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Labour Market Monitor 2016

**A Europe-wide Labour Market Monitoring
System Updated Annually
Executive Summary**

Ulrike Huemer, Helmut Mahringer

Research assistance: Anna Albert

April 2017



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Austrian Institute of Economic Research

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Internal review: Hedwig Lutz • Research assistance: Anna Albert

Abstract

The report is an update of a set of labour market indices first developed and tested in 2010 in collaboration with experts of the Vienna Chamber of Labour (AK). The Austrian labour market is examined relative to the other 27 EU countries according to the following key dimensions: overall labour market performance, participation of different groups of people, exclusion risks on the labour market, distribution of earnings and redistribution by the welfare state. The present report summarises the current results of the five dimensions and contains a cartographic overview.

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1. Introduction

The assessment of the labour market situation in the European Union is often carried out by Eurostat on the basis of a few regularly updated key indicators. In particular much emphasis is placed on the unemployment rate. However, focusing on a single indicator captures only a certain aspect of the labour market. Employment opportunities and national labour markets are diverse. Against this background, the Vienna Chamber of Labour (AK) aims to more closely examine a broader spectrum of labour market issues within a European context. In 2010, in collaboration with WIFO, a team of AK experts identified five key labour market dimensions:

1. Overall labour market performance
2. Participation
3. Exclusion risks on the labour market
4. Distribution of earnings
5. Redistribution by the Welfare State

Based on a series of indicators, an index was created for each of these five dimensions and applied to all EU member countries. The labour market monitor therefore consists of five separate indices (dimensions). Each index can have a value between 1 and 10, with 10 representing the best and 1 the worst possible outcome. Per index, the countries are sorted in ascending order based on the point value of their score in the index achieved and then categorized into groups. In a first variant, four equally performing groups of countries are shown: the "top" field, the "upper middle" field, the "lower middle" field and the "bottom" field. In a second variant, those countries are grouped together whose point values lie close together while displaying a marked difference to the neighbouring group.

The labour market monitor should represent a monitoring system that condenses significant aspects of labour market development from a multitude of indicators. Indicators that are comparable and regularly available throughout Europe are used. This facilitates regular updates of these indices and allows for monitoring over time. The present edition represents the sixth update of the labour market monitor.

The advantage of this set of instruments lies in the

- bundling of complex economic, political and social contexts into a few index values,
- comparability of national conditions, which can also be used for benchmarking,
- regular and fast updates,
- creation of a descriptive overview that can serve as a starting point for more in-depth analysis.

The generation of indices, however, also represents a tightrope walk between the reduction in complexity of the labour market into a single metric on the one hand and the aim to ensure the transparency and usability of the information subsumed on the other. There is a dan-

ger of misinterpretation which we aim to counteract through the application of transparent methodology and the documentation of data and methods. The focus on country groups and the separate representation of five aspects of the labour market should increase the amount of information and prevent false interpretation.

2. Labour market monitoring with the labour market monitor

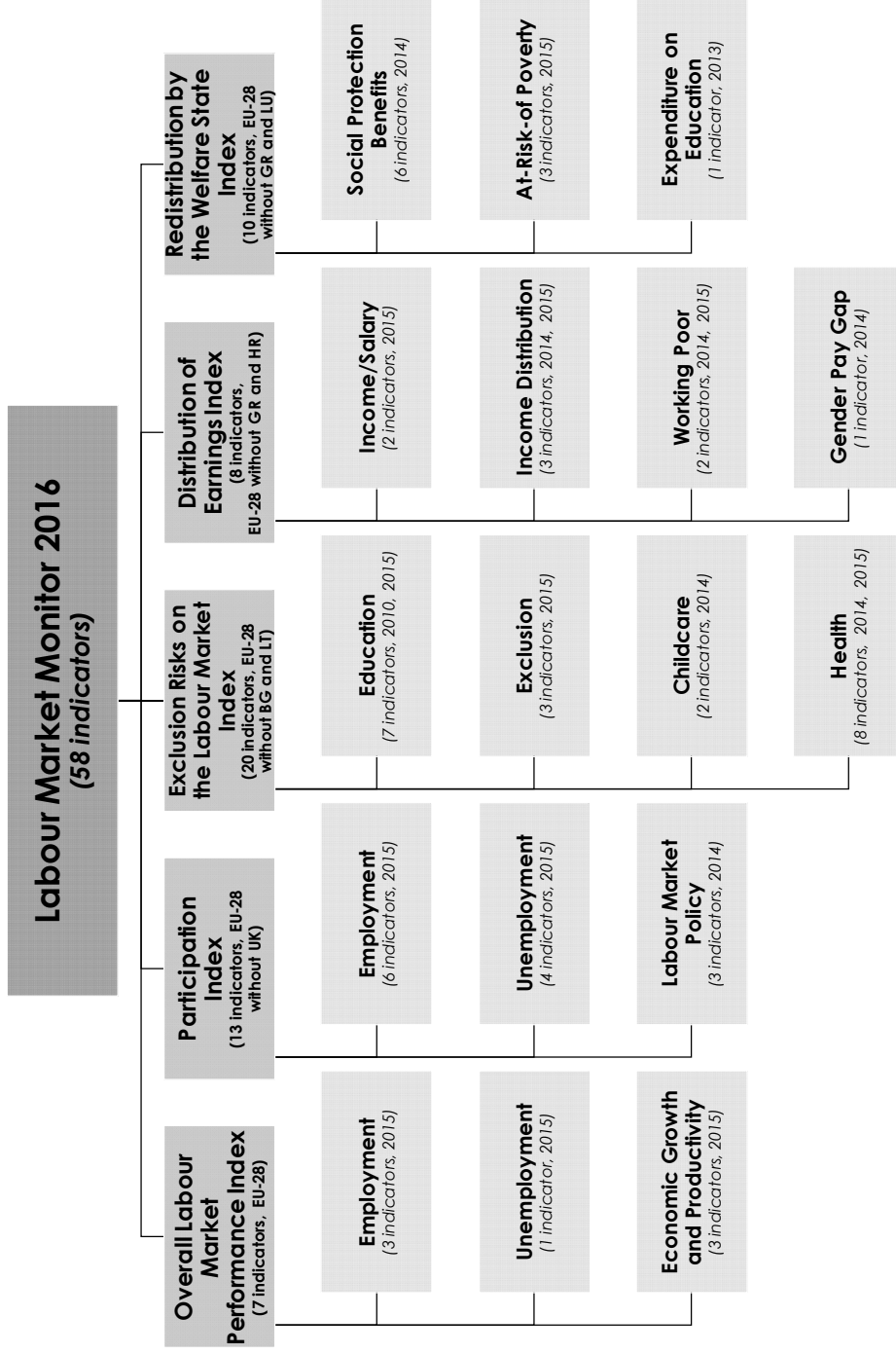
A total of 58 indicators are represented in the labour market monitor and its five dimensions. Content related considerations, as well as the aspects of regular availability and comparability of data determined the selection of indicators. The labour market monitor is mainly based on data from Eurostat (EU-LFS and EU-SILC) and always uses the most recent data – in the 2016 labour market monitor these were primarily data from the years 2014 and 2015. However, not all indicators are as quickly and completely available as others. Where the most recent data for individual countries are missing, data from the previous year are used. If this information is also missing, the country in question is left out of the calculation¹⁾.

2.1 The five dimensions

The first two dimensions reflect general aspects of the labour market and are measured based on seven respectively 13 indicators. Dimension (1), "overall performance", refers to the labour market in the context of the overall economic situation of a country based on key indicators, such as the employment rate. Dimension (2), "participation", captures the extent to which different groups of people (e.g. young and old, women and men) are integrated into the labour market. The third dimension (3), "exclusion risks on the labour market", should capture the capacity of a country to enable fair access to the labour market; here, an important role is undoubtedly played by the level of education and the availability of care infrastructure, and 20 indicators are used in this dimension. The fourth (4) and fifth (5) dimensions mainly reflect differences in earnings and Welfare State activities within the European Union: dimension (4) shows the "distribution of earnings" based on eight indicators; dimension (5) "redistribution by the Welfare State" uses ten indicators to measure the effectiveness of state interventions.

