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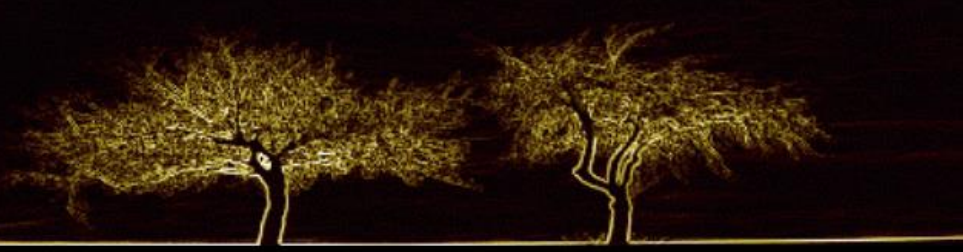
Research • Consulting • Academic Training

Dr. Karl Zehetner KG

An Austrian business perspective

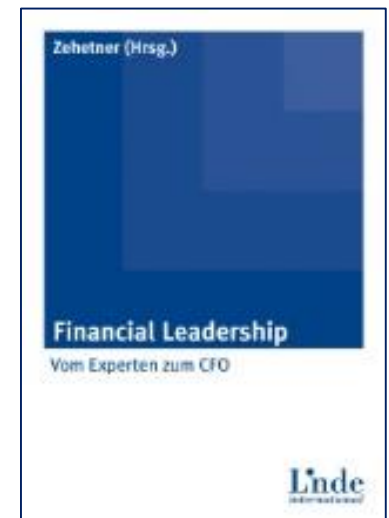
CRF Conference Vienna 2015

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

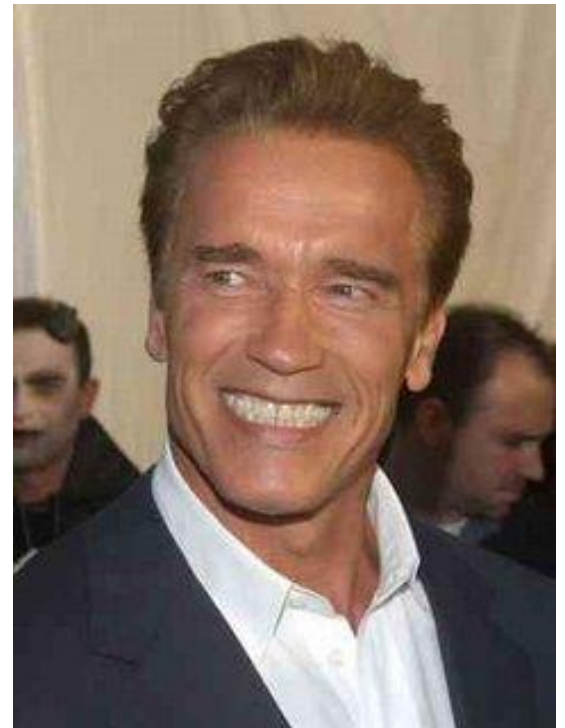
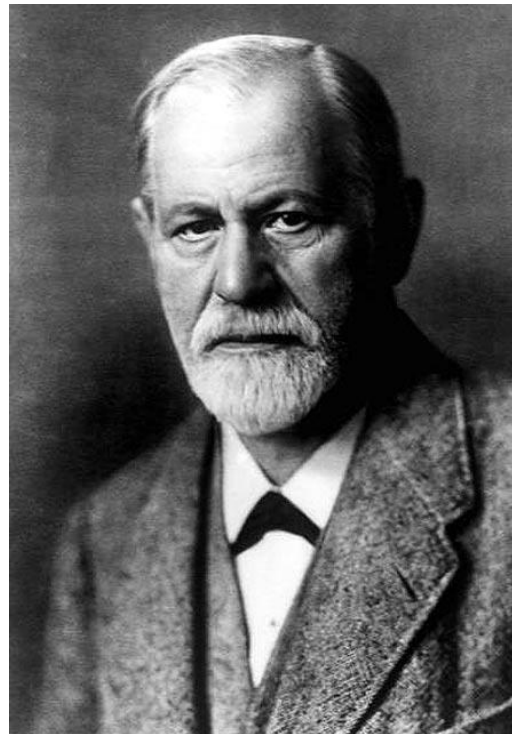
- 1.8 million population
- 61% Austrians,
- 39% non-nationals

