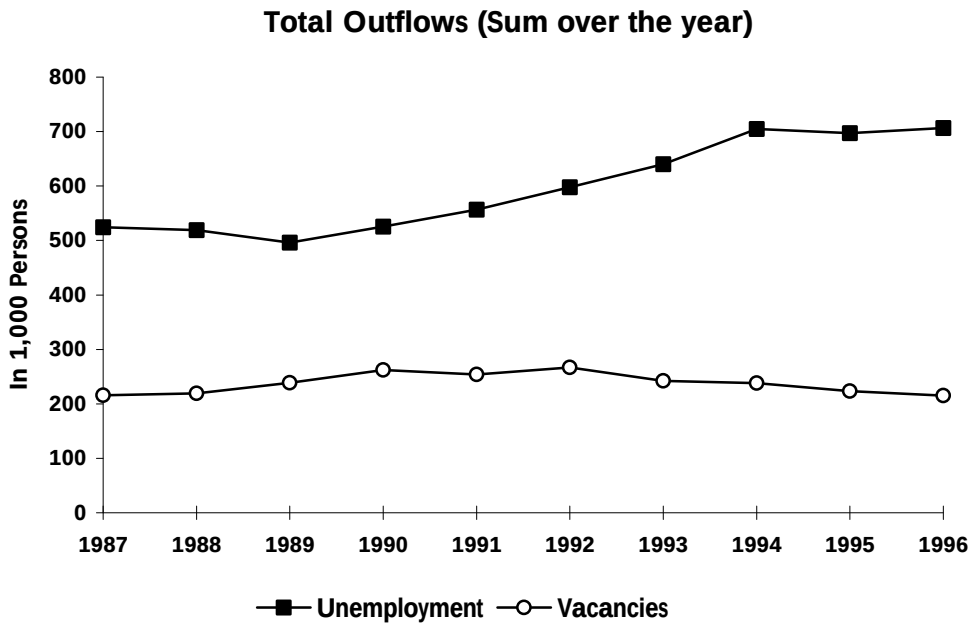
Outflows	Agriculture and forestry	Mining and Manufac-turing	Trade, and transport workers	Services	Technical personal	Administrative, clerical work	Health, education	Total
1987	3,362	86,72	21,07	83,154	3,489	14,167	4,03	216,011
1988	3,460	86,68	22,38	85,938	3,206	13,579	3,77	219,025
1989	4,073	94,57	25,09	90,177	3,733	15,955	4,92	238,525
1990	4,964	106,67	27,73	93,974	4,109	19,255	5,69	262,406
1991	5,153	102,52	28,56	86,601	4,045	20,695	6,11	253,699
1992	6,331	105,45	31,45	91,815	3,893	20,289	7,62	266,852
1993	5,570	92,69	28,07	86,009	3,237	19,217	7,12	241,924
1994	6,363	93,57	30,01	80,065	3,443	18,553	6,31	238,332
1995	5,782	83,95	29,46	77,389	3,245	17,503	5,95	223,293
1996	7,177	79,12	27,84	75,014	3,386	16,054	6,41	215,007

Source: Labour Market Service.

There is a growing discrepancy between the development of outflows from unemployment and from job openings. The question arises if the growing outflows from unemployment are a result of successful active job search on the part of the unemployed, i.e., beyond the job offers registered

at the employment service, or if they are to a large extent due to exits from the labour market. The stagnation of the number of outflows from the vacancy register indicates that the increased outflow from unemployment is not matched by an increasing number of job placements of firms, which are registering their vacancies at the employment service.

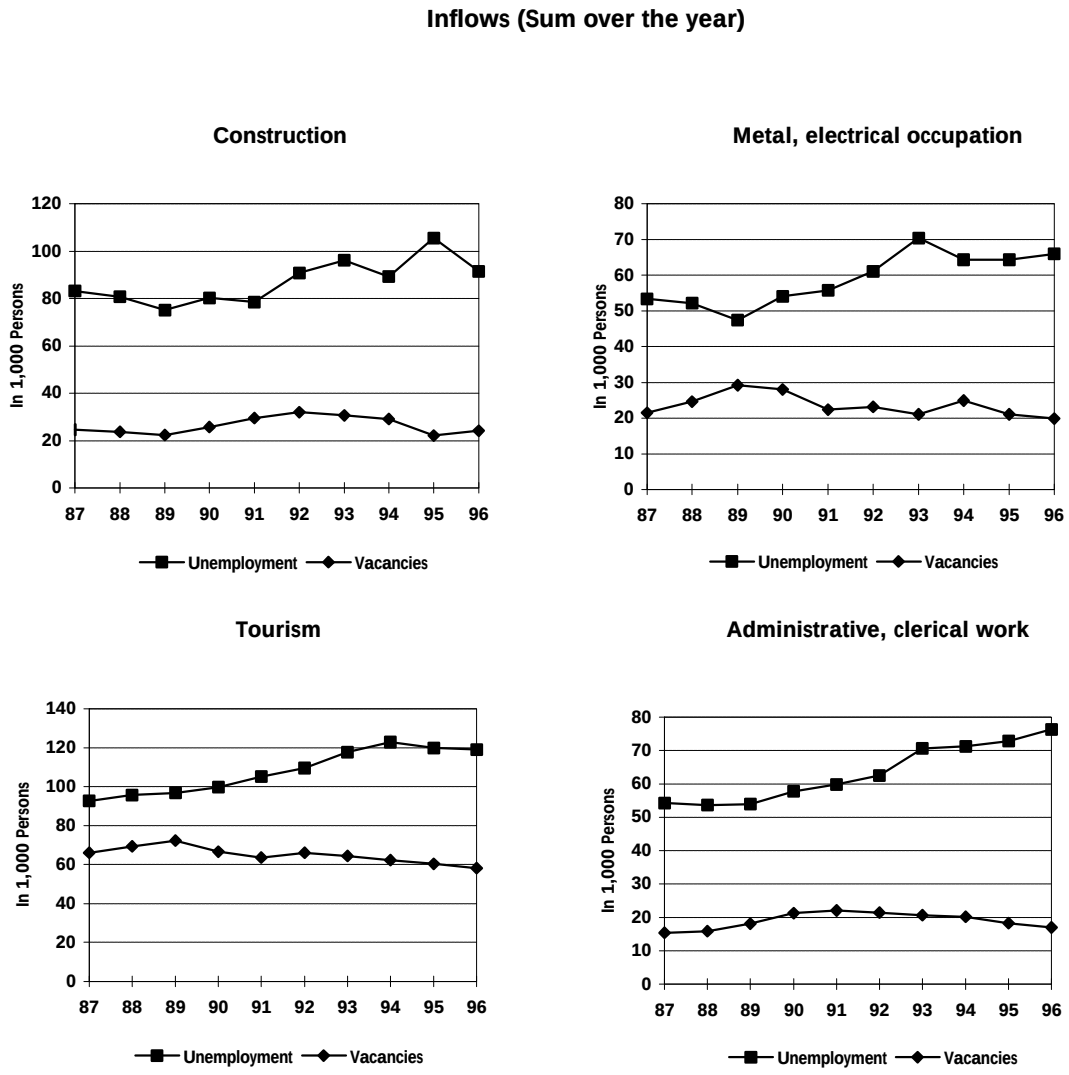
Graph 16: Outflows from unemployment and vacancies



