ibw research brief

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Skilled Labour Shortage in Austria

The skilled labour shortage is already being felt by almost all Austrian companies (87%) in the spring/early summer of 2018, it increases the workload on entrepreneurs and current staff, it compromises the quality of service provision and the satisfaction of customers, and additionally leads to a clear decline in the economic success of Austrian companies (drops in sales and higher costs). The skilled labour shortage is experienced particularly intensely in medium-sized companies, in tourism, in artisanal/technical fields and in the west of Austria. At the level of formal qualifications, it is mainly apprenticeship graduates who are urgently sought.

With the "Skilled Workers Radar" (Part I: Key Indicators, Part II: Company Survey), well-founded instruments are now available to analyse the skilled labour shortage in Austria, comprising both comprehensive secondary statistical analyses and an Austria-wide survey of around n = 4,500 companies.

PART 1: KEY INDICATORS

The **skilled labour shortage** in Austria has intensified since 2015 in almost all occupational groups and economic sectors and the increase has led to an **additional dynamic**, in particular **in 2017**. The fact that **the skilled labour shortage** is **not only a topic at present but** will probably remain an issue **in the longer term** is illustrated by analysing the projection of the development of labour supply, for instance. In this respect, "demographic pressure" will be exerted on skilled labour availability from two sides in the coming years:

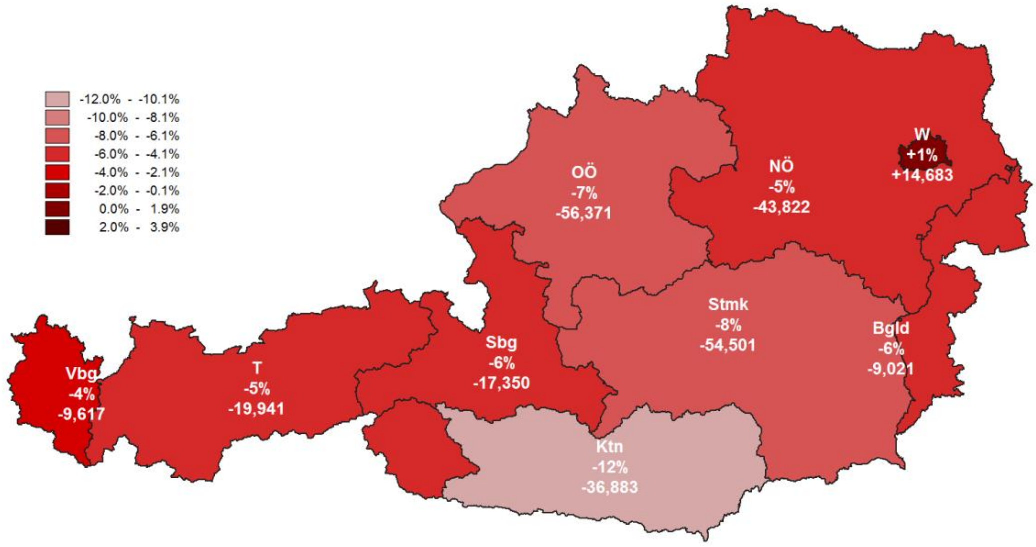
• decreasing or stagnating number of job entrants (youths),

• increasing number of people leaving the labour market (retirements).

The projected development of the number of 20- to 60-year-olds in the period 2018-2030 based on the main scenario of Statistics Austria shows the (future) (lacking) demand for skilled labour/personnel in Austria due to demographic reasons (cf. Diagram 1). The number of 20- to 60-year-olds will decline dramatically in almost all provinces, albeit to different degrees, between 2018 and 2030. In absolute figures, the provinces of Upper Austria and Styria in particular can expect an especially marked decline of 20- to 60-year-olds although they are already affected by a noticeable skilled labour shortage in many areas at this point in time.

DIAGRAM 1:

Development of 20- to 60-year-olds by provinces (2018 – 2030) – projected values based on main scenario



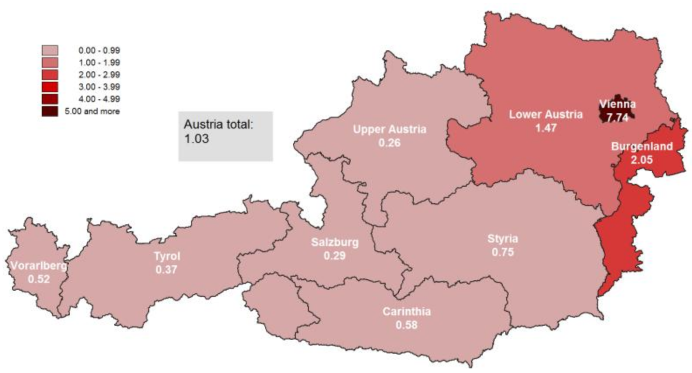
Source: Statistics Austria (average annual values), (data query: 11.1.2018; last update: 23.11.2017) + ibw calculations