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



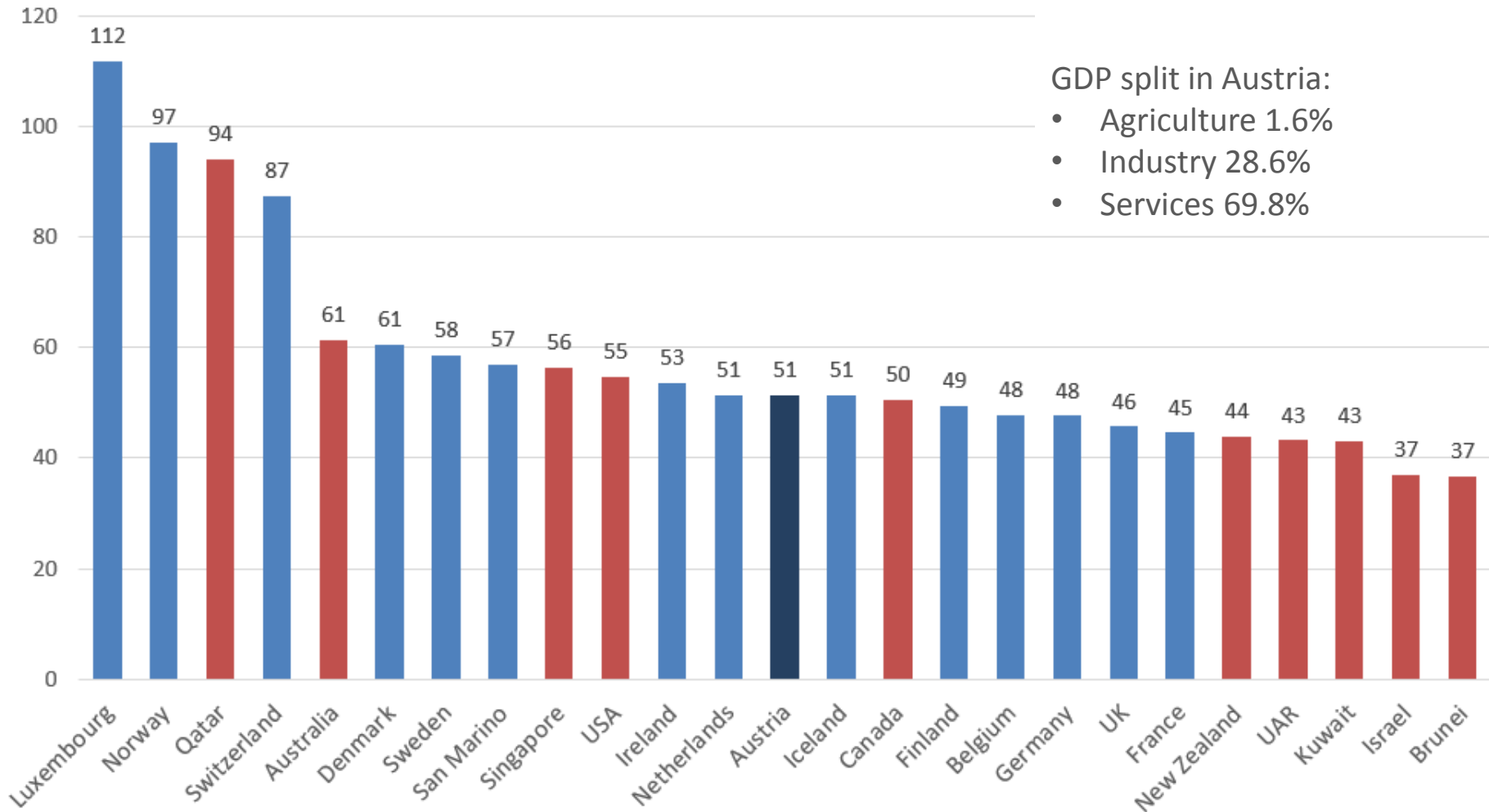
Friedrich von Hayek
*Individualism and
Economic Order*