¹⁾ In the Labour Market Monitor 2016 this applied to Great Britain in dimensions 2 "Participation", to Bulgaria and Lithuania in dimension 3 "Exclusion risks on the labour market index", to Greece and Croatia in dimension 4 "Distribution of earnings index", as well as to Luxembourg and Greece in dimension 5 "Redistribution by the welfare state".

Figure 1: Structure of the Labour Market Monitor 2016 – dimensions and sub-dimensions

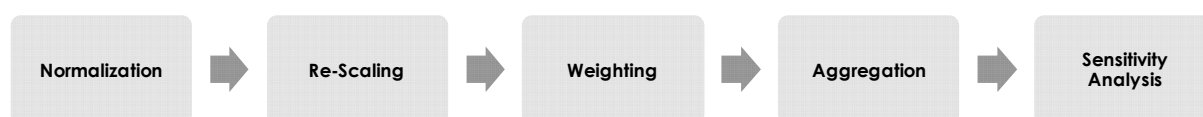


Source: WIFO. – The structure of the Labour Market Monitor remains unchanged compared to the previous year. The only change is the year of observation per indicator.

2.2 Index methodology

The calculation of the five dimensions is based on standard methods of index construction (see Haas *et al.* 2010, p. 15ff). This involves a five-step process. In a first step, the indicators, which are in part measured in different units (e.g. Euros, percentage shares) are normalized. In a second step, the standardized indicators are transformed on a scale of 1 (worst value) to 10 (best value). In a third step, the indicators are weighted (on the basis of their standard deviation), thus making sure that indicators with a higher variation are not represented disproportionately higher or exert a higher influence on the overall index. In a fourth step, the values gained for each index in steps 1 to 3 are added together and once again normalized and transformed. In this way, the different country and dimension indicators of the Labour Market Monitor are condensed into one index figure.

Figure 2: Multi-step calculation process for the five indices



Source: WIFO.

Finally, a sensitivity analysis is applied to test the robustness of our results and compares the performance of the index to alternative configurations (change of weighting of indicators or the composition of indicators per index). This model proves highly robust with respect to the different weighting variations and selection of indicators.

Based on the calculated point values four country groups are formed along the quartile limits ("top" field, "upper middle field", "lower middle" field, and "bottom" field). These country groups are used to carry out a comparison to the previous year²⁾: not the changes in rankings but rather the categorization of the Member States in terms of the four groups of the distribution are evaluated. In forming four equally occupied country groups, however, the distance in point values between neighbouring groups can be quite small. For this reason, an additional alternative group categorisation is carried out: countries are clustered in such a way as to minimize the distance between the countries point values within each group, while at the same time maximize the distance to the neighbouring groups (point difference of at least 0.5 on the ten-part point value scale).

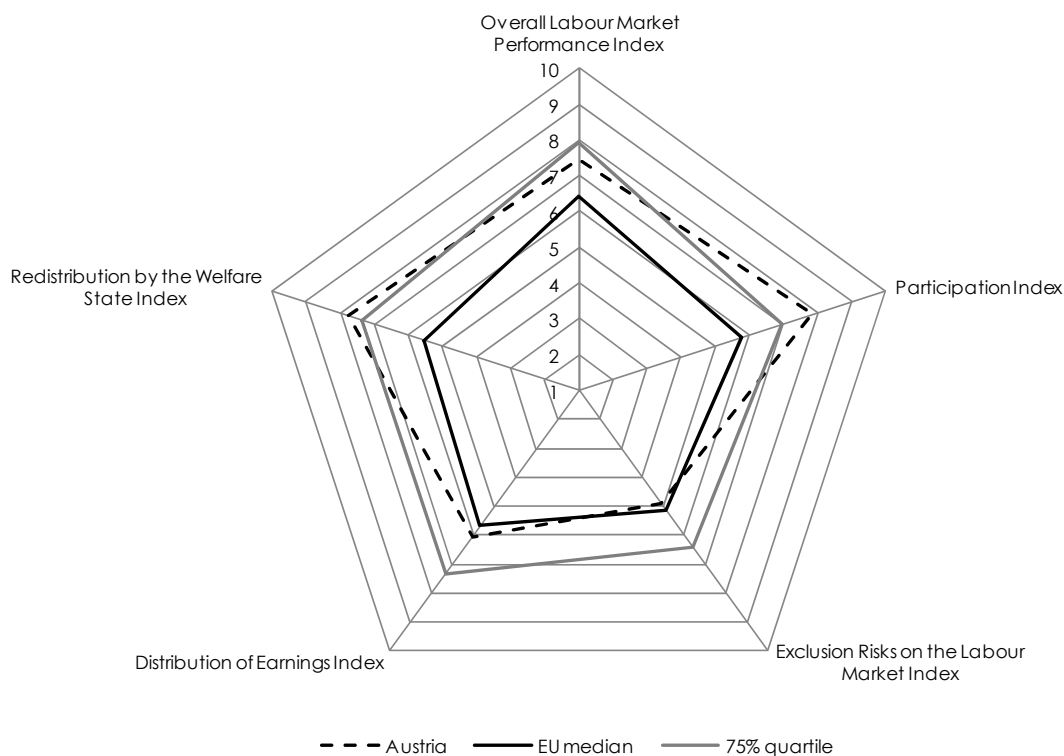
The following points must be taken into consideration when interpreting the indices: despite a comprehensive selection process of figures, an index can never completely capture all national differences and country-specific institutional contexts. Thus, the results are to be understood as an approximation of a labour market country pattern.

²⁾ The Labour Market Monitor is calculated twice, once using the most recent data and once using the revised previous year's values.

3. Results of the Labour Market Monitor 2016

Smaller EU countries assume the top positions in the five dimensions, and most of these are Nordic states. The bottom field consists of southern European countries and new Member States.

Figure 3: Overview of the results of the five dimensions



Source: Eurostat, WIFO calculations.

The Austrian labour market once again performed better in four of the five dimensions than the average of the EU Member States. Austria's one below-average result was in dimension 3, which is intended to capture risks of exclusion on the labour market (lower middle field). In two out of five dimensions Austria ranked among the top countries within the European Union: in the assessment of the integration capacity of the employment and labour market system (dimension 2, "participation") and in the dimension of social protection and level of transfer (dimension 5, "redistribution by the Welfare State"). Austria is no longer one of the top performers in the evaluation of the overall performance of the labour market (dimension 1). Instead, Austria ranks in the upper middle field with an index point value between the 50% and 75% quartiles. Austria is also situated in the upper middle field in the assessment of income distribution ("distribution of earnings" – dimension 4).

3.1 Dimension 1 – Overall performance of the labour market

The first dimension, "overall performance of the labour market", contains seven indicators that represent the labour market performance of a country in an overall economic context.

These indicators reflect the following aspects:

- extent of employment of the working-age population and recent development of the demand for labour (employment rate, employment rate in full-time equivalents and employment growth compared to the previous year);
- current level of unemployment (unemployment rate) and
- economic performance of a country (economic growth and productivity: real GDP per capita – absolute value in Euros and development over time, as well as labour productivity per person employed).

As in the previous years, on the basis of the 2015 data Luxembourg achieved the best result for overall performance of the labour market, with a clear lead ahead of the subsequent countries Sweden, Ireland, Denmark, Estonia, Germany and Malta (Figure 4). Among Luxembourg's strengths are the highest GDP per capita amongst the Member States and second highest labour productivity per employee. Among its weak points are the comparatively low employment rate in full-time equivalents and weak development of real GDP per capita, with each of these scoring in the lower middle field. The second-ranked country, Sweden, leads the ranking with respect to the overall employment rate and in full-time equivalents, at the same time assuming a top position in real GDP per capita and labour productivity per employee. Sweden is also the only country to occupy a top position or upper middle field position in all of the seven individual indicators. Ireland's good performance at third place is largely due to a massive GDP revision that took place in 2015 (+26.3% GDP growth) – a revision which, rather than reflecting actual dynamics of economic output, can be attributed to revised regulations for the calculation of national accounts (ESA 2010).³⁾

This had much further reaching consequences for Ireland than for other countries due to a massive transfer of investment assets to the country (Boysen-Hogrefe *et al.*, 2016). Ireland performed correspondingly well for indicators related to GDP.

