An Austrian business perspective

CRF Conference Vienna 2015

Karl Zehetner
Introduction Karl Zehetner

• Master’s degree in engineering and PhD from Graz University of Technology
• Eight years Senior Project Manager at a German consultancy, management of IT and organisation projects in D, A, SLO, CDN, F
• Eight years Professor for Business Economics and MBA programme director at an Austrian Private University
• Four years Professor for Financial Leadership and director of a master’s degree programme at an Austrian University of Applied Sciences
AUSTRIA – Facts & Figures

Population: ~ 8.5 million

Capital: Vienna
- 1.8 million population
  - 61% Austrians,
  - 39% non-nationals

2014 Mercer Survey
Quality of Living worldwide ranking

1. Vienna
2. Zurich
3. Auckland
4. Munich
5. Vancouver

Austria is often associated with...
Austria’s sports successes

Austria is the 2015 world champion in table football!
Austria is often associated with...
Austrian School of Economics

Carl Menger
Principles of Economics

Eugen Böhm von Bawerk
Capital and Interest

Ludwig von Mises
Human Action

Friedrich von Hayek
Individualism and Economic Order
Talking points

1. Austria’s economy
2. Some glimpses on the job market in Austria
   - Expatriates: A comparative survey Vienna-London
   - The academic job market in Austria
3. Current political issues
   - Austria and the Euro
   - Tax and social security issues
   - Migration and Islam in Austria
   - Massive changes in Austria’s political landscape
1. Austria’s economy

Austria is a wealthy nation

GDP (nominal) per capita in 1000 USD
Highest 25, IMF 2014

GDP split in Austria:
• Agriculture 1.6%
• Industry 28.6%
• Services 69.8%
1. Austria’s economy

Austria is highly industrialized

Industries in Austria

- All of Austria
  - Food & Beverages
  - Machinery, Engineering
  - Chemistry
  - Automotive
  - Wood and Paper

- Upper Austria
  - Steel
  - Machinery
  - Chemistry

- Vienna
  - Finance

- Salzburg
  - Retail HQs
  - Wood, Paper
  - Electric Supplies

- Styria
  - Automotive
  - Steel
  - Plant Engineering

- Carinthia
  - Wood, Paper

- Tyrol
  - Glass & Crystal Jewelry
  - Wood

- Vorarlberg
  - Textiles
  - Lighting
1. Austria’s economy

Austria’s biggest corporations

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Industry</th>
<th>Revenue (Mio €)</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rewe International AG</td>
<td>Retail</td>
<td>13 020</td>
<td>76 174</td>
</tr>
<tr>
<td>2</td>
<td>Spar Österreich</td>
<td>Retail</td>
<td>12 630</td>
<td>73 335</td>
</tr>
<tr>
<td>3</td>
<td>Strabag SE</td>
<td>Construction</td>
<td>13 566</td>
<td>72 906</td>
</tr>
<tr>
<td>4</td>
<td>voestalpine AG</td>
<td>Steel</td>
<td>11 190</td>
<td>47 418</td>
</tr>
<tr>
<td>5</td>
<td>Magna International Europe AG</td>
<td>Automotive, Machinery</td>
<td>10 906</td>
<td>46 150</td>
</tr>
<tr>
<td>6</td>
<td>ÖBB</td>
<td>National Railway</td>
<td>5 270</td>
<td>41 090</td>
</tr>
<tr>
<td>7</td>
<td>Porsche Holding GmbH</td>
<td>Car Dealer (VW group)</td>
<td>17 100</td>
<td>32 307</td>
</tr>
<tr>
<td>8</td>
<td>Swarovski</td>
<td>Jewelry</td>
<td>3 050</td>
<td>30 000</td>
</tr>
<tr>
<td>9</td>
<td>Benteler International AG</td>
<td>Automotive, Machinery</td>
<td>7 556</td>
<td>27 559</td>
</tr>
<tr>
<td>10</td>
<td>OMV AG</td>
<td>Oil &amp; Gas</td>
<td>35 913</td>
<td>25 501</td>
</tr>
<tr>
<td>11</td>
<td>Andritz AG</td>
<td>Plant Engineering</td>
<td>5 859</td>
<td>24 211</td>
</tr>
<tr>
<td>12</td>
<td>Österr. Post AG</td>
<td>National Mail</td>
<td>2 371</td>
<td>23 912</td>
</tr>
<tr>
<td>13</td>
<td>Mondi AG</td>
<td>Packaging</td>
<td>5 905</td>
<td>23 403</td>
</tr>
<tr>
<td>14</td>
<td>Novomatic</td>
<td>Gambling</td>
<td>3 826</td>
<td>23 000</td>
</tr>
</tbody>
</table>