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

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%

Austria is highly industrialized



1. Austria's economy

Austria's biggest corporations



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

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-Herzeg. (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

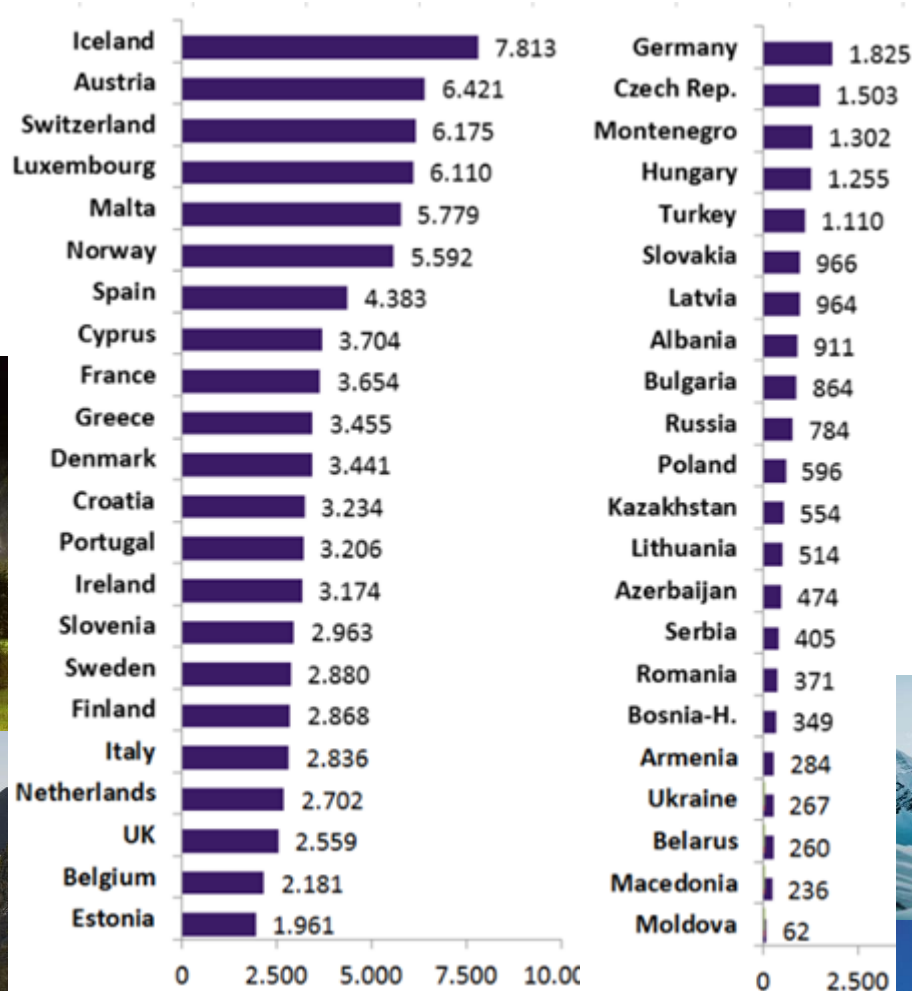
- Kazakhstan (4,9 %)
- Belgium (4,9 %)
- Macedonia (4,7 %)
- Poland (4,7 %)
- Romania (4,7 %)
- Germany (4,4 %)
- Belarus (4,3 %)
- Lithuania (3,9 %)
- Moldova (3,1 %)



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).