Following these countries leading Europe are the countries of the upper middle field. Great Britain heads this group (rank 8), with a very small point value distance to the next best placed country Malta (0.07 percentage points). Considering individual indicators, Great Britain also achieved top results; only in development of real GDP per capita did it score in the lower middle field in EU comparison. The other countries situated in the upper middle field are the Czech Republic, Austria, the Netherlands, Lithuania, Poland and Latvia. Austria achieves a high ranking in four out of seven individual indicators. Weaknesses are the comparatively

³⁾ Based on the ESA 2010, only goods that are produced abroad for a company headquartered in Ireland and sold directly to third countries are counted exports of the domestic product (McDonnell, 2016). Statistically, this increases Ireland's domestic output without any additional domestic production. At the same time, the significance of all indicators placed in relation to GDP decreases.

low employment rate in full-time equivalents (62.0% and therefore rank 14 in the upper middle field), comparatively low growth of real GDP per capita in a 10-year period (+7.1% between 2005 and 2015, thus rank 15 in the lower middle field) and relatively weak employment growth (+0.6%).

Slovakia, Hungary, Finland, Belgium, Slovenia, France and – trailing by a clear point value gap – Bulgaria all achieve a place in the lower middle field. The countries Portugal, Romania, Cyprus, Spain, Italy, Croatia and Greece constitute the bottom field, ranking far from the top in the assessment of overall performance of the labour market. These are all southern European Member States and new Member States. Ranking at the bottom of the distribution, Greece takes last place in four out of seven indicators.

3.1.1 *Change compared to the previous annual results*

Compared to the calculations based on the previous year's data, ten countries moved into a different group. Ireland made the biggest leap (rank 13 to 3), although, as mentioned above, this was less due to a real improvement in labour market performance than to new EU-wide accounting rules for the calculation of national accounts and a significant shift of assets to Ireland.

For a large number of countries, the raw data of the individual indices of dimension 1 improved in 2015, without resulting in any great dynamism in the country performance rankings. There were greater shifts in the country rankings for employment development⁴⁾; this is also – with the exception of Ireland – the driving force⁵⁾ behind the revised categorization of countries in dimension 1: Ireland, Estonia, Poland, Latvia and Bulgaria all moved up to higher groups compared to the calculation of dimension 1 on the basis of the previous year's values, while Great Britain, Austria, Finland, Hungary and Romania declined. Austria's descent (from 6th to 10th place) is characterized by a stagnation or slight deterioration in the raw data, such as the unemployment rate, as well as relatively weak employment growth compared to other EU Member States.

3.2 Dimension 2 – Participation

The second area index measures different aspects of participation. It captures the extent to which the labour market and employment system is able to integrate different groups of people. The index was calculated for 27 EU Member States (without Great Britain) and comprises a total of 13 indicators that take into account the following aspects:

- employment structure (employment rates of different age groups, employment gender gap, involuntary part-time work, temporary employment);

⁴⁾ In 2014 employment dropped in four EU Member States, and in 2015 in two. The employment rate for 2014 grew by 1.0% and in 2015 by 1.1% (EU-28 respectively).

⁵⁾ In Ireland, the steep ascent is mainly due to the improvement in the development of real GDP per capita.

- structure of unemployment and unemployment of individual groups (unemployment rate of young and old people, long-term unemployment rate and long-term unemployment rate of older persons);
- activity level of active labour market policy (expenditures in percentage of GDP, as well as in percent of GDP per percent unemployed, participation in labour market measures).

Among all the EU countries, Greece performed worst and Denmark performed best in integrating different groups of people into the labour market. As in dimension 1 (labour market performance), it is predominantly small EU Member States and Germany that lead the ranking in a country comparison. However, the point value range in the top field is broad (2.99 points), so that the top field consists of a total of 4 groups. Denmark leads at the top and Sweden follows Denmark at second place with a significant gap. Sweden also achieved a much better result for labour market integration than the subsequent group of countries consisting of Luxembourg, Finland and Austria. Ranking at the lower edge of the top field are Lithuania and Germany, with a small point value distance to the upper middle field.

In seven out of the 13 indicators, Austria achieved a top position. These are the prime-age employment rate (25 to 44 years), the low gender-specific employment gap in prime-age employment, the unemployment rate of young and old people, the long-term unemployment rate and the two expenditure-related indicators for active labour market policy. However, the low unemployment rate of old people in Austria is accompanied by a low employment rate for older persons aged between 55 and 64 years. In Austria, a higher percentage of older people are inactive and no longer present in the labour market than in other EU Member States – a circumstance which among women is mainly attributable to the lower mandatory retirement age of 60 years.

Trailing the top field by a small distance and constituting the upper middle field are Estonia, Latvia, the Netherlands, Hungary, Belgium and France. The lower middle field in Europe comprises the Czech Republic, Poland, Slovenia, Bulgaria, Ireland, Portugal and Romania. Those countries with a comparatively weak result in dimension 2 (bottom field) are exclusively countries from southern Europe and new Member States: Malta, Slovakia, Cyprus, Croatia, Spain, Italy and Greece.

3.2.1 Change compared to the previous annual results

The grouping of the EU Member States into the four fields is highly stable over time. Compared to the classification on the basis of the revised previous year's values, the group allocation did not change for any of the 27 EU Member States. Only within the groups did individual countries shift places.

3.3 Dimension 3 – Exclusion risks on the labour market

Dimension 3 deals more specifically with those factors outside the labour market which directly affect employment and earnings opportunities:

- education,
- health and
- individual care obligations.

These are the main determinants of labour market opportunities. Altogether, the index can be disaggregated into total of 20 indicators on aspects of education participation, exclusion, childcare and health. Sweden by far offers the best access to the labour market and chance of remaining employed than other EU countries. It thus heads the top field for indicators on education and health. In the other two sub-dimensions childcare and exclusion⁶⁾, Denmark ranks at the top of the distribution. The two Nordic countries are the only countries among the 26 EU Member States considered⁷⁾ to achieve a top position in all four sub-dimensions. Denmark follows Sweden by a significant gap ahead of third-placed Finland. A number of other small states – the Netherlands, Cyprus, Luxembourg and Ireland – assume spots four to seven, completing the top field.

In light of the relatively small point value distance between the top field and the best placed country in the upper middle field (rank 8), the group boundary is fluid. The top field is followed by EU Member States with scores above the median and below the 75% quartile limit – they form the upper middle field and include the countries France, Belgium, Slovenia, Great Britain, Spain and the Czech Republic.

Austria, Estonia, Poland, Germany, Greece and Croatia rank below the median value but above the 25% quartile among the 26 countries considered, and thus in the lower middle field of dimension 3. In these countries, opportunities for access to the labour market and chances of remaining employed are less favourable than in the countries of the top and upper middle fields. However, the boundaries between the lower and upper middle fields are fluid: Austria's distance (14th place in the lower middle field) to the next higher placed country Czech Republic (position 13) within the upper middle field is small, consisting of only 0.1 percentage points. Nevertheless Austria shows significant weaknesses in certain indicators: the relatively high share of employed persons engaged in part-time work due to care obligations (8.6%), the high rate of incidence of fatal work accidents (3.1 per 100,000 employees) and the comparatively low number of anticipated healthy life years among women (57.8 years) and men (57.6 years) from birth (respectively scoring in the bottom field). The formal childcare offer is also relatively poor⁸⁾, as is the share of 25-to-34-year-olds with a tertiary education (lower

⁶⁾ The sub-dimension "exclusion" is composed of three indicators, which on the one hand capture individual care obligations (the share of inactive persons due to care obligations, in percentage of population, the share of part-time employment due to care obligations in percentage of overall employment), and on the other hand capture the extent of inactivity (share of inactive population at prime employment age).