Austria's economy is dominated by small and medium-sized enterprises!
1. Austria’s economy

Tourism contributes 13.7% to Austria’s GDP

- Very high importance
  - Croatia (27.6 %)
  - Malta (26.4 %)
  - Albania (22.0 %)
- High importance
  - Cyprus (17.5 %)
  - Montenegro (17.2 %)
  - Iceland (17.0 %)
  - Greece (16.8 %)
  - Portugal (15.4 %)
  - Spain (14.7 %)
  - Austria (13.7 %)
  - Slovenia (12.7 %)
  - Bulgaria (12.3 %)
  - Estonia (12.0 %)
  - Turkey (10.9 %)
  - Hungary (10.3 %)
- Average importance
  - France (9.2 %)
  - Switzerland (8.5 %)
  - Italy (8.5 %)
  - Czech Republic (8.3 %)
  - Latvia (8.0 %)
  - Armenia (7.6 %)
  - Bosnia-Herceg. (7.3 %)
  - Ukraine (7.3 %)
  - Ireland (7.1 %)
  - Azerbaijan (6.9 %)
  - UK (6.7 %)
  - Serbia (6.2 %)
  - Denmark (6.1 %)
  - Finland (6.1 %)
  - Norway (6.0 %)
  - Russia (5.9 %)
  - Slovakia (5.8 %)
  - Netherlands (5.7 %)
  - Luxembourg (5.6 %)
  - Sweden (5.5 %)
- Low importance
  - Kazakhstan (4.9 %)
  - Belgium (4.9 %)
  - Macedonia (4.7 %)
  - Poland (4.7 %)
  - Romania (4.7 %)
  - Germany (4.4 %)
  - Belarus (4.3 %)
  - Lithuania (3.9 %)
  - Moldova (3.1 %)
1. Austria’s economy

High importance of tourism industry

Tourism contributes 6,421 USD to Austria’s national GDP per capita!

2014:
25.3 mio. tourists from abroad, spending 96.2 mio. room-nights (= 75% of all nights).

Most visitors from:
1. Germany
2. Netherlands
3. Switzerland
4. Italy
5. UK
1. Austria’s economy

Low unemployment rate

Pretty well, but...

- Creative statistics
- Hidden forms of unemployment
- Low retirement age (in the EU, only IT, FR and most eastern countries are lower)
- In 2014, Austria fell behind Germany

Eurostat / Reuters
Vienna in direct comparison with London

2. Some glimpses on the job market in Austria

2. Some glimpses on the job market in Austria

Career impact – results for Vienna

Knowing-how
- 6.2 percent - no increase in knowing-how
- 27.5 percent - great or very great increase
- Difference of 21.3 percentage points in favour of increase

Knowing-whom
- Difference of 4.1 percentage points in favour of no increase

Knowing-why
- Difference of 10.7 percentage points in favour of increase

2. Some glimpses on the job market in Austria

Why working in Vienna?

Why do people choose Vienna?

Vienna’s reputation for enhancing career prospects

- Very important to one's career: 12.7%
- May enhance career prospects: 40.1%
- Makes little or no difference: 25.7%
- May be detrimental to one's career: 4.5%
- Not relevant: 17.1%

"I would recommend Vienna to my colleagues as a good place to work"

- Strongly agree: 31.4%
- Agree: 46.5%
- Neutral: 14.0%
- Disagree: 3.0%
- Strongly disagree: 5.2%

The student, the unknown creature

Student (72%) and alumni (28%) survey, University of Linz, 2013:

Top career goals:

1. Work-life-balance (65%)
2. Intellectually challenging tasks
3. Secure job
4. Executive function ~25%
5. Entrepreneurship ~10%