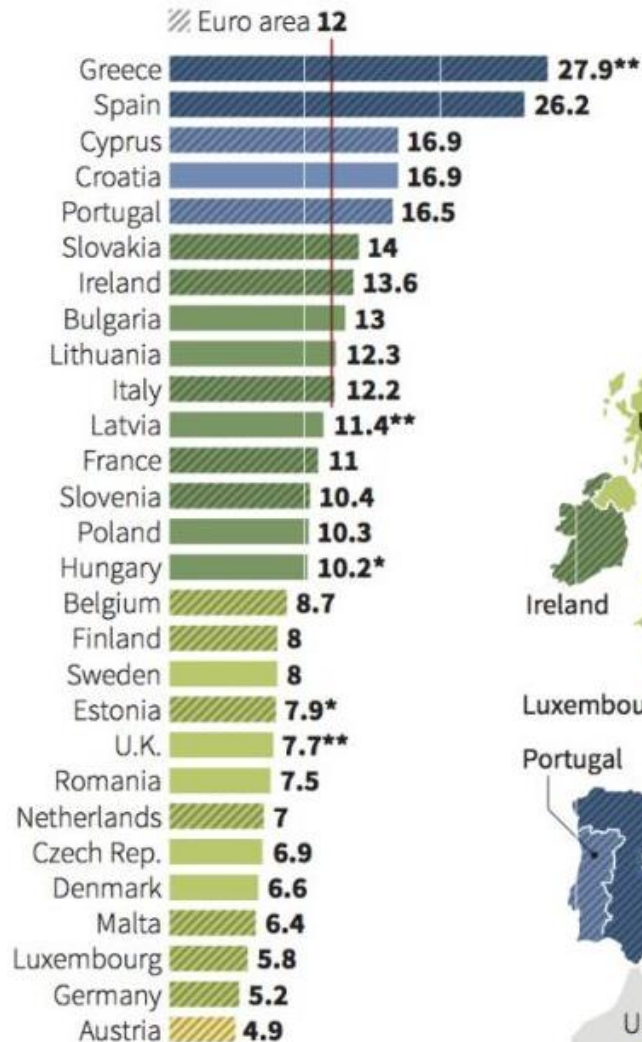
Most visitors from:

1. Germany
2. Netherlands
3. Switzerland
4. Italy
5. UK



Low unemployment rate

UNEMPLOYMENT RATE — SEASONALLY-ADJUSTED, August 2013 (%)