⁷⁾ Dimension 3 could not be calculated for Bulgaria and Lithuania.

⁸⁾ For children up to three years of age and care of 30 or more hours per week.

middle field); this despite the recognition of vocational degrees (BHS) as a tertiary qualification in Austria⁹⁾. Austria does, however, by contrast, have a relatively low rate of inactivity in percentage of population (position in the upper middle field) and a comparatively low share of early school leavers, as well as a relatively low share of the population with a maximum secondary level 1 (each in the upper middle field, respectively).

Malta, Latvia, Slovakia, Portugal, Hungary, Italy and Romania, all of which are Southern European countries or new Member States, rank among the countries in the bottom field, and are therefore the most problematic countries in terms of labour market exclusion.

3.3.1 *Change compared to the previous annual results*

When the current values of dimension 3 are compared with the revised previous year's values, four of the 26 countries shift groups, while the composition of the top field remains unaffected. The Czech Republic moves up from the lower to the upper middle field, while Austria drops by one rank and – in view of the unfavourable starting position in the previous year – shifts from the upper to the lower middle field. Among the climbers is Croatia (new to the lower middle field), and among those countries which descended is Malta (bottom field).

3.4 Dimension 4 – Distribution of earnings

In the fourth dimension, the level and distribution of earnings are examined in greater detail. In total, this index consists of eight indicators, with the following aspects entering the calculation:

- average level of earnings,
- functional and personal distribution of primary income (compensation of employees in percentage of GDP, income distribution quintile),
- taxes on labour as a percentage of total taxation,
- gender-specific wage differential,
- proportion of low wage earners, and
- extent of "working poor".

As in recent years, Belgium once again leads the ranking for level and distribution of earnings among the EU Member States. Belgium scores a top position in 7 out of 8 indicators. Its result is relatively unfavourable, however, with regard to tax structure: 53.4% of total tax revenue comes from taxes on labour¹⁰⁾. Within the European Union, the spectrum for this indicator ranges from 34.3% in Malta to 58.5% in Sweden. At the same time, this is the indicator in which the top-ranked countries tend to perform poorly (lower middle or bottom field, except for Malta and Luxembourg) and the countries of the bottom field tend to perform well (top or upper middle field, except Slovakia and Estonia). Places two to seven in the top field are oc-

⁹⁾ Since 2014, degrees from vocational colleges (BHS) in Austria have been recognized as tertiary qualifications.

¹⁰⁾ Wage-and-salary-related taxes payable by employees and/or employers.

cupied by Luxembourg at a considerable lead, followed by Denmark, Finland, France, Malta and Sweden.

In the upper middle field Slovenia and the Netherlands head the pack with a small point value gap to the top field. At some distance and with a comparatively low point value gap to their immediate neighbours in the lower middle field (Cyprus at place 14) we find Great Britain, Ireland, Austria and Italy. Austria stands out positively in the sub-dimension of earnings/wages, with high nominal wages per employee in terms of purchasing power parity and high compensation per employee in terms of purchasing power standards. On the other hand, after Sweden, Austria has the second highest share of wage-and-salary-related taxes (as a percentage of total taxation) and a relatively high gender-specific wage differential (gender pay gap of 22.2%, place 23 in the bottom field).

The lower middle field (Cyprus, Germany, Portugal, Spain, Czech Republic and Hungary) and the bottom field (Poland, Slovakia, Bulgaria, Latvia, Lithuania, Estonia and Romania) consist exclusively of southern and eastern European countries, apart from Germany. The taillight in the "distribution of earnings index" is Romania. There are, however, two indicators in which Romania scores comparatively favourably: the relatively low share of taxes on labour in percentage of total taxation (39.2%, EU-28: 50.5%), and the lowest gender pay gap among the European Member States¹¹⁾.

3.4.1 *Change compared to the previous annual results*

In the group constellation based on the current data there are only small changes in the dimension of earnings distribution. Four countries improved or worsened their position by one rank, respectively. For example, Sweden and Slovenia switched places at the upper end of the distribution, with Sweden moving up into the top field and Slovenia down into the upper middle field (with a small overall point value gap). In the middle field, Italy and Cyprus switched places, with almost identical index point values: Italy climbed into the upper middle field, while Cyprus descended to the bottom middle field. Again, the boundary from one group to the next is fluid.

3.5 Dimension 5 – Redistribution by the Welfare State

The fifth dimension deals with questions of social welfare and levels of transfer in a country. This index encompasses a total of ten indicators:

- extent and structure of social protection benefits (in percentage of GDP)
- expenditures on education (in percentage of GDP) and
- results of public intervention (expressed in terms of at-risk-of-poverty rates).

¹¹⁾ In Romania the pay gap between men and women is 4.5% (EU-28: 16.7%). The comparatively low gender-specific wage differential goes hand in hand with a high gender-specific wage differential (15.4 percentage points, position in the bottom field, see dimension 2).

In the European Union, a group of small Member States together with France provides the greatest social protection and the highest level of transfer: Denmark, Finland, Belgium, France, Sweden, Austria and the Netherlands. The ranking is led by Denmark. Among the 26 EU Member States considered Austria ranks 6th. In five of the 10 individual indicators Austria takes a top position, including social protection benefits in percentage of GDP with respect to age, family and children, as well as unemployment and two at-risk-of-poverty indicators (the at-risk-of-poverty rate after social transfers and the improvement of the at-risk-of-poverty rate through social transfers).

The top middle field consists of Germany, Great Britain, Ireland, Slovenia, Cyprus and Italy. Germany's strength lies in its social protection benefits in percentage of GDP, while it only ranks in the lower middle field for poverty indicators.

The lower middle field includes the Czech Republic, Malta, Hungary, Portugal, Croatia and Spain. The bottom field consists of Poland, Slovakia, Estonia, Bulgaria, Lithuania, Latvia and Romania; these countries form the tailight of the European Union with regard to social welfare and level of transfer. In the case of Romania and Latvia, the findings are applicable to all three sub-dimensions. Slovakia stands out positively with a relatively low share of persons at risk of poverty after social transfers (12.3%, position in the top field).

3.5.1 Change compared to the previous annual results

The grouping of the EU Member States is highly stable over time. A shift has only taken place within the middle field (with a minimal shift in ranking), while the composition of the top and bottom fields remains unchanged. Italy has climbed from the lower to the upper middle field, while the Czech Republic has moved from the upper to the lower middle field.

4. Summary

The Labour Market Monitor, now updated for the sixth time, provides a quick overview of a broad range of indicators (58 indicators) relevant to the labour market in the EU Member States. The five dimensions for labour market developments include dimension 1 "overall labour market performance", dimension 2 "participation", dimension 3 "exclusion risks", dimension 4 "distribution of earnings" and dimension 5 "redistribution by the Welfare State". The five dimensions are not merged into a consolidated index, but rather remain visible as separate indices. This approach also makes it clear that the consequences of the financial and economic crisis have had a marked impact on the more cyclically sensitive areas of the labour market. These are primarily contained in dimension 1, "overall labour market performance".

On the whole, the Austrian labour market again performed better than the average of the EU Member States in four of the five dimensions depicted. In the assessment of participation (dimension 2), Austria remains among the highest-ranked countries. Austria is new to the top field with regard to social protection and level of transfer (dimension 5). Austria has, on the other hand, lost its long-standing position in terms of overall labour market performance (di-

mension 1). In this sensitive area, Austria ranks at the top of the upper middle field based on data from the year 2015 (last occupied in 2007). Austria's results are relatively good with regard to distribution of earnings (dimension 4), with a position in the upper middle field. However, here the risks of a group descent are higher than chances of ascent: Austria's point value distance (1.27 points) to the 75% quartile and thus to the top field is large, while the point value gap to the median (0.32 points), which marks the boundary to the lower middle field, is low. Austria's weaknesses in this dimension are a relatively high labour-related tax burden compared to the rest of the EU, and a high gender pay gap (positions in the bottom field, respectively). In order to improve its results in dimension 4, the distribution of earnings index, massive efforts will be required, as also shown by a sensitivity analysis that clearly showed Austria's capacity for better performance in areas with high catching-up potential.