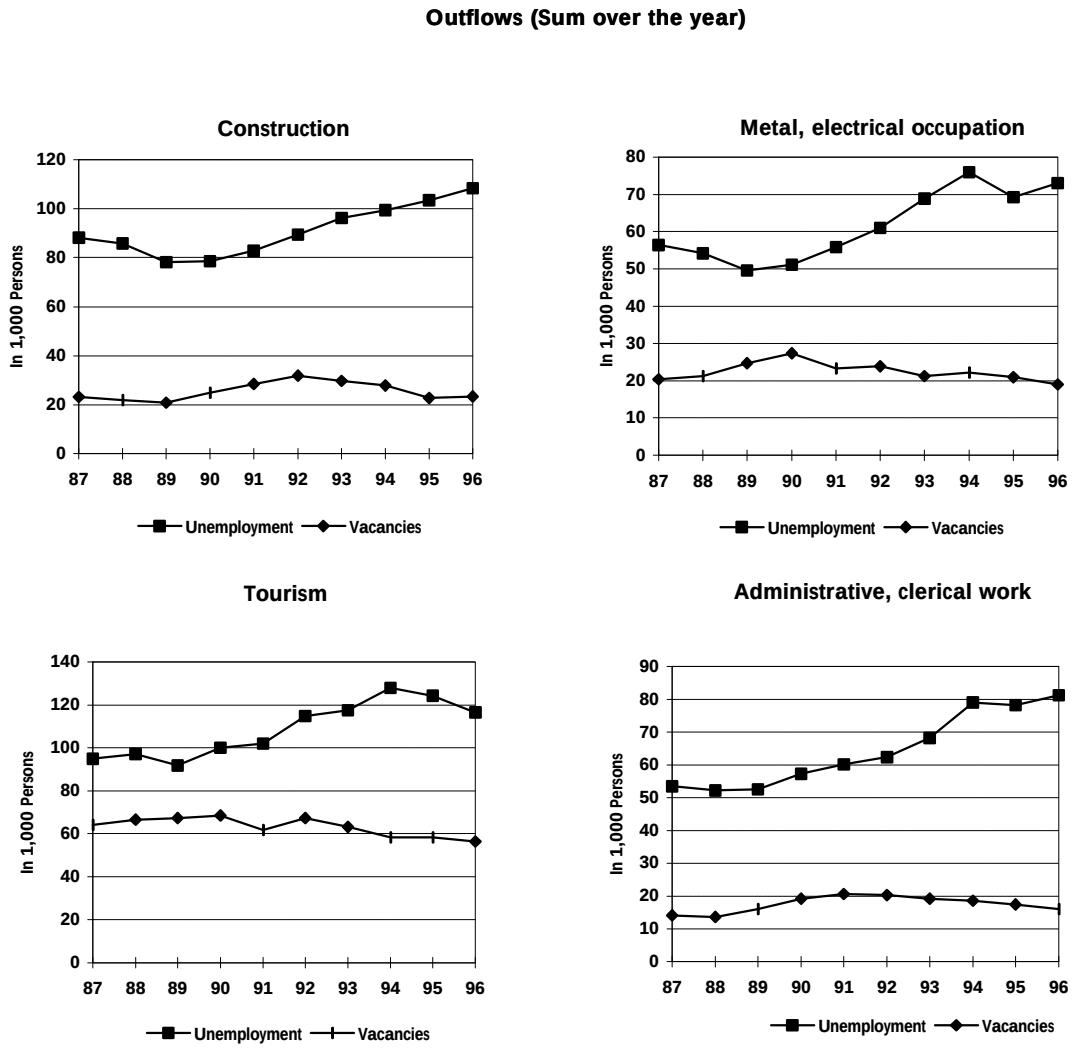
It is interesting to note that the increasing number of inflows into unemployment is paralleled by a decline in inflows of job openings in the case of metal workers and electricians, by administrative and clerical staff as well as personnel in tourism, thus documenting that employment opportunities in these occupations have been deteriorating for some 7 years. The case of construction workers is not as clear.

Outflows from unemployment by the 4 major occupations have the same relationship to job placements (outflows from vacancies) as total flows, i.e., increased outflows from unemployment are not leading into more job placements in firms which are registering job openings at the employment service. Either the increased outflows of metal workers from the unemployment register are the result of successful job placement through other channels than the employment service or they are a consequence of a withdrawal from the labour force.

Graph 17: Inflows into unemployment and vacancies by major occupations



Graph 18: Outflows from unemployment and vacancies by major occupations



The structure of vacancies according to the printmedia in the mid 1990s

The enterprise survey has demonstrated that the preferred recruitment channel of Austrian firms is an advertisement in the print media (50 percent of all vacancies were notified in the print media in 1996 versus 44 percent in the LMS, the second most important channel). The coverage of types of job openings is more universal in the media than in the case of registered job openings of the LMS. In particular vacancies requiring highly skilled personnel for nonstandardised work in white collar occupations tend to be advertised in the print media. Since the LMS has little insight into this segment of job openings it embarked upon a systematic analysis of this data in the early 1990s in order to gain more information about labour demand in the highly structured and specialised services occupations, last not least due to the growing awareness that they are faced with a more and more heterogeneous group of unemployed and a stagnating skill profile of job openings

registered with them. There are statistical breaks in the series, but comparability of data is assured since 1994[36]. The result of the analysis is that, as in the case of registration data of the LMS, the rate of coverage differs by economic sector, occupation and educational attainment. The degree of coverage differs between 1994 and 1995 which may be a result of the changing position in the business cycle; as the data will cover a longer time span one may gain some insight into cyclical developments of job openings for the more highly skilled vis-à-vis the un- and semiskilled workers.

Advertisements represent a flow information which may complement the stock and flow information from other sources. The number of vacancies offered in the print media amounted to 421,000 over the year 1994 and 439,000 1995, i.e., +18,000, +4.4 percent. This goes to show that not only the level of the flows of vacancies in adverts surpassed those registered at the LMS but the direction of change differed as well. While the adverts point towards an improvement of employment opportunities between 1994 and 1995 (more recent data on a yearly basis not yet available) the registered PES-data suggests a deterioration of the situation on the job front.