An analysis of the number of unemployed people per vacancy based on AMS data reveals that skilled labour shortage has gained momentum in recent years. Of course, it needs to be noted that not all vacancies are actually registered with AMS. According to AMS data, across Austria the number of unemployed people per vacancy (related to jobs and unemployed people with at least an apprenticeship diploma) decreased in 2017, in line with the commonly used logic of reference date-related data, from 5.99 (in 2016) to 4.27 (in 2017) job seekers per vacancy – for this mode of calculation, the annual average of job seekers and vacancies at the end of each month has been used (reference date analysis).

When using another mode of calculation for the number of unemployed people per vacancy – the entrance logic – the skilled labour shortage and demand becomes even more apparent. While the number of unemployed people per vacancy in the occupation “electrician” (related to vacancies and unemployed with at least apprenticeship diploma) is 1.03 (cf. Diagram 2) on an Austria-wide basis according to the logic of reference date-related data, it is only 0.45 (cf. Diagram 3) according to the entrance logic. The calculation of the number of unemployed people per vacancy based on entrance data describes the labour market situation overall over the entire year rather than only at individual times/reference dates (such as in cases when reference date-related data is used). The use of entrance data for calculating the number of unemployed people per vacancy also supplies more up-to-date values and does not only describe the dynamic of the labour market better and more realistically because it really records all new entries of a year but also because the “old stock” (the value of the previous year) of vacancies and registered unemployed is not/no longer recorded.

DIAGRAM 2:

Number of unemployed people per vacancy (LOGIC OF REFERENCE DATE-RELATED DATA) in the occupation “electrician” by provinces (2017)



Source: AMS Austria – Statistics Department + ibw calculations

DIAGRAM 3:

Number of unemployed people per vacancy (ENTRANCE LOGIC) in the occupation “electrician” by provinces (2017)

Source: AMS Austria – Statistics Department + ibw calculations

The evaluation of indicators regarding the demand for skilled workers at the level of provinces or districts reveals that the differences between the regions (mainly between Vienna and western Austria) are considerable in many occupations. The number of unemployed people per vacancy by occupations/occupational groups is, in Vienna, very often many times more than (according to the entrance logic often even more than ten times) the number of unemployed people per vacancy in the western provinces (including Upper Austria). Whereas a clear skilled labour shortage can therefore already be observed in the western provinces (including Upper Austria) in a large number of occupations, in Vienna there is frequently still a relevant number of unemployed in some of these occupations. This mismatch has not been resolved to date and it can hardly be expected that it will be eliminated in the future solely by stepping up incentives for commuters. Therefore it is **necessary to conduct a regionalised analysis of the skilled labour shortage** due to the extreme differences between the provinces (mainly Vienna and western Austria) in order to be able to counteract the skilled labour shortage in the affected provinces effectively and within a reasonable timeframe.