Austria's worst result in all of the five dimensions was in the area of exclusion risks on the labour market (dimension 3). The index point value of 4.93 indicates a place in the lower middle field within the European Union (place 14). This starting position is linked to both advancement opportunities and risks of descent: on the one hand, the point value gap to both neighbours in the upper middle field (Czech Republic at rank 13, Spain at rank 12) of 0.10 to 0.14 points is small, on the other hand, this also applies to Austria's immediate neighbours in the lower middle field (Estonia at rank 15) with a point value distance of 0.29 points. Toward the top, Great Britain (11th place) maintains comfortable distance of 0.89 points. Among Austria's weaknesses are the high share of part-time employees with an obligation to provide care as their reason for reducing their working hours, the high rate of incidence of fatal work accidents and the relatively low anticipated healthy life years for men (from birth). In addition, Austria shows catching-up potential in its formal childcare offer for children under the age of 3 (extent of more than 30 hours per week), the number of employees engaged in further education, and the number of anticipated healthy life years for women from birth and from the age of 65, as well as the share of 25-to-34 year olds with a tertiary education.

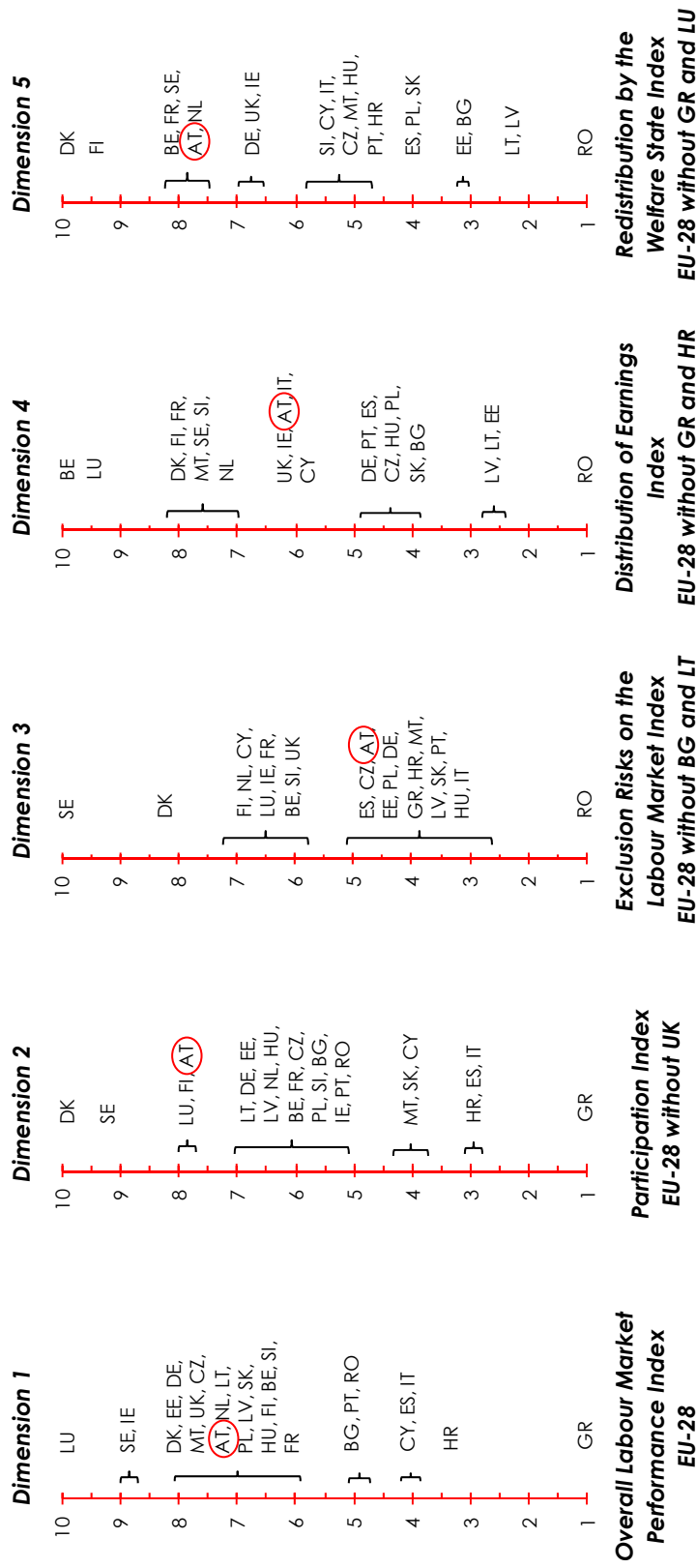
In the assessment of labour market performance, it is not just the relative position of a country and its change over time within the EU that is important, but also the absolute level and development. This is particularly important in cyclically sensitive areas of the Labour Market Monitor, such as dimension 1, overall labour market performance. Here, Austria achieved a top position between 2008 and 2014 in the annual country ranking, but moved down to the upper middle field in the year 2015. However, a look at the development of the index point values between 2007 and 2015 yields a differentiated picture: Austria indeed felt the economic and financial crisis, but compared to many other EU Member States the impact of the crisis was weaker and recovery began more quickly. Meanwhile, Austria's labour market performance dropped again slightly in 2012 and 2013, followed by stagnation in 2014 and 2015, and Austria has thus not yet been able to match its 2008 labour market performance.

Abbreviations EU-28

The 28 Member States of the European Union

BE	Belgium
BG	Bulgaria
CZ	Czech Republic
DK	Denmark
DE	Germany
EE	Estonia
IE	Ireland
GR	Greece
ES	Spain
FR	France
HR	Croatia
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	Netherlands
AT	Austria
PL	Poland
PT	Portugal
RO	Romania
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	Great Britain

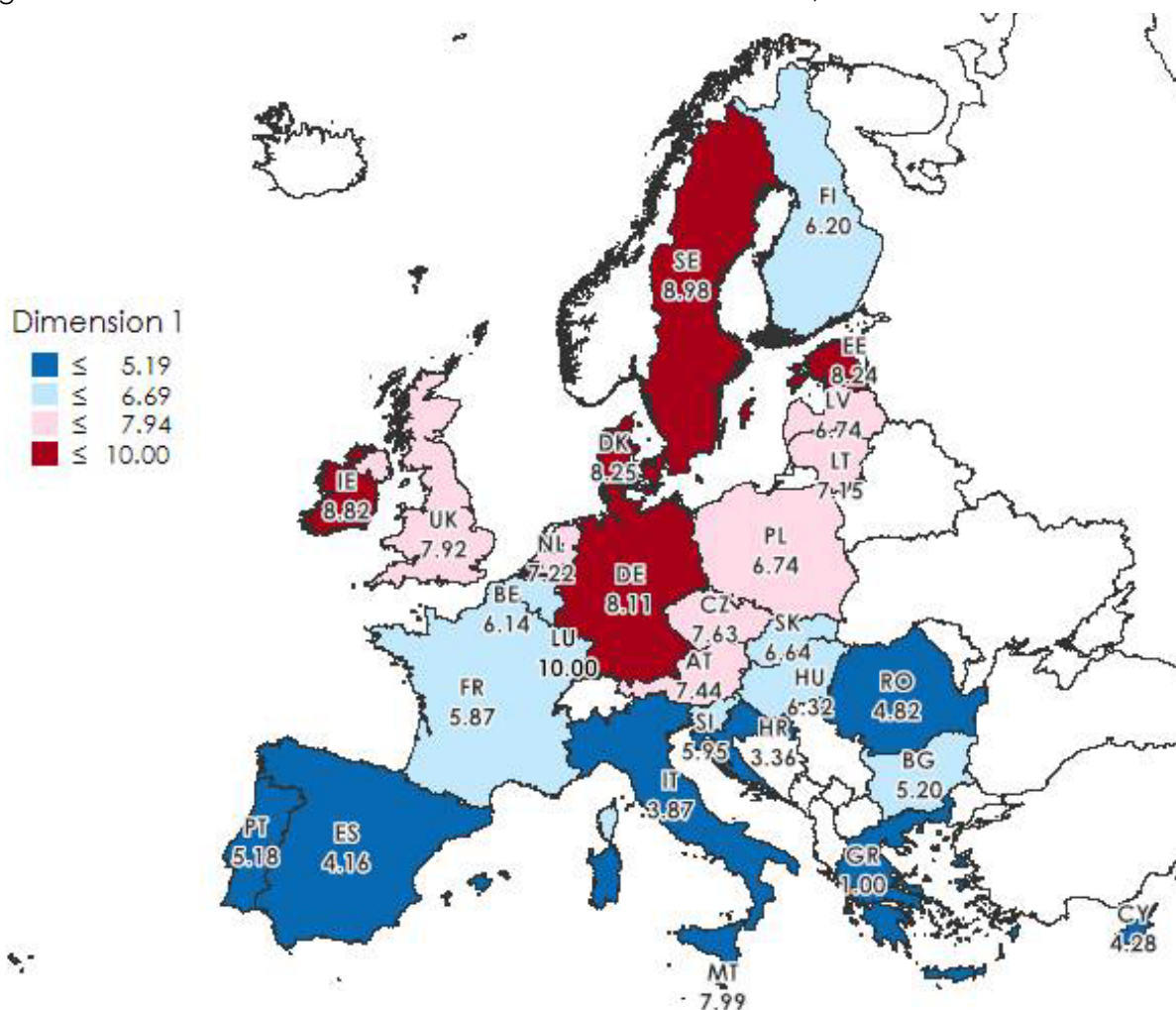
Figure 4: Grouped scaling of the five dimensions (min. 0.5 point difference), index calculation 2016