The level of job openings in the print media surpassed that of the LMS-register in every federal state except Lower Austria and Burgenland. The largest positive divergence in relative terms occurred in Tyrol and Vienna. According to the print media the job market improved in every region except Vienna, Carinthia and Burgenland between 1994 and 1995. In contrast the LMS job openings implied a deterioration on the job front in all regions over the same time span.

Table 9: Job openings according to the print media and the Labour Market Service

	1994				1995			
Federal States	Print	LMS	Print minus LMS	Ratio in percent (LMS=100)	Print	LMS	Print minus LMS	Ratio in percent (LMS=100)
Vienna	129,358	50,813	78,54	254.6	122,00	41,273	80,7	295.6
Lower Austria	24,700	39,448	– 14,74	62.6	33,98	34,452	– 464	98.7
Upper Austria	65,734	39,757	25,97	165.3	60,00	34,508	25,4	173.9
Burgenland	3,217	9,260	– 6,04	34.7	3,02	7,023	– 4,0	43.0
Carinthia	27,802	26,522	1,28	104.8	26,21	24,230	1,9	108.2
Styria	35,079	28,712	6,36	122.2	35,89	26,029	9,8	137.9
Salzburg	43,399	25,293	18,10	171.6	50,33	24,990	25,3	201.4
Tyrol	68,293	25,363	42,93	269.3	82,28	25,019	57,2	328.9
Vorarlberg	22,912	10,915	11,99	209.9	25,37	10,667	14,7	237.9
Austria	420,500	256,083	164,41	164.2	439,11	228,197	210,9	192.4

Source: Labour Market Service.

The educational requirements of job openings differed between the print media and the labour market service (LMS). In the print media more job openings were advertised in both years for every educational attainment level except those with no more than compulsory schooling requirements, the latter being the domain of the PES. The greatest surplus of job openings in relative terms in the media was in jobs requiring tertiary education. This confirms the analysis of the educational

[36] As to the methodology and detailed analysis see Labour Market Service 1996. The rate of coverage depends amongst other factors upon the share of newspapers included in the survey. Parallel and multiple job placements are excluded.

structure of registered vacancy data, which implied that the LMS is not seen as an adequate recruitment channel for high level skills. As to the dynamics over time: while the LMS-job openings imply a deterioration of job opportunities for every educational attainment group the adverts in the print media suggest an improvement on the job front for every educational group except for those with lower secondary education as their highest educational attainment level.

Table 10: Inflows of vacancies by educational attainment in the print media and the Labour Market Service

	1994				1995			
	Print	LMS	Print minus LMS	Ratio in percent (LMS=100)	Print	LMS	Print minus LMS	Ratio in percent (LMS=100)
Compulsory education	151,93	159,01	– 7,07	95.6	153,7	141,06	12,72	109.0
Apprentices	176,99	79,99	97,00	221.3	194,6	71,75	122,91	271.3
Lower secondary education	27,43	7,11	20,32	385.5	21,4	5,99	15,43	357.7
Upper secondary education	15,12	5,87	9,25	257.6	16,5	5,62	10,97	295.2
Tertiary education	9,84	1,22	8,62	802.2	13,3	1,08	12,25	1,227.5
Others	39,16	2,85	36,30	1,371.	39,3	2,73	36,60	1,438.4
Total	420,50	256,08	164,42	164.2	439,1	228,19	210,91	192.4

Source: Labour Market Service.

The greatest number of job openings in the print media are in services occupations whereas the LMS has a concentration of occupations of the secondary sector and the primary sector. Job openings in tourism constitute the largest number of any occupation both in newspaper adverts as well as LMS-data. Jobs in the construction sector on the other hand are primarily advertised in the LMS.

While LMS-data suggests that job opportunities have been declining for every occupation except for printers and graphics specialists between 1994 and 1995 the print media information presents a much more differentiated picture. According to the print media the number of job openings increased in the majority of occupations; only cyclically sensitive jobs like jobs in construction, unskilled jobs and business services experienced a decline as well as professions in the structurally hit consumer goods production sector (clothing, textile leather), in personal services and cleaning as well as in public sector jobs like health and education. While the decline in public sector job openings may be interpreted as a consequence of the budgetary constraints in view of the objective to fulfil the Maastricht criteria, the cyclical deterioration of employment in 1995 may explain the decline of job openings in the production and export oriented sectors. Thus vacancies notified to the print media may in the longer run provide a more comprehensive database for analysis of unsatisfied labour demand than the PES data.

Table 11: Vacancies by occupation in the print media and the Labour Market Service

Sum over the year

	1994				1995			
	Print	LMS	Print minus LMS	Ratio in percent (LMS=100)	Print	LMS	Print minus LMS	Ratio in percent (LMS=100)
Agriculture and forestry	3,583	6,849	– 3,2	52.3	4,076	5,914	– 1,838	68.9
Mining	34	4	30	850.0	38	0	38	–
Stone- and mineralworkers	408	1,048	– 640	38.9	593	929	– 336	63.8
Construction	20,693	28,976	– 8,2	71.4	17,795	22,173	– 4,378	80.3
Metalworkers, electricians	33,292	24,874	8,4	133.8	37,475	21,016	16,459	178.3
Wood and paper processing	8,310	8,069	241	103.0	9,734	6,389	3,345	152.4
Leather, textile, clothing workers	4,522	4,765	– 243	94.9	4,154	3,236	918	128.4
Printers, graphics	930	1,071	– 141	86.8	1,366	1,651	– 285	82.7
Chemical	373	1,538	– 1,1	24.3	598	1,276	– 678	46.9
Food processing	4,661	4,885	– 224	95.4	5,925	4,336	1,589	136.6
Operators	2,687	2,651	36	101.4	3,253	2,316	937	140.5
Unskilled workers	47,574	22,675	24,8	209.8	28,326	21,305	7,015	132.9
Trade, sales personnel	55,544	20,093	35,4	276.4	61,248	19,407	41,841	315.6
Transport workers	16,814	12,114	4,7	138.8	17,124	10,248	6,876	167.1
Services	606	265	341	228.7	1,255	236	1,019	531.8
Tourism	107,202	62,262	44,9	172.2	124,172	60,425	63,747	205.5
Domestic services	10,534	3,100	7,4	339.8	9,086	2,697	6,389	336.9
Cleaning	15,304	16,394	– 1,0	93.4	13,643	13,329	314	102.4
Personal services	6,351	2,610	3,7	243.3	5,939	2,593	3,346	229.0
Other services	1,864	911	953	204.6	2,239	824	1,415	271.7
Technicians	16,030	3,851	12,1	416.3	16,322	3,476	12,852	470.3
Administration	379	1,244	– 865	30.5	935	625	310	149.6
Legal, business services	1,835	376	1,4	488.0	1,693	273	1,420	620.1
Office jabs	41,891	18,650	23,2	224.6	55,414	17,352	38,063	319.4
Health	10,486	4,477	6,0	234.2	9,730	4,062	5,669	239.6
Education	8,593	2,331	6,2	368.6	6,985	2,117	4,868	329.9
Total	420,500	256,083	164,4	164.2	439,112	228,197	210,914	192.4

Source: Labour Market Service.