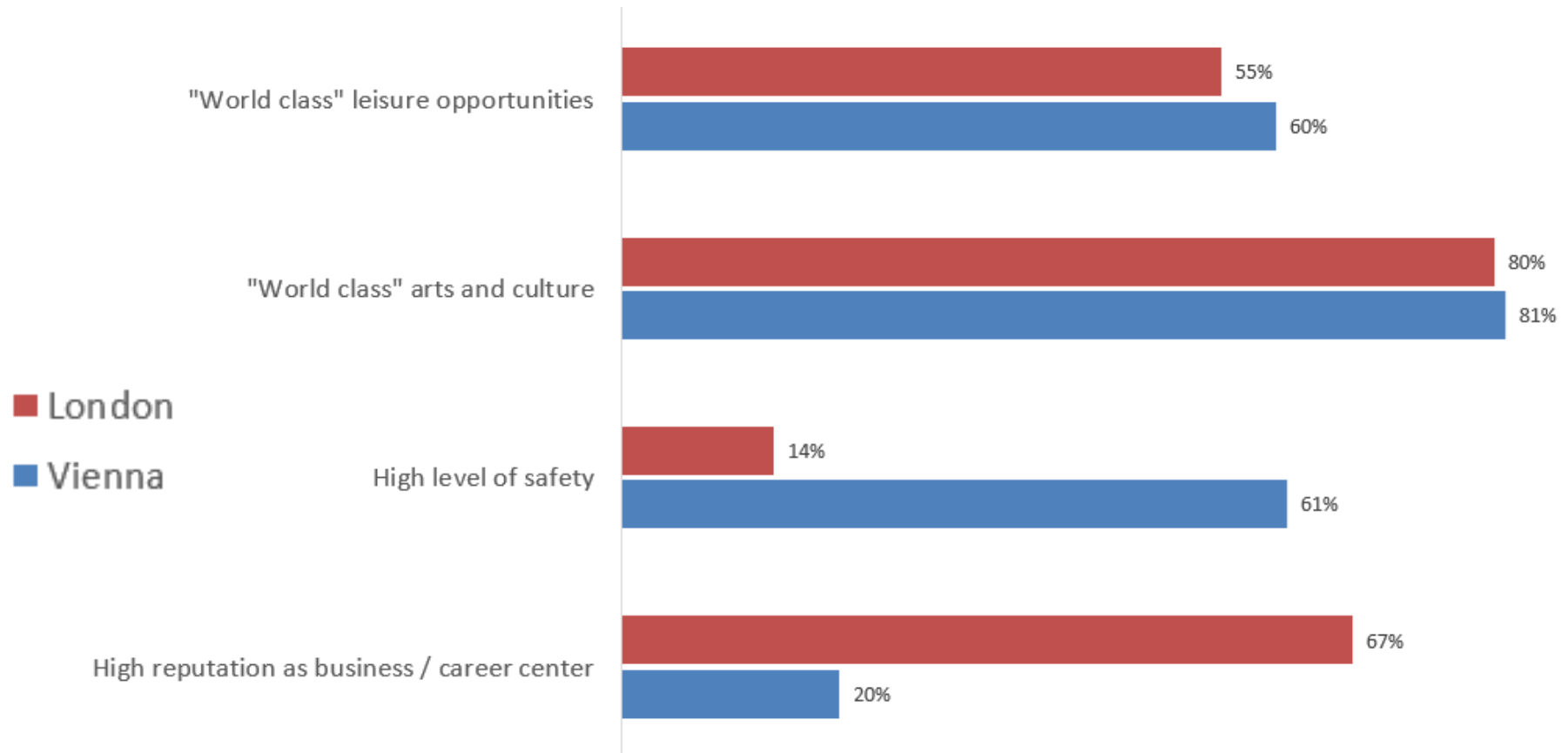
Eurostat / Reuters



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

Vienna in direct comparison with London



Dickmann, M., & Mills, T. 2005. The Impact of London on the Careers of Overseas Individuals. London: Think London.

Haslberger, A., & Zehetner, K 2008. Attractiveness of Vienna for Expatriates. City of Vienna

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

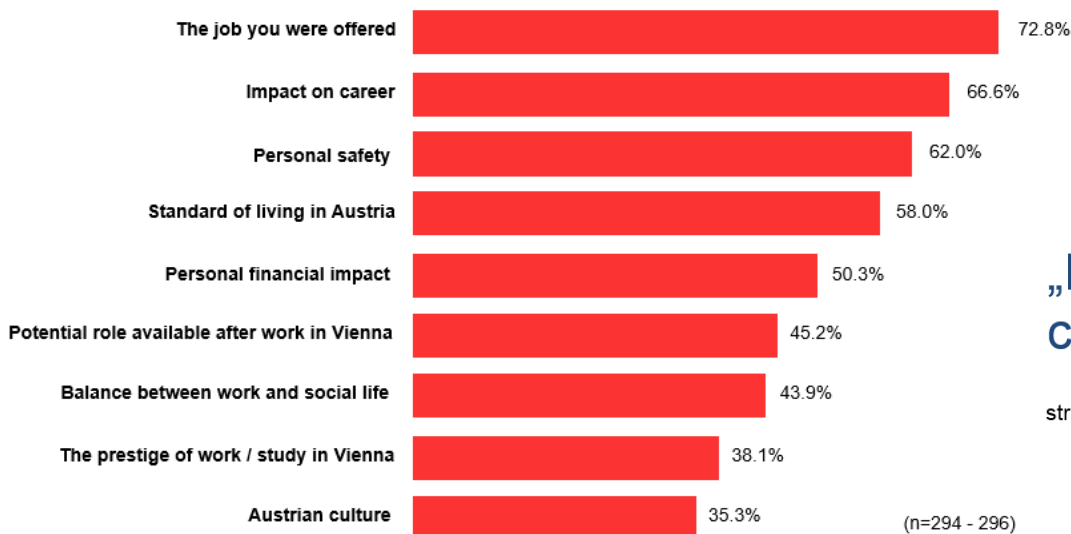
Knowing-why



- Difference of 10.7 percentage points in favour of increase

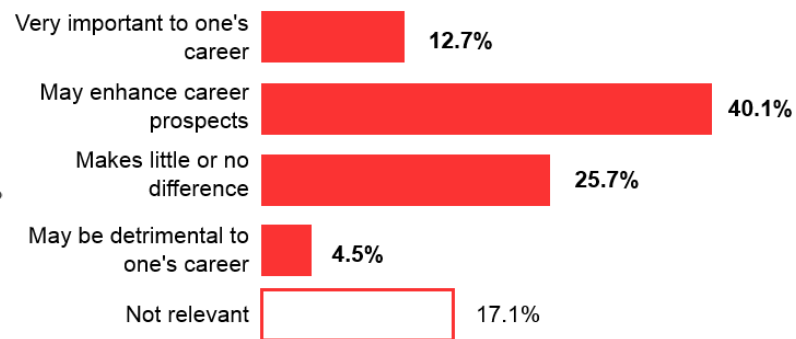
Why working in Vienna?