Note: The numbers on the axes represent the point values of the dimensions (for each index, 1 is the minimum and 10 the maximum value). The countries have been categorized based on differences in point values; a new group starts where the distance to the next group is at least 0.5 points. Within the groups the countries are ranked in descending order of points.

Source: Eurostat, WIFO calculations.

Figure 5: Dimension 1 – Overall Labour Market Performance Index, EU-28



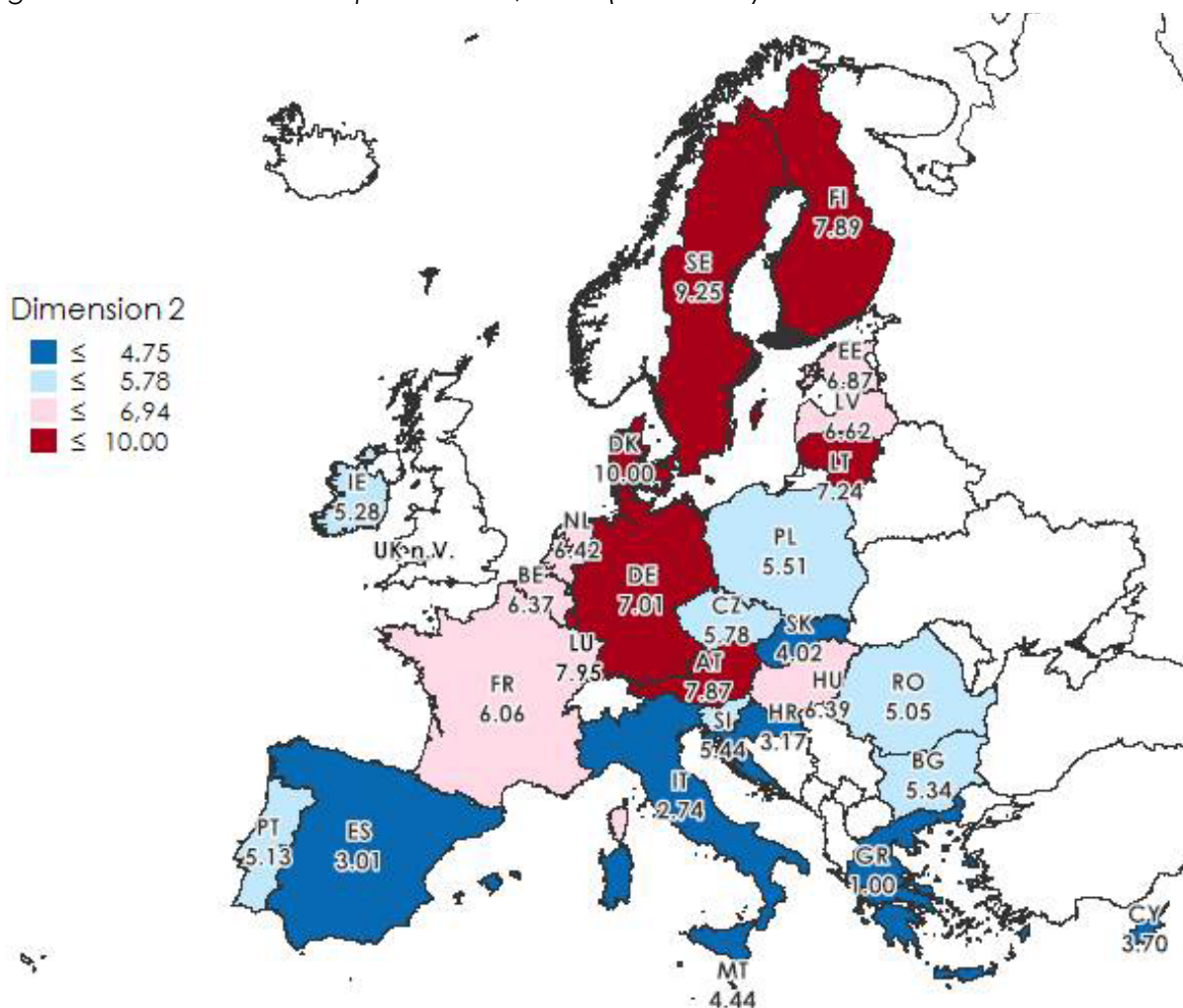
Source: Eurostat, WIFO calculations. The respective value forms the boundary to the next group: 5.19 = 25% quartile, 6.69 = 50% quartile and 7.94 = 75% quartile.

Table 1: Positioning of countries in dimension 1

		Country groups Labour Market Monitor 2016			
		Top field	Upper middle field	Lower middle field	Bottom field
Country groups Labour Market Monitor 2015	Top field	LU, SE, DK, DE, MT	UK, AT		
	Upper middle field	EE, IE	LT, CZ, NL	FI, HU	
	Lower middle field		PL, LV	BE, FR, SK, SI	RO
	Bottom field			BG	PT, IT, HR, CY, ES, GR
Country groups Labour Market Monitor 2016		LU, SE, IE, DK, EE, DE, MT	UK, CZ, AT, NL, LT, PL, LV	SK, HU, FI, BE, SI, FR, BG	PT, RO, CY, ES, IT, HR, GR

Source: Eurostat, WIFO calculations. Country categorization 2015 based on updated values. Countries along the diagonal line shaded in grey have not changed the category. Countries below the diagonal line have moved down the classification and countries above the diagonal line have moved up the classification. The data from the country groups Labour Market Monitor 2016 are based on the year 2015.