3. The Role of the Labour Market Service in Job Matching

The comparison of the structure of job openings in the different data sources begs the question about the actual matching results, i.e., to what extent are the different search channels successful in placing the unemployed and/or filling jobs. The employment survey provides some information about the degree of integration of the LMS in the search process of firms for specific skills. According to this source firms enquired with the LMS in the case of 46 percent of all job openings. This would imply an increasing consideration of this search channel on the part of firms in 1996

versus 1995 (44 percent). The LMS has been more successful in the acquisition of firm enquiries for their traditional clients, the un- and semiskilled labourers, persons with apprenticeship training and low skilled services personnel; it is remarkable, however, that the LMS has also been able to improve its standing in the case of highly skilled managers and professionals (the figures are still very low in the latter case, though). The LMS has lost in importance in the case of services personnel with higher and more diverse skills. The establishment survey data does not answer the question, however, to what extent the vacancies have been filled by the intervention of the LMS or other recruitment channels thus the market share of the LMS in successful placement remains unknown for the whole of Austria. In order to gain some insight into this question one has to turn to research undertaken in federal states, in particular Carinthia.

Table 12: Degree of integration of the LMS into the job search of firms by skills (enterprise survey, August)

	1995		
	Vacancies	Of which enquired with the LMS	
		Absolute	Percent
Managers	1,603	126	7.9
Highly skilled personnel	1,923	182	9.5
Technical, medical personnel	4,129	791	19.2
Skilled services, sales	7,497	1,806	24.1
Administrative, clerical services	6,665	2,376	35.6
Semi-skilled services, sales	20,931	7,184	34.3
Agriculture, forestry	382	175	45.8
Skilled workers (apprenticeship)	22,927	10,863	47.4
Operators	4,657	2,881	61.9
Unskilled workers	20,580	13,354	64.9
Total	91,293	39,739	43.5
	1996		
	Vacancies	Of which enquired with the LMS	
		Absolute	Percent
Managers	896	109	12.2
Highly skilled personnel	1,577	225	14.3
Technical, medical personnel	3,360	590	17.6
Skilled services, sales	5,139	1,120	21.8
Administrative, clerical services	6,302	1,843	29.2
Semi-skilled services, sales	10,990	4,487	40.8
Agriculture, forestry	0	0	–
Skilled workers (apprenticeship)	25,572	13,437	52.5
Operators	8,925	4,253	47.7
Unskilled workers	18,284	11,124	60.8
Apprentices	700	347	49.6
Total	81,746	37,535	45.9

Source: Labour Market Service.

Regional context

Certain federal states have endeavoured to find out the labour market share of the LMS in actual recruitment both on the supply side, i.e., the workers looking for a job., as well as the demand side, i.e., the firms offering jobs. The most comprehensive information is available from Carinthia[37]. In a pilot project, which started out in 1990, an annual survey of workers as well as firms is undertaken in Carinthia. Only persons/jobs are covered that have been involved in an external search and matching activity in the course of a year. Thus job fluctuation between firms and entries into the labour market are analysed. The representative sample of workers as well as firms has been drawn from social security data[38]. The total annual inflow into social security employment in Carinthia between 1992 and 1995 amounted to 120,000 to 125,000 cases. The average annual stock of employed persons amounted to 188,000 over that period; thus the average global turnover rate amounted to 64 percent. More than half the inflows are the result of re-employment with the same firm (e.g., interruption of employment due to seasonal job fluctuation) or a change of position within the same enterprise (recruitment within the internal labour market and movement along internal career ladders). The actual transfer on the external labour market (inflow from the household sector or school plus job fluctuation between firms) amounted to some 50,000 cases annually, i.e., the turnover rate on the external market was 27 percent. The structure of the regional social security employment flow data conforms rather well with national flows[39]; it goes to show that a large share of the high turnover of social security data is a result of seasonal employment on the one hand (and in consequence a large share of re-employment with the same employer) and restructuring and career movements within internal labour markets on the other. A distinction between the different types of flows is important for the insider-outsider debate and the position of Austria and in particular Europe vis-à-vis the USA (see *Nickell,* 1995). Job fluctuations between firms and recruitment from outside the labour market (household, school, migrants) represent less than half the total flows registered in social security data over a year. It is only these flows which are taken into consideration for the calculation of market shares in Carinthia.

Three indicators are calculated from the data:

1. **the inclusion of the LMS in the search process on the demand and supply side (inclusion rate in job search or Einschaltungsgrad, ESG),**
2. **the degree to which the registered unemployed are placed and the registered vacancies filled (placement rate or Ausschöpfungsgrad, ASG) and**
3. **the market share of the LMS in the actual job placements on the external labour market (Vermittlungsmarktanteil, MA).**

---

[37] For details see *Cesnik - Stromberger,* 1995 and *Stromberger,* 1996.

[38] The sample size on the labour supply side amounted to 2,100 persons and on the demand side to 800 firms between 1992 and 1994. Since then the sample size has been more than doubled.

