

Update on Austrian situation May 2020

Updated 3 June 2020

Spread of COVID-19 pandemic in Austria

According to official information by national health authorities, in Austria more than 16,000 cases have been registered since the outbreak of COVID-19 (figures on May 27th, 2020), 651 patients died and currently more than 15.300 have already recovered in Austria. The reproduction factor could be reduced to 0,1 on a daily base. With the first signs of successful containment of the spread of the disease, the Austrian government has started to gradually lift the lockdown measures since Mid-April.

Economic situation- Austria plunges in worst recession since World War II

Nevertheless, the effects on economy and employment are dramatic: GDP fell sharply in the first quarter of 2020. This year Real GDP and employment will decline by at least 5.2 percent and 1.7 percent, respectively, and the unemployment rate will rise to 8.7 percent. Fiscal measures to cushion the negative effects of the recession and the loss of tax revenues will result in a budget deficit of 7.4 percent and public debt of 80.2 percent of nominal GDP in 2020. Given that the pandemic remains under control, from the second half of this year the economy should gradually recover, leading to economic growth of 3.5 percent and a fall in the unemployment rate to 7.9 percent next year. The accommodation and catering, transport, trade, maintenance and repair of motor vehicles and other services were particularly affected. In the first quarter of 2020, industry, which had already been plunged into recession in the course of 2019, also suffered a loss of value added. In the construction industry, the good economic situation so far was interrupted with the construction site closures from mid-March.

A survey of the Austrian Economic Research Institute (WIFO) in April asked special questions about the COVID-19 pandemic. As the survey results show, most companies have already reacted to the negative effects of the COVID-19 crisis with measures. Annual sales are expected to fall significantly this year – by an average of 20%. Companies do not expect to be able to compensate for these losses in 2021. More than half of companies say they will be able to survive six months or more if the current measures to curb the COVID-19 pandemic remain in force, but around 35% say they will be able to do so by just three months or less. Government support provided by a 38 billion € relief package is seen by most companies as helpful.

Decline in employment/rise in unemployment slowing down due to gradual easing of lockdown

In the labour market, the COVID-19 pandemic and the lockdown triggered a massive rise in unemployment from mid-March to 600.000 jobless. This slowed down in April with the easing of the restrictive measures (reopening of shops, schools) to 520.000 + 50.000 in training, but the number of unemployed registered with the AMS was well above the level of the previous year. As a result, the unemployment rate (as defined by national) rose unadjusted to an expected 12.8%. According to preliminary estimates, the number of persons employed fell by 197,000 (-5.3%) compared to the previous year.

According to latest information, published on 2 June by the Austrian Economic Research Institute (WIFO), the rise of unemployment flattened slightly in Austria due to the lifting of COVID-19 measures. At the end of May, 517.000 jobless were registered and this is

an unemployment rate of 11,8%. For 1,370.000 persons short-time work was applied at the labour market service. As mentioned, youth unemployment is on the rise and experts estimate a lack of 20-30% apprenticeships in autumn this year. The Austrian government proposed to offer incentives for employers to recruit and retain apprentices after the training (they will receive a bonus of 1000 € for recruitment and an additional 1000 € for retaining).

Corona short time work schemes extended

In order to avoid more redundancies and retain workforce the government has been constantly increased funds set aside to finance short time work schemes from initially 400 Mio in March to 12 billion €. At the end of April more than 1,2 million have been on short time working, thus means that currently almost 1,8 million in Austria are out of work.

Extension and improvement of Corona short time work schemes

After negotiations between social partners (Austrian Trade Union Federation, Economic Chamber of Austria, representing employers' associations) and government representatives Corona short time work schemes will take effect as of June 1st, with several improvements related to

□ Simplified calculation

□ Ban on work on call (individual employer has to notify at least three days before introducing longer working hours)

□ The individual must be paid at least the working hours actually performed in relation to individual months instead of an one- off wage compensation on the basis of the duration of the short time work scheme

□ Apprentices on short time work will receive the corresponding skilled workers' remuneration after taking final exam

□ individual workers on short working time are entitled to be handed out a copy of the social partner agreement on short working time or a service note for short time work

Unprecedented Youth unemployment,

We are currently experiencing unprecedented youth unemployment in Austria. 83,784 people under the age of 25 are without job as a result of this pandemic. Youth unemployment has doubled in a very short period of time, with at least a lack of 18,207 apprenticeships in autumn 2020.

In order to curb the alarming rise in youth unemployment, youth representatives of PRO-GE together with the national Austrian Trade Union Federation put forward demands to the Austrian government for:

- more apprenticeships in public companies and institutions
- 140 million € for private sector companies to train apprentices
- Modernization of vocational training schools
- A reform of public procurement criteria with a special attention on the number of apprentices
- More financial resources for placements at inter-company vocational training centres

Spring Collective Bargaining Round in Electro and Electronics, Chemical and Textile Industry

The start of the bargaining sessions of the traditional spring bargaining round in electro-, chemical and textile sector had to be due to the social distancing measures postponed and have been negatively influenced by the economic impact of the Corona crisis.

On May 19th however, the social partners in the Electro and Electronics sector (PRO-GE and GPA-djp on the trade union side with the employers' association for the sector) could reach an agreement for more than 50.000 workers/employees in the sector. Minimum and effectively paid wages will rise by 1,6 percent. In addition, a tax-free one-off Corona-premium of 150 € will be paid out.

After three bargaining sessions the positions of the social partners in the chemical sector are still far apart to conclude an agreement for 45.000 employed in the chemical industry in Austria. The employers that their last offer for an increase of 1,45 percent is more than the current economic situation in the sector allows; the negotiating team on the trade union side insists on a fair compensation to maintain purchasing power in time of crisis and reminds of the excellent performance of the sector last year. Preparation for actions in companies are under way to demand a better offer for pay increase from the employers.