Preferred employer (multiple answers allowed):

- Government service: 30.8%
- Consulting & audit: 26.8%
- Research & teaching: 26.4%
- Bank & Insurance: 20.2%
- Marketing & PR: 17.8%
- IT: 16.4%
- Automobile: 12.3%
- Green jobs: 11.7%
- All other jobs: less than 10%
2. Some glimpses on the job market in Austria

University system in Austria: three types

- **State-owned Universities**
  - since 1365
  - Free access, no tuition fees
  - Must accept every applicant who meets formal requirements

- **Private Universities**
  - since 2002
  - No govt. funding; tuition fees
  - Individual access rules

- **Universities of Applied Sciences (FH)**
  - since 1994
  - 90% govt. funding, 10% tuition fee
  - Limited access!
2. Some glimpses on the job market in Austria

Gender split (State-owned Universities)
2. Some glimpses on the job market in Austria

Gender split (FH)

The more freedom of choice, the more distinct the gender split
2. Some glimpses on the job market in Austria

The rising importance of the „FH“ sector

- State-owned Universities
- Universities of Applied Sciences (FH)

- State-owned Universities consume huge funds, suffer many drop-outs, produce work-life-balance-oriented alumni for governmental service
- FH-sector consumes fewer resources, has few drop-outs, produces career-oriented alumni for national and international enterprises and corporations
3. Current political issues

High public debt

% of GDP, 2014

OECD 2014
3. Current political issues

Positive current account balance

Current account balances 2012
3. Current political issues

Stabilizing the Euro: How much money is involved for Austria?

A calculation I made in 2012:

<table>
<thead>
<tr>
<th>Status: 2011, in Billion€</th>
<th>Austria</th>
<th>Eurozone</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of IMF credit</td>
<td>2.08</td>
<td>50.62</td>
<td>approx. 200 Billion by non-EU countries</td>
</tr>
<tr>
<td>Share of ESM (sash)</td>
<td>2.39</td>
<td>80.00</td>
<td>Funding obligation &quot;unconditionally and irrevocably&quot;</td>
</tr>
<tr>
<td>Share of ESM (guarantees)</td>
<td>20.93</td>
<td>500.00</td>
<td>2012: Extension agreed to 700</td>
</tr>
<tr>
<td>Share of IMF rescue plan for Greece</td>
<td>0.25</td>
<td>6.07</td>
<td>approx. 24 Billion by non-EU countries</td>
</tr>
<tr>
<td>Share of EU rescue plan for Greece</td>
<td>2.39</td>
<td>80.00</td>
<td></td>
</tr>
<tr>
<td>Share of ECB bond purchase</td>
<td>2.87</td>
<td>96.00</td>
<td></td>
</tr>
<tr>
<td>Share of Target-2 liabilities</td>
<td>10.17</td>
<td>340.00</td>
<td>Status April 2012: 200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41.08</strong></td>
<td><strong>1152.69</strong></td>
<td>Status March 2012: 800</td>
</tr>
</tbody>
</table>

Greece 2015 not included!

For comparison:

2011 Public Debt in Austria : 215 Billion €
Let’s say you agree a total compensation of 50 000 € annually with a new employee ...

Employer's cost = 100%

Employer's total annual cost: 65 494 €
Employer's social security contribution: 15 494 €
**Employee's gross income**: 50 000 €
Employee's social security contribution: 8 964 €
Employee's income tax: 9 370 €
Net income: 31 666 €

Source: Brutto-netto-Rechner, Federal Ministry of Finance 2015
3. Current political issues

Pressure by social security authorities

Austrian employers do not fear the tax authorities at all. They fear the social security authorities!