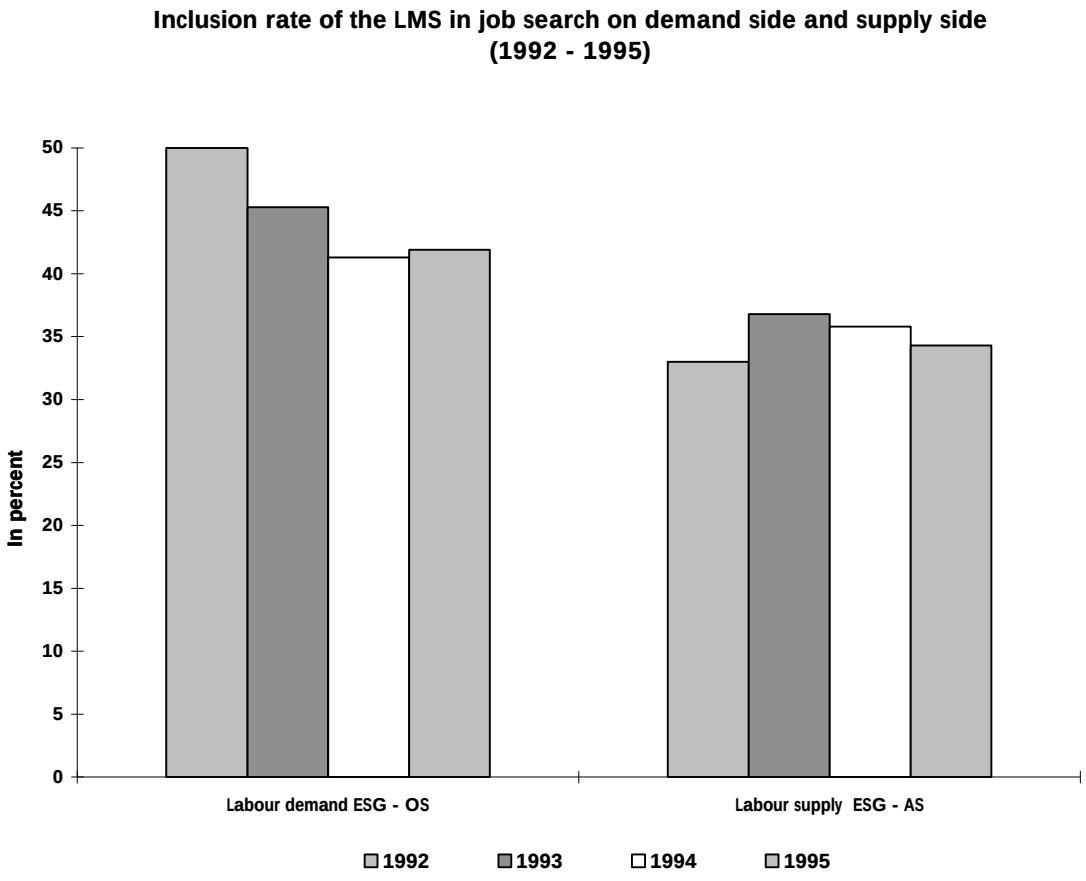
[39] For details see *Biffl,* 1980 and 1986.

Inclusion of LMS in job search in Carinthia

The inclusion rate of the LMS in search activities of firms should show to what extent firms are including the LMS in their active search for personnel (i.e., registered job openings in percent of all job openings, ESG-OS). The analogous inclusion rate on the labour supply side should ideally state to what extent workers are searching for a job with the help of the LMS (ESG-AS). As can be seen from the graph below, the inclusion rate of the LMS in job search activities of firms has declined from 50 percent in 1992 to 41.3 percent in 1994; since then the situation has stabilised. This regional inclusion rate conforms rather well with the national average of 43.5 percent obtained from the establishment survey in August 1995.

The inclusion rate of the LMS on the part of persons looking for a suitable job (ESG-AS) has in contrast been relatively stable over the same period, i.e., on average about 35 percent of all persons looking for a job use the LMS as a search channel. No comparable information is available on a national level.

Graph 19: Inclusion rate of the LMS in job search on demand side (ESG-OS) and supply side (ESG-AS; Carinthia 1992-1995)



Inclusion rates of the LMS differ according to subsegment of the Carinthian labour market. The highest share is being achieved in tourist services and the lowest share in banking and insurance and public sector jobs (4 percent). The limited use of the public and quasi-public sector of public placement services is particularly striking. This is a structural feature not only typical for Carinthia but for the whole of Austria.

Placement rate of registered unemployed and vacancies in Carinthia

The placement rate should provide information about the extent of successful placement of the registered unemployed and job openings in a global market context. The placement rate of registered vacancies (ASG-OS) should denote the share of successful placements with the help of the LMS of vacancies registered at the LMS. Analogously the placement rate of the unemployed (ASG-AS) should state to what extent registered unemployed have found a job with the help of the LMS. The basic result was that the LMS in Carinthia could increasingly fill the registered jobs with suitable candidates since 1992. The placement rate increased from 25 percent in 1992 to 46 percent in 1995. This information is the most common one in all the regions. The routes to obtain this information are different, though; the most common one is a sample survey of the clients. The regional LMS wants to find out to what extent it is successful in satisfying the needs of the clients, both the registered unemployed as well as the firms registering their vacancies with the LMS.

The placement rate in Styria was, for example, very similar to the one obtained in Carinthia. In 1996 48.4 percent[40] of all vacancies registered at the LMS could be filled with the help of the LMS. This rate was somewhat higher than in Tyrol where it amounted to 42.3 percent (see *AMS Tirol,* 1997)[41]. The regional surveys suggest that the average placement rate for the whole of Austria is in the range of 40 to 50 percent for vacancies registered at the LMS.

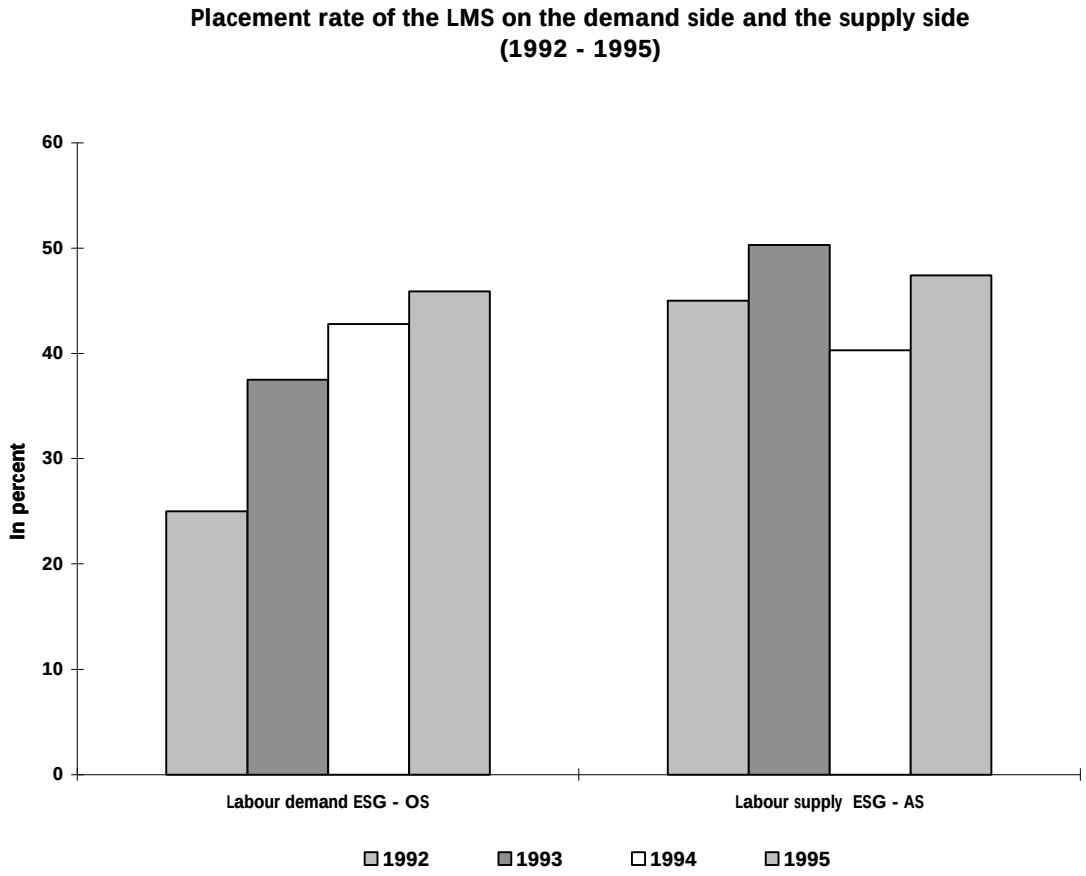
As to the placement rate of the registered unemployed there does not seem to be too much difference to the vacancy data. On average some 45 percent of all registered unemployed find a job through the LMS.