Figure 6: Dimension 2 –Participation Index, EU-28 (without UK)



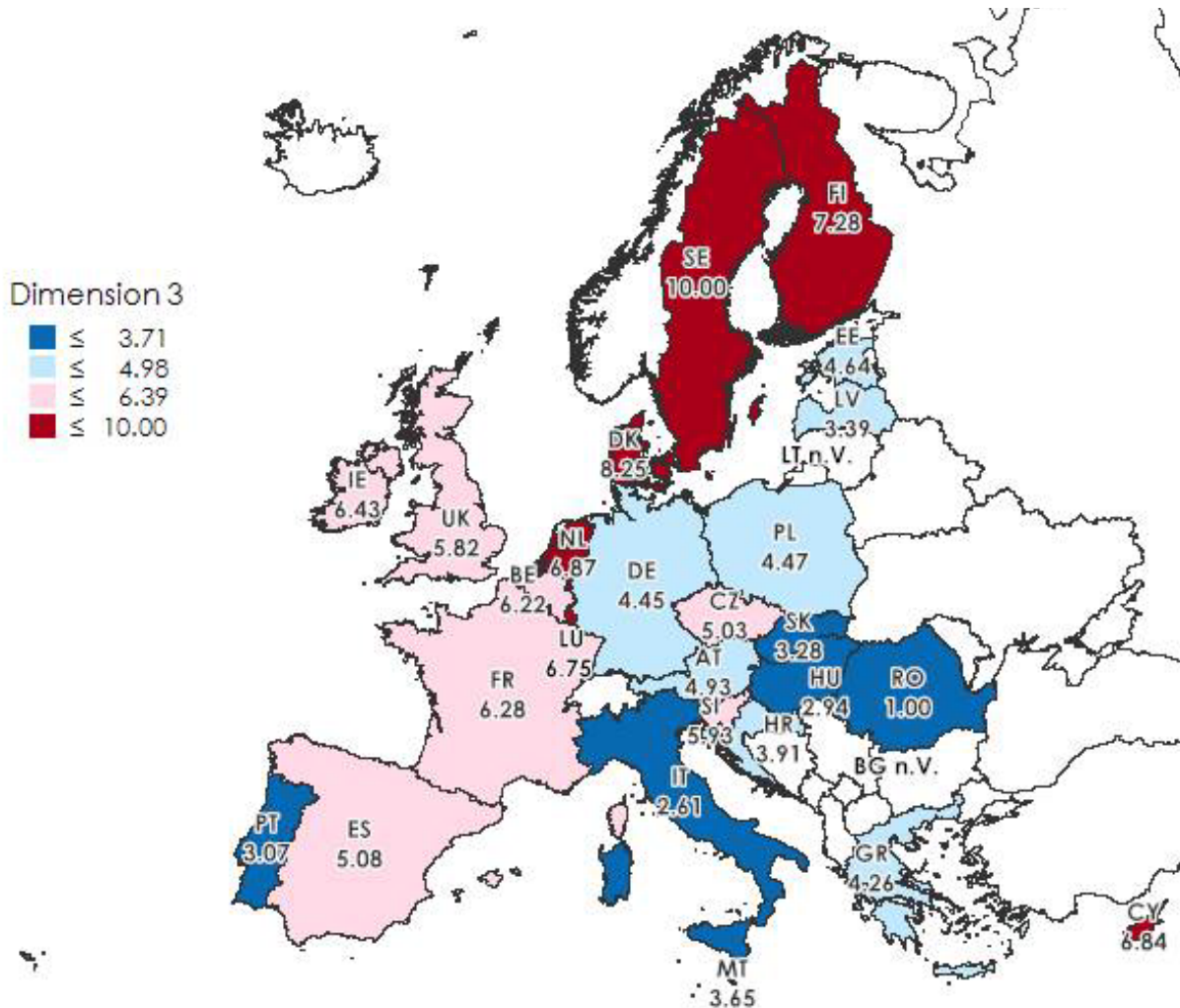
Source: Eurostat, WIFO calculations. The respective value forms the boundary to the next group: 4.75 = 25% quartile, 5.78 = 50% quartile and 6.94 = 75% quartile.

Table 2: Positioning of countries in dimension 2

		Country groups Labour Market Monitor 2016			
		Top field	Upper middle field	Lower middle field	Bottom field
Country groups Labour Market Monitor 2015	Top field	DK, SE, FI, AT, LU, DE, LT			
	Upper middle field		NL, LV, BE, EE, HU, FR		
	Lower middle field			CZ, BG, RO, SI, PL, IE, PT	
	Bottom field				MT, CY, HR, SK, ES, IT, GR
Country groups Labour Market Monitor 2016		DK, SE, LU, FI, AT, LT, DE	EE, LV, NL, HU, BE, FR	CZ, PL, SI, BG, IE, PT, RO	MT, SK, CY, HR, ES, IT, GR

Source: Eurostat, WIFO calculations. Country categorization 2015 based on updated values. Countries along the diagonal line shaded in grey have not changed the category. Countries below the diagonal line have moved down the classification and countries above the diagonal line have moved up the classification. The data from the Labour Market Monitor 2016 are based on the years 2014 and 2015.

Figure 7: Dimension 3 – Exclusion Risks on the Labour Market Index, EU-28 (without BG and LT)



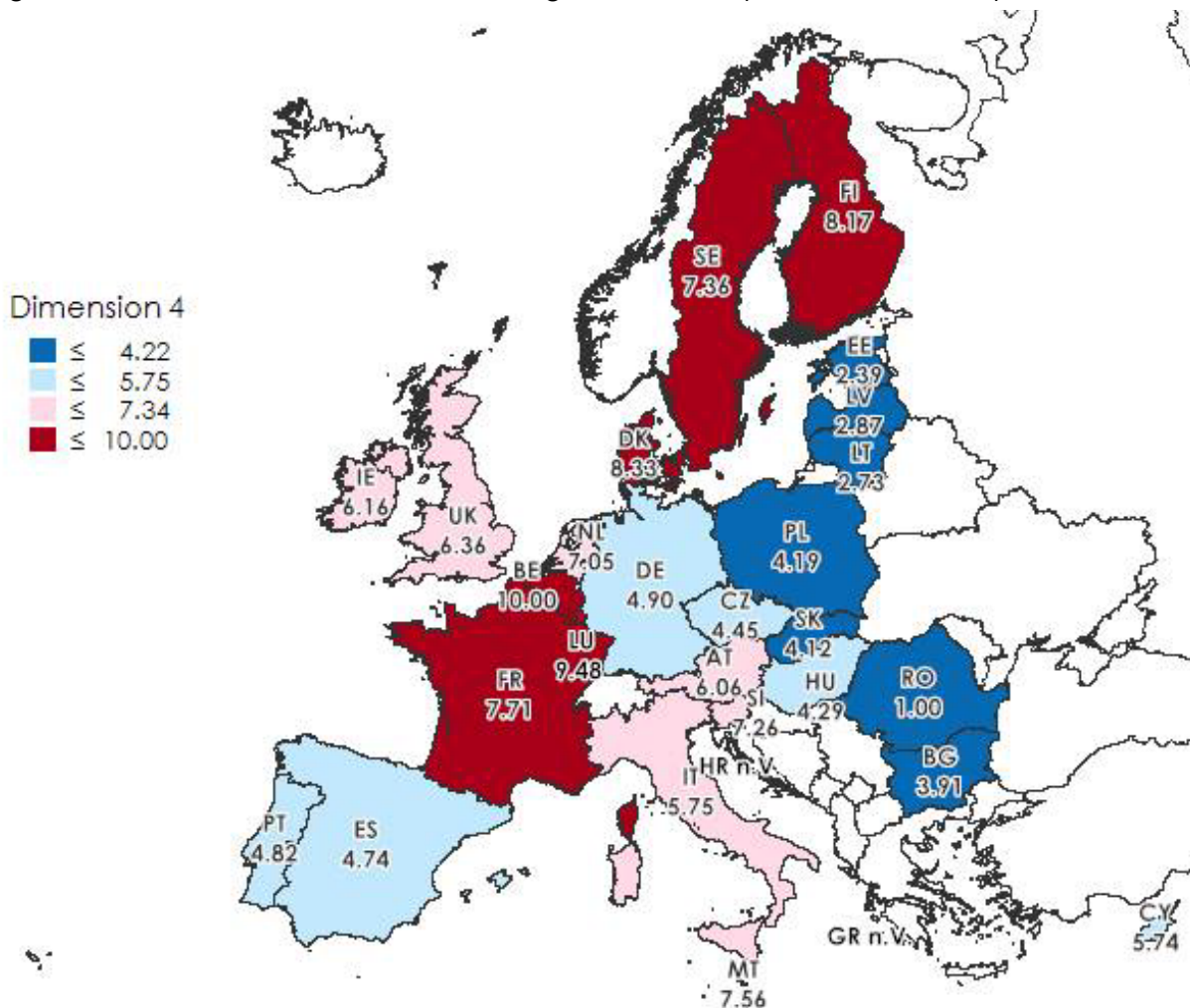
Source: Eurostat, WIFO calculations. The respective value forms the boundary to the next group: 3.71 = 25% quartile, 4.98 = 50% quartile and 6.39 = 75% quartile.