PART 2: COMPANY SURVEY

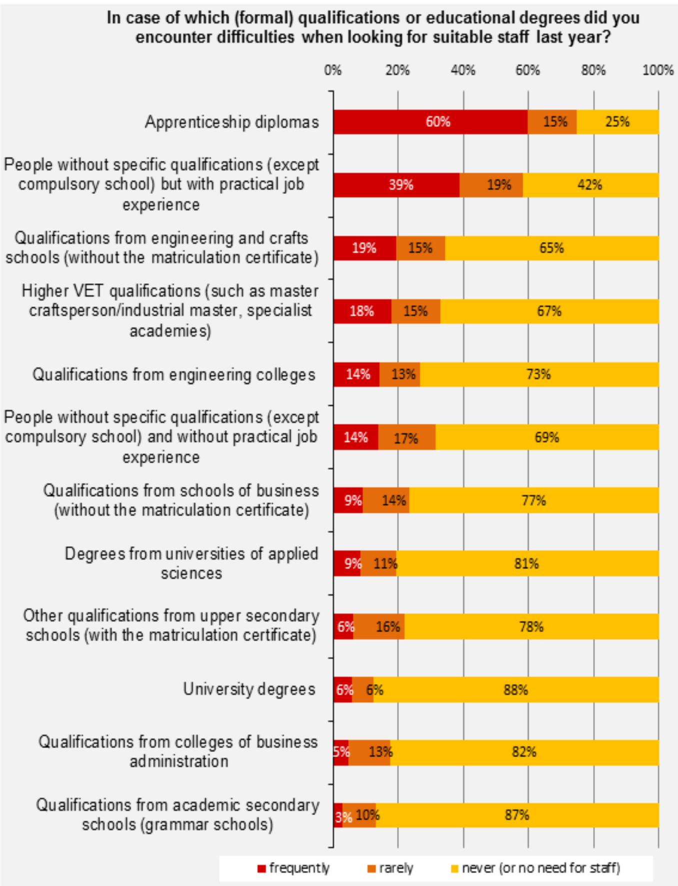
In 2018 the skilled labour shortage can already be felt in almost all parts of the Austrian economy. A total of **87%** of the around 4,500 **companies** (member companies) questioned on behalf of the Austrian Federal Economic Chamber (WKÖ) state that they **felt the shortage of skilled workers** last year, **75%** already **in a pronounced form** (time of survey: April 2018). This lack of skilled labour is experienced **particularly intensely in medium-sized companies, in tourism (mainly cooks), in artisanal/technical fields, and in western Austria**. 59% of current vacancies for skilled labour have not been filled for already more than 6 months. Last year there was also already a clear decrease in the number and quality of job applications whereas the duration and money required to search for staff increased significantly. Broken down by occupational groups, difficulties are encountered by companies mainly in their search for suitable staff in artisanal occupations (the crafts) (45%), followed by technicians outside the IT area (21%) and staff for the hotel, restaurant and catering sector (19%).

Extrapolated to Austria it can be assumed that there is an **estimated demand for skilled labour of around 162,000 people** (among all member companies of WKÖ) **at the time of survey April 2018**.

DIAGRAM 4:

Qualifications or educational degrees where companies encountered difficulties finding suitable candidates last year

(of those n = 3,873 companies which stated they at least weakly felt a shortage of skilled labour last year)

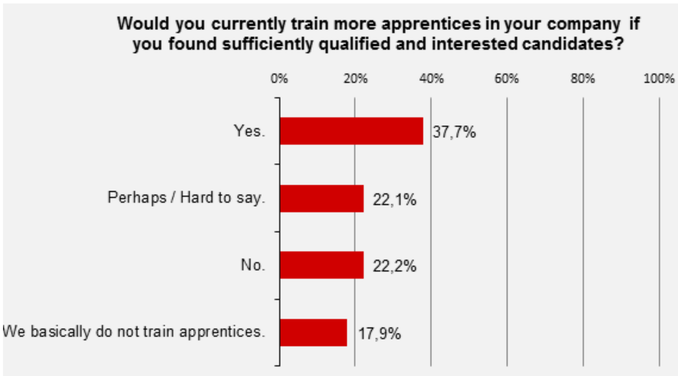


Source: ibw Company Survey on Demand for/Lack of Skilled Labour (n = 4,462 companies; time of survey: April 2018)

Apprenticeship diplomas are **especially in demand** (cf. Diagram 4). 60% of the companies with a noticeable skilled labour shortage frequently encountered difficulties last year in their search for staff with apprenticeship diplomas (only 9% when searching for graduates from universities of applied sciences and 6% in case of university graduates). The situation has additionally become worse in recent years because of the decline in the number of apprentices (which is mainly due to demographic reasons). This is by no means the result of a lack of willingness to provide training on the part of Austrian companies. On the contrary: **around half of the companies** (38% clearly, another 22% perhaps) **would train a greater number of apprentices** if they found sufficiently qualified and interested young people for their jobs (cf. Diagram 5). Among those companies which, in principle, train apprentices, as many as 46% definitely wanted to train more apprentices and 27% perhaps.

DIAGRAM 5:

Apprenticeship training: Would the questioned companies currently train more apprentices if they found sufficiently qualified and interested candidates?