---

[40] See *LMS-Styria,* 1997, 'Kennziffern für die Arbeitsvermittlung für Steiermark – Projekt 1996', p. 48, from April 1997.

[41] Tyrol has undertaken regular quarterly establishment surveys since 1994. According to this data the LMS could improve the placement rate with firms over time from 38 percent in 1994 to 42.3 percent 1996 (see *Soffi,* 1997).

Graph 20: Placement rate of the LMS on the demand side (ASG-OS) and the supply side (ASG-AS; Carinthia 1992-1995)



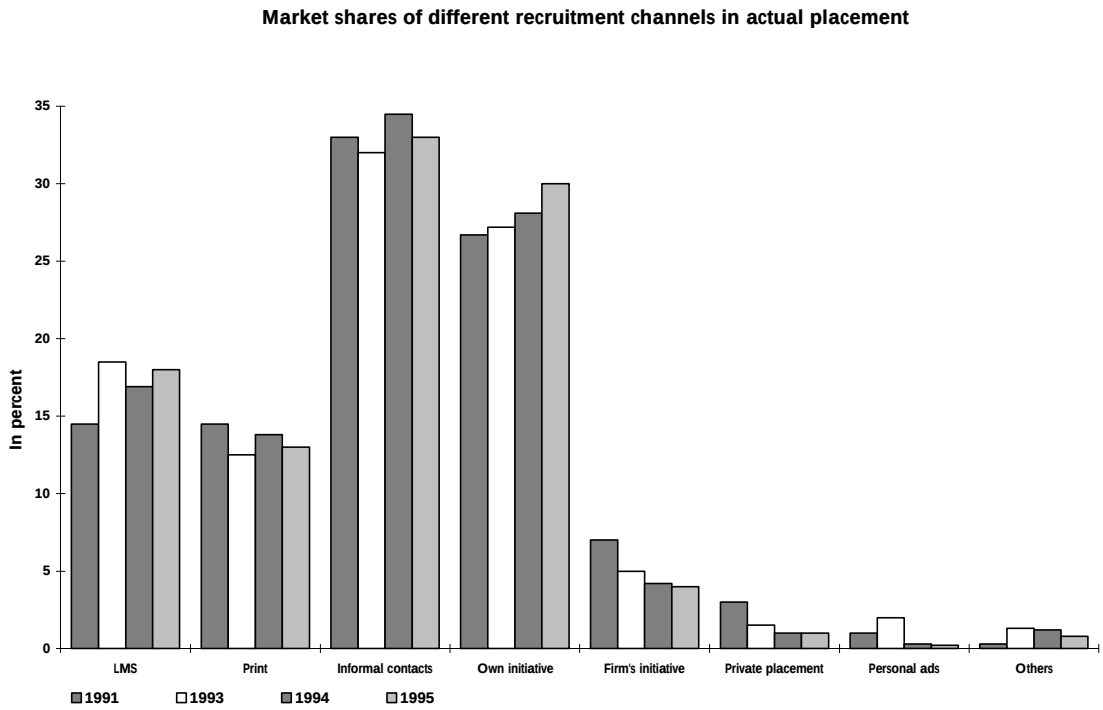
Market share of the LMS in all placement activities on the demand and supply side in Carinthia, Styria and Tyrol

Market shares may be calculated for the different recruitment channels and their share in total market transactions. According to the survey in Carinthia the market share of the LMS has amounted to some 17 percent on average in the years 1992 to 1995. The market share of print media in successful placement has tended to be somewhat below the one of the LMS, whereby the advertisements placed by individuals hardly count in the total number of actual placements. The most important channels to find a suitable job/a suitable employee are informal connections and active job search of individuals directly with firms. It may be taken as a sign of a buyers market that firms have to go out of their way less and less to search actively for suitable employees while persons approach firms on an increasing scale thus raising the market share of this search channel over time from some 27 percent in 1992 to 30 percent of all placements over the year 1995. Since Carinthia has hardly any private placement and temporary work agencies, or

personnel consultants, private connections and networks are of utmost importance to find a suitable job (close to 35 percent of all placements).

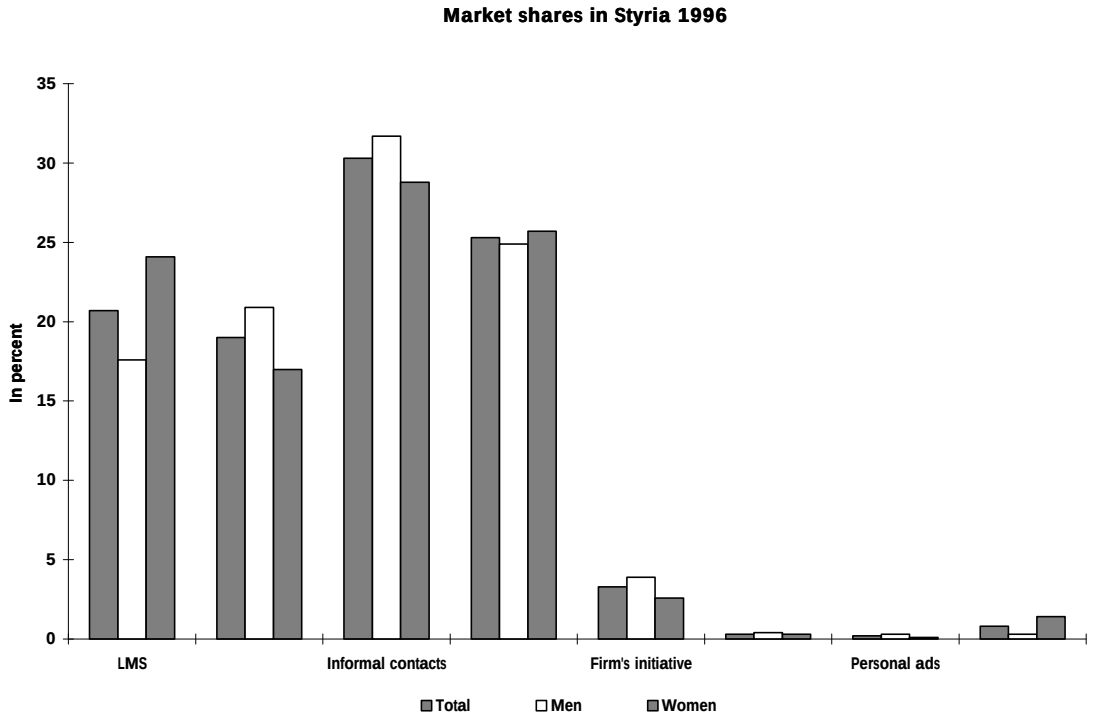
The LMS tends to have an above average share in the case of matching seasonal as well as un- and semiskilled labour. The market share of the LMS is below average in the matching of highly skilled professionals, managers and public sector jobs.