► Ever increasing pressure on employers to squeeze out more social security contribution.
► Social security authorities will try to reclassify subcontractors ex-post as employees!
► Supplementary payments for a couple of past years (>30% of total compensation)!
► The whole risk is with the employers!
► Most affected industries: Consultancies, private higher education, IT industry
3. Current political issues

The taxpayer: an endangered species

2.54 Mio.
Austrians earn less than 15,000 €
(gross annually)

- Share of all taxpayers: 37%
- 0.2% of total tax
- Income tax: 49
- Transfers: -2735
- BALANCE: -2686

2.55 Mio.
Austrians earn 15,000 – 30,000 €
(gross annually)

- Share of all taxpayers: 38%
- 18.4% of total tax
- Income tax: 4798
- Transfers: -4352
- BALANCE: 446

1.71 Mio.
Austrians earn More than 30,000 €
(gross annually)

- Share of all taxpayers: 25%
- 81.4% of total tax
- Income tax: 21240
- Transfers: -2267
- BALANCE: 18973

The whole income tax load is provided by 25% of taxpayers
(53% of it by just 3.3% of all taxpayers, 34% of it by just 1.4% of all taxpayers)
In 1878, Austria-Hungary occupied Bosnia-Hercegovina and annexed it in 1908.

600,000 Muslims lived in the territory and became Austrian-Hungarian citizens.

1912: *Islamgesetz* (Law regarding the approval of Islam as a religious community) – Official status, unique in Europe.
3. Current political issues

Muslims in Austria – Unique situation

- The *Islamgesetz* helped to integrate Muslims when their number grew in the 1970s and in the 2000s
- High level of integration
- No ghettos, no slums, no “no-go-areas” anywhere in Austria

<table>
<thead>
<tr>
<th>Muslims in Austria</th>
<th>Population</th>
<th>Muslims</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971</td>
<td>7 491 526</td>
<td>22 267</td>
<td>0,3 %</td>
</tr>
<tr>
<td>1981</td>
<td>7 555 338</td>
<td>76 939</td>
<td>1,0 %</td>
</tr>
<tr>
<td>1991</td>
<td>7 795 786</td>
<td>158 776</td>
<td>2,0 %</td>
</tr>
<tr>
<td>2001</td>
<td>8 032 926</td>
<td>338 988</td>
<td>4,2 %</td>
</tr>
<tr>
<td>2009</td>
<td>8 355 260</td>
<td>515 914</td>
<td>6,2 %</td>
</tr>
</tbody>
</table>

- However, like from other European countries, there are about 100 – 150 Austrian IS-fighters

Austrian Guard at a parade in Paris 40% of the 800 guards are Muslims
Migration until August 2015

Asylum seekers per million population, 2013

Until summer 2015 ~370 asylum seekers per day
~75% young men
~25% asylum granted
very few deportations

Austria has experience:
Since 1945 ~ 2 Mio. refugees in Austria,
~ 700 000 stayed

1956/57 180 000 Hungarians
1968 162 000 Czechs ans Slovaks
1991/92 106 000 Croats and Bosnians
3. Current political issues

Migration since September 2015

- Total loss of control over borders
- Approx. 100,000 unregistered persons between Sep. 5 and Sep. 21
- Up to 1,000,000 expected this year, most of them move on to Germany
- 80,000 asylum applications expected in Austria in 2015
- Massive political implications expected
Media landscape in Austria

► Austria was the last European country to allow private TV (1998) (only to avoid a sentence of the European Court of Human Rights)
► Full governmental control over national TV, “ORF”
► Press is highly economically dependent on governmental ads
► TV and press coverage of governmental policy is affirmative, never critical, “Journalism replaced by affirmative action”
► No separation of fact reporting and comment.

Consequences:
► Increasing distrust in traditional media
► Rising influence of social media, political blogs, foreign TV (eg Russia Today) on public opinion
► Oppositional parties are heavily using social media
Changing political landscape: Austria

Coalition of Socialdemocrats (SPÖ) and Conservatives (ÖVP).
Predominant model since 1945, with few exceptions.
Recent Gallup polls show a landslide loss of confidence into these two parties and a huge increase in trust for the right-wing “Liberal Party” (FPÖ).

Gallup poll
Sept 4, 2015
(before migrant crisis)
for Austrian parliament
n=400 4,9%

Next election for national parliament: 2018
3. Current political issues

Changing political landscape: Vienna

Vienna: Next city council elections on Oct 11, 2015

Gallup poll
Sept 5, 2015
(before migrant crisis)
for Vienna city council
n=400 4,9%

34
(-10,34)

32
(+6,23)

11
(-2,99)

13
(+0,36)

6
(n. k.)

%