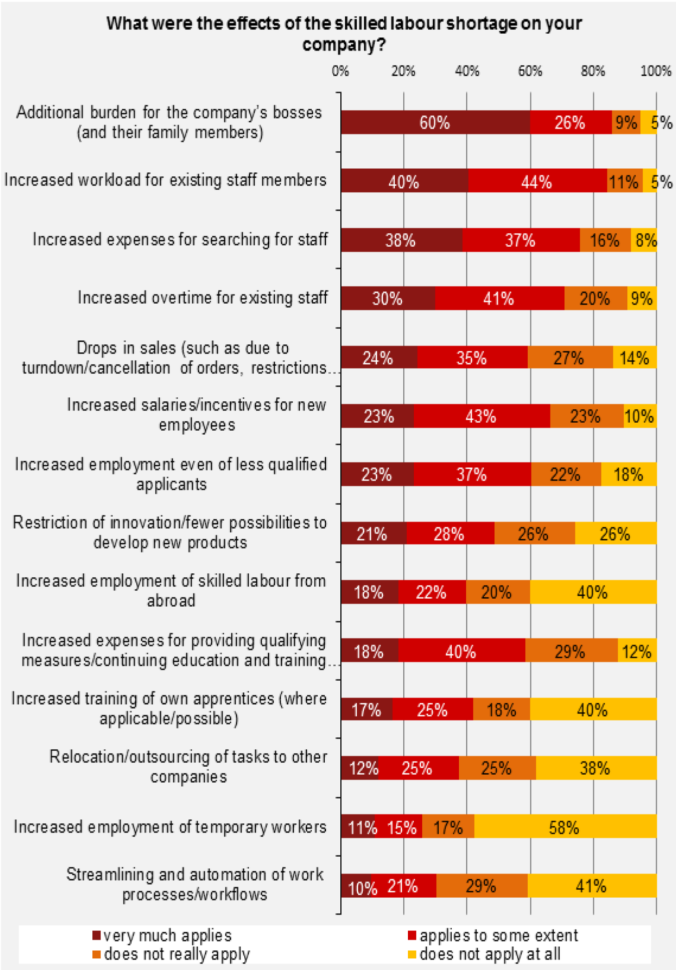
Source: ibw Company Survey on Demand for/Lack of Skilled Labour (n = 4,462 companies; time of survey: April 2018)

The **effects of the skilled labour shortage** mainly have an impact, due to an additional workload, on the **companies' bosses and their family members** (86%) **and their current staff members**, who also need to make up for insufficient staffing by taking on a greater workload (84%) and working more overtime (70%) (cf. Diagram 6). In **around 60% of the companies** which felt the lack of skilled labour last year, this also led to **drops in sales** (such as due to turndown/cancellation of orders, restrictions in the service portfolio, less marketing, less efforts to acquire new orders/customers etc.). At the same time, **expenses for searching for staff** (76%), **salaries** (66%) **and providing qualifying measures/continuing education and training** (58%) **increased**. As a result of the skilled labour shortage, less qualified applicants also often need to be recruited (60%) and the possibilities of innovation and the development of new products are restricted (49%). Subsequently **the quality** of products, services and also apprenticeship training **deteriorates considerably**, which in turn leads to higher costs in the medium and long term (such as for repairs/complaints).

DIAGRAM 6:

Effects of the skilled labour shortage in the companies

(among those n = 3,873 (87%) companies which stated they at least weakly felt a shortage of skilled labour last year)



Source: ibw Company Survey on Demand for/Lack of Skilled Labour (n = 4,462 companies; time of survey: April 2018)

82% of the companies are probably correct in expecting or rather **fearing a further intensification/worsening of the skilled labour shortage in their sector in the next three years** (58% even expect a strong increase). The strong decline in the number of apprentices, which is already a longer-term development, and the upcoming retirement of the baby boom generation (born between 1955 and 1969) probably confirm this assumption even if the economic development stagnates.

The **companies' wishes** regarding **political measures to address the skilled labour shortage** focus on the following topics, among others:

- Improving the image of apprenticeship training, apprenticeship occupations and skilled workers' occupations,
- Reform of compulsory school and the education system overall,
- Improving the image of the tourism sector,
- Reform of apprenticeship training (especially reducing and flexibilising training restrictions/obstacles),
- Flexibilisation of working time,
- Possibility of wage and salary increases by reducing non-wage labour costs, and
- Easier employment of foreigners (including the employment and training of asylum seekers).

In the medium and long term, not only Austria's stance on international investment and location-related decisions (installation of companies) but also the entire long-term and sustainable success of the economic location of Austria, including funding by the public, will depend on the extent to which it will be possible to stop the impending further growth of the skilled labour shortage in Austria.

Sources:

Dornmayr, Helmut / Winkler, Birgit (2018): Schlüsselindikatoren zum Fachkräftebedarf in Österreich – Fachkräfteradar I [Key Indicators of the Demand for Skilled Labour in Austria – Skilled Workers Radar Monitor I], ibw research report commissioned by WKÖ, Vienna.

Dornmayr, Helmut / Winkler, Birgit (2018): Unternehmensbefragung zum Fachkräftebedarf/-mangel – Fachkräfteradar II [Company Survey on Demand for/Lack of Skilled Labour – Skilled Workers Radar II], ibw research report commissioned by WKÖ, Vienna.

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