Graph 21: Market shares of different recruitment channels in actual placement (Carinthia 1991-1995)



A representative sample survey of firms in Styria (*LMS-Styria,* 1997) provides similar structural information of the market share of the different recruitment channels in actual job placement. According to this survey the LMS achieved with 20.7 percent a somewhat higher market share in placement of persons during 1996 than Carinthia. The dominant recruitment channels for successful placement were, however, just as in Carinthia, private contacts (30.3 percent market share) followed by personal initiatives (25.3 percent market share). Adverts in the printmedia had a market share somewhat below the LMS with 19 percent. Job placement due to the initiative of the firms accounted for 3.3 percent of all persons taking up a (new) job in 1996, while private placement firms and other channels taken together only accounted for about 1 percent of all successful placements. The differences between men and women are not substantial. Men tend to find jobs somewhat more easily through informal contacts and advertisements while women tend to be more successful with the help of the LMS.

Graph 22: Market shares of different recruitment channels in actual placement (Styria 1996)



Tyrol has developed a system of indicators similar to the one of Styria. The focus of analysis is not the social security database but establishment surveys. According to the surveys the market share of the LMS in total actual placements amounted to 16 percent in 1994 and 1995 but could be raised to 18 percent in 1996. In 1994 and 1995 the market share of the LMS was somewhat higher for women (17 percent) than for men (14 percent). This tendency was reversed in 1996, however, with men's market share rising to 19 percent and women's share remaining at 17 percent.

The average duration of job search for the registered unemployed who did not find a job through the LMS but other channels amounted to some two months for men and women alike in 1995. This was about the same time span for successful job matching through the LMS for men but about a month faster than for women. The rate of re-employment of unemployed by the same employer amounts to some 68 percent for men and 63 percent for women. In the case of the construction sector it amounted to 74 percent and to 70 percent in tourism. This goes to show that the habit of lay-off is not only typical for seasonal work but a typical feature for large segments of the Tyrolean labour market.

The placement rate of the LMS on the demand side (ASG-OS) amounted to on average 40 percent in the years 1994/95. The placement rate was particularly high in the manufacturing sector (55 percent), followed by administrative and clerical staff (50 percent) and sales personnel (48 percent). The average time span necessary to fill a job without the help of the LMS amounted

to 3 weeks. It was particularly easy to find a suitable person to fill a vacancy in agricultural jobs and services (about 2 weeks); it took an above average time span to fill jobs for which technical skills and specialists were required (some 8 weeks). Jobs which were filled by the LMS could be filled equally fast on average as the ones through other channels. The structural elements of the job openings filled differ, however, between the LMS and other channels.

In the absence of national calculations or surveys of market shares of the different recruitment channels in actual job placement one may conclude from the results of Carinthia, Styria and Tyrol that the national market share of the LMS lies within the range of 17 percent and 20 percent.

Chapter V: General Overview and Evaluation

The evaluation of deregulation of public employment services in Austria has to take into account the domestic driving forces for reform of the established labour market institutions on the one hand – in the main rising unemployment as labour market mechanisms changed following a new international division of labour, the take-over of flexible production systems after the Fordist massproduction paradigm became obsolete in the western industrialised world, as well as changes on the labour supply side – and increasing European integration, which was marked by Austria's membership to the European Union in 1995, on the other. A reorientation of the LMS towards more service consciousness, towards the development of a differentiated system of active labour market policies (in particular training measures and employment subsidies), had already set in in the course of the 1980s as unemployment, and linked with it long-term unemployment, started to rise. Increasing cost-consciousness ensued as employment growth and with it the growth of funds for passive and active labour market policy measures lost momentum. But the final steps of reform of the system of labour market administration bear the mark of Austria's entry into the EU. The choice of the Netherlands as a role model for the reform process, I believe, has to be seen in that light as well, even though the actual reform carried out has a typical Austrian flair in that rather than allowing genuine deregulation to take over it was much rather the replacement of one system of regulation by another one, thus not actually allowing an overall reduction of bureaucracy, which is supposedly one aspect of deregulation. It has to be mentioned, in all fairness, however, that regional labour market services were burdened with additional administrative work if they wanted to participate in EU-programmes like the European Social Fund (ESF) and other regional community initiatives[42]. EU-membership increases the potential resources for labour market policies but in order to be able to access these funds planning, co-ordination, execution and evaluation of the measures in accordance with EU-regulations implies additional administrative work.

All in all there appears to be no doubt, however, that the reform of the Public Employment Service in 1994 has introduced more efficiency and flexibility into the handling of the traditional business

[42] Just to cite the example of Burgenland, the only status-1 region: its labour market budget has doubled as a result of EU-membership and the subsidies linked to that from ATS 120 to 220 million, without any rise in the number of persons working in the regional LMS.

even though one gets the impression of a certain fascination by targeting per se. The LMS is more customer oriented than the former system and staff training has gained a new, more performance oriented dimension. The principal dilemma of the LMS remains, however, that they have two often conflicting objectives: on the one hand they have to work on an efficient basis, whereby market orientation is the standpoint of evaluation, on the other they have a social obligation, in particular the reintegration of the hard to place unemployed. Their quest for increasing prestige with firms has entailed that they are not anymore seen as the prime 'lobby for the unemployed' as was the case in the 1980s with Minister Dallinger as the figurehead. The major reorientation of the LMS in the reform of 1994 was in the focus on firms and their needs. The introduction of a closer analysis of the needs of firms has among other things entailed a differentiated search for the required skills amongst the registered unemployed thus increasing the placement rate of vacancies registered with the LMS and the registered unemployed. The placement rate of job openings and unemployed registered with the LMS is in the order of 45 to 50 percent on average in Austria and has been increasing over the last couple of years. Not all persons looking for a job or firms looking for personnel are registering with the LMS, however. Only about 46 percent of all job openings were registered with the LMS according to enterprise surveys in 1996. Even more important as a search channel are advertisements in the print media (50 percent of all vacancies). The greatest number of job openings in the print media are in services occupations whereas the LMS has a concentration of occupations of the secondary sector and the primary sector. Job openings in tourism constitute the largest number of any occupation both in newspaper adverts as well as LMS-data. Jobs in the construction sector on the other hand are primarily advertised in the LMS and the most highly skilled personnel, professionals and executives alike, tend to be searched for by personnel consulting firms.