Table 3: Positioning of countries in dimension 3

		Country groups Labour Market Monitor 2016			
		Top field	Upper middle field	Lower middle field	Bottom field
Country groups Labour Market Monitor 2015	Top field	SE, DK, LU, FI, IE, NL, CY			
	Upper middle field		FR, BE, UK, SI, ES	AT	
	Lower middle field		CZ	DE, PL, EE, GR	MT
	Bottom field			HR	PT, LV, SK, HU, IT, RO
Country groups Labour Market Monitor 2016		SE, DK, FI, NL, CY, LU, IE	FR, BE, SI, UK, ES, CZ	AT, EE, PL, DE, GR, HR	MT, LV, SK, PT, HU, IT, RO

Source: Eurostat, WIFO calculations. Country categorization 2015 based on updated values. Countries along the diagonal line shaded in grey have not changed the category. Countries below the diagonal line have moved down the classification and countries above the diagonal line have moved up the classification. The data from the Labour Market Monitor 2016 are based on the years 2010, 2014 and 2015.

Figure 8: Dimension 4 – Distribution of Earnings Index, EU-28 (without GR and HR)



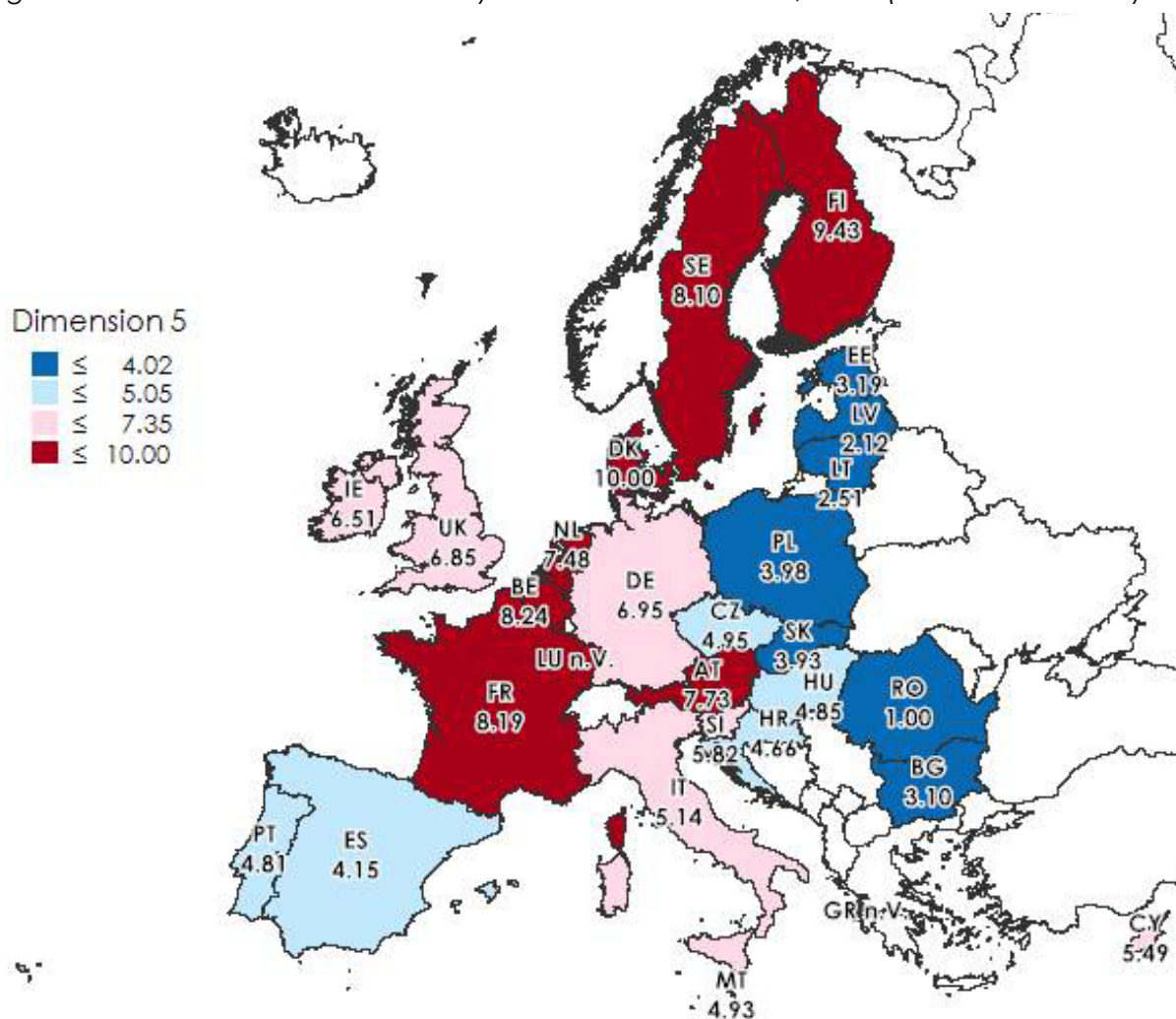
Source: Eurostat, WIFO calculations. The respective value forms the boundary to the next group: 4.22 = 25% quartile, 5.75 = 50% quartile and 7.34 = 75% quartile.

Table 4: Positioning of countries in dimension 4

		Country groups Labour Market Monitor 2016			
		Top field	Upper middle field	Lower middle field	Bottom field
Country groups Labour Market Monitor 2015	Top field	BE, LU, DK, FI, FR, MT	SI		
	Upper middle field	SE	NL, IE, AT, UK	CY	
	Lower middle field		IT	DE, PT, CZ, ES, HU	
	Bottom field				PL, SK, BG, LT, LV, EE, RO
Country groups Labour Market Monitor 2016		BE, LU, DK, FI, FR, MT, SE	SI, NL, UK, IE, AT, IT	CY, DE, PT, ES, CZ, HU	PL, SK, BG, LV, LT, EE, RO

Source: Eurostat, WIFO calculations. Country categorization 2015 based on updated values. Countries along the diagonal line shaded in grey have not changed the category. Countries below the diagonal line have moved down the classification and countries above the diagonal line have moved up the classification. The data from the country group for Labour Market Monitor 2016 are based on the years 2014 and 2015.

Figure 9: Dimension 5 – Redistribution by the Welfare State Index, EU-28 (without GR and LU)



Source: Eurostat, WIFO calculations. The respective value forms the boundary to the next group: 4.02 = 25% quartile, 5.05 = 50% quartile and 7.35 = 75% quartile.

Table 5: Positioning of countries in dimension 5

		Country groups Labour Market Monitor 2016			
		Top field	Upper middle field	Lower middle field	Bottom field
Country groups Labour Market Monitor 2015	Top field	DK, FI, NL, IE, BE, FR, SE			
	Upper middle field		AT, UK, DE, CY, SI, CZ		
	Lower middle field			HU, MT, IT, PT, ES, HR	
	Bottom field				SK, PL, EE, LT, BG, LV, RO
Country groups Labour Market Monitor 2016		DK, FI, BE, IE, SE, FR, NL	AT, UK, DE, CY, SI, CZ	HU, MT, IT, PT, HR, ES	PL, SK, LT, EE, BG, LV, RO

Source: Eurostat, WIFO calculations. Country categorization 2015 based on updated values. Countries along the diagonal line shaded in grey have not changed the category. Countries below the diagonal line have moved down the classification and countries above the diagonal line have moved up the classification. The data from the country groups of the Labour Market Monitor 2016 are based on the years 2013, 2014 and 2015.

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