As to the actual matching results the single most important recruitment channels appear to be, according to calculations in Carinthia and Styria, informal contacts (family, friends etc.) with a market share of more than 30 percent, followed by individual search processes with 25 to 30 percent of all actual placements. Next in line appears to be the LMS with a market share in the placement of all job openings of firms in the order of 17 to 20 percent, closely followed by advertisements in the print media (15 to 19 percent). Private personnel consultants and private placement and temporary work agencies only play a marginal role in the matching of personnel with low to medium skills (this is the domain of the LMS), in the area of nonstandardised skills, however, they are an important recruitment and placement channel apart from playing an important role in rendering labour markets more flexible and facilitating adjustment processes.

The limited liberalisation of private placement may be seen as a result of the reorientation of the LMS towards servicing firms. Private placement is seen as competition and not as a potential partner. This viewpoint is, however, not universally shared by all federal LMS-headquarters. While some argue that they have to endeavour to cater for the upper-skill-segment of firms (e.g., Tyrol, Upper Austria) as a result of the recent rise in registered unemployment in this segment (and in order to boost prestige), others argue that they should leave this job segment to the private sector because of job matching in this segment being particularly complex and expensive and therefore demanding some remuneration, which would imply to leave it up to fee charging private firms (e.g., Salzburg). In any case the LMS has chosen to take the road of increasing its market shares

by raising the confidence of firms in its placement capacities. The LMS is endeavouring to increase its market share not only in the traditional segment of job matching, the industrial sector including construction and certain services (in particular tourism) for un- and semiskilled workers as well as tradesmen, but also in the higher professional skill segment. Since the LMS offers services to firms for free, the private sector firms, who depend upon fees charged to the firms for services provided, are arguing a case of unfair competition. The activities of the LMS in the area of firm counselling are not putting undue pressure on the larger firms but much rather on smaller private consulting firms. Sofar the LMS has been unable to increase its market share in the placement of highly skilled personnel, however, as the enterprise survey data indicate. The basic argument in favour of striving for increasing market shares is the slip stream theory according to which the improved prestige of the LMS as well as the free services provided to firms will in the end act as facilitators for the placement of marginalised workers with the selfsame client firms. In doing that one hopes to achieve the objective of equal opportunities and to counter the ongoing creaming process.

The abandonment of the placement monopoly was thus half-hearted, not embracing the potential for collaboration with private placement agencies to decrease public sector costs in the effort to improve job matching. Behavioural rules and control mechanisms imposed upon private placement agencies are more stringent than for the quasi-public labour market service thus limiting activities of private placement and keeping it hidden either in private consulting firms or temporary work agencies. The small numbers of workers who are recorded as privately placed or who are working in temporary work agencies do not convey a fair picture of the role of private firms in the matching of labour supply and demand. If one takes into account that consulting firms do not have to inform the Federal Office of Social Affairs about their number of placements and that the placement rates of private agencies are in the order of 80 to 100 percent, i.e., double the LMS rate, the picture is somewhat different already. If one wants to find out the extent of flexible work arrangements in Austria one is also not well informed if looking at the public data. Only private sector temporary work agencies have to inform about the number of firms and the number of persons working in that capacity. All non-profit organisations and temporary work agencies of the public and semi-public sector, e.g., those operating in the wake of regional LMS activities, do not register the number of firms and temporary workers with whom they are carrying out their regular business[43]. Thus it is rather difficult to judge the extent to which flexibility has been introduced into labour adjustment processes and by what means. If one takes stock of the different institutions run by the LMS or facilitated by the LMS one has to discern a development of institutions and firms, which are tailored towards facilitating change, which are providing a bridge both for firms as well as persons in moving from one position in working life to another, by providing temporary work, further training or counselling thus securing stability to the individual and assuring the competitiveness of firms. The size of this 'transition market' is hard to guess though given the incomplete and patchy data set.

---

[43] These agencies are engaged in organising types of work which had been traditionally shunned by the Ministry of Labour and the unions as precarious, in particular atypical work as to working hours (part-time, temporary work, weekend, contract work and the like).

References

Biffl, G., 1980, Analyse der Bewegungen auf dem Arbeitsmarkt, WIFO-MB 53(11), pp. 571-581.

Biffl, G., 1986, Auf dem Weg zu einer Arbeitskräftegesamtrechnung in Österreich, WIFO-MB 59(11), pp. 727-736.

Biffl, G., 1994, Theorie und Empirie des Arbeitsmarktes am Beispiel Österreich, Springer Verlag, Wien/New York.

Biffl, G., 1996, Makro-ökonomische Entwicklung: Wachstumseinbruch und Beschäftigungsrückgang, in: EU-Mitglied Österreich – Gegenwart und Perspektiven: Eine Zwischenbilanz, Talos, E., Falkner, G. (eds.), Manz Verlag.

Biffl, G., 1997, A national and an international unemployment rate in Austria, Austrian Economic Quarterly 97(1), WIFO, Vienna.

BMAS 1992, Die Effizienz der Arbeitsmarktverwaltung, Organisationsanalyse, Forschungsberichte aus Sozial- und Arbeitsmarktpolitik No. 45, Vienna.

Cesnik, H., Stromberger, H., 1995, Evaluation des Vermittlungsbereiches im AMS, SWS-Rundschau, Heft 3, pp. 305-320.

ILO, 1997, Revision of the Fee-Charging Employment Agencies Convention 1949 (No.96), International Labour Conference, 85th Session, 1997, Geneva.

Labour Market Service, 1996, Der Stellenmarkt in österreichischen Printmedien, Annual research by GfK-MMO for the LMS-Austria, Vienna.

LMS-Styria, 1997, Kennziffern für die Arbeitsvermittlung für Steiermark – Projekt 1996, AMS Steiermark, April 1997.

Nickell, St. (1995), Labour Market Dynamics in OECD Countries, Centre for Economic Performance, LSE, Discussion Paper No. 255.

SOFFI, 1997, Forschungsprojekt 'Kennziffern für die Arbeitsvermittlung' für das AMS Tirol, SOFFI-Institut, März 1997.

Stromberger, H., 1996, Die operative Arbeitsmarktbeteiligung des AMS, in Diskurs Sozial, Heft 2, Verein für Arbeitsmarkt- und Sozialforschung Projektbüro (Ed.), Klagenfurt, pp. 45-58.