Why do people choose Vienna?



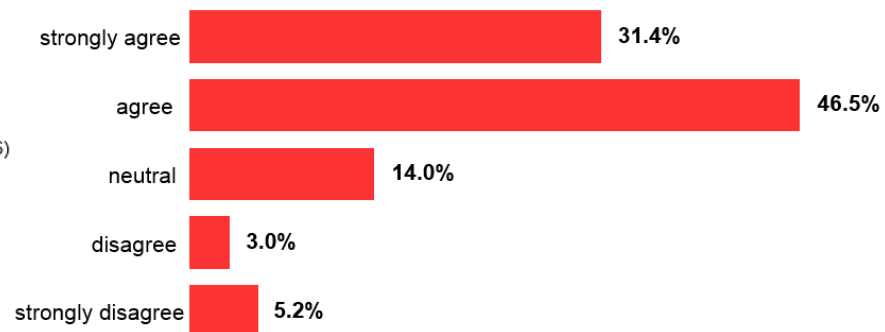
Haslberger, A., & Zehetner, K 2008.
Attractiveness of Vienna for Expatriates. City of Vienna

Vienna's reputation for enhancing career prospects



(n=292)

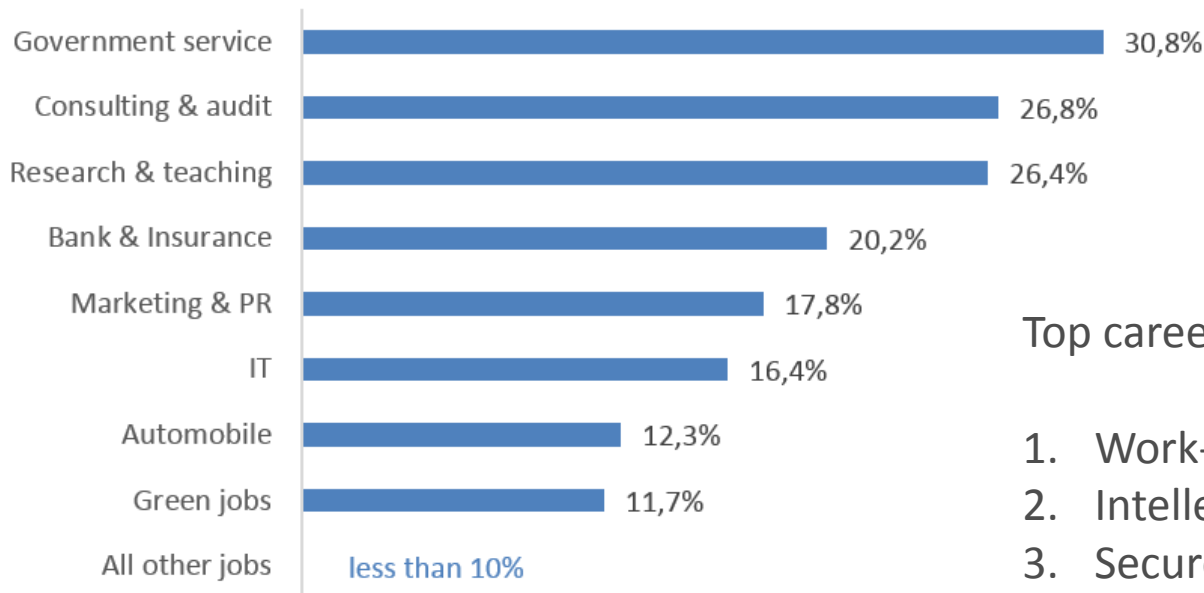
„I would recommend Vienna to my colleagues as a good place to work“



The student, the unknown creature

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

Preferred employer (multiple answers allowed)



Top career goals:

1. Work-life-balance (65%)
2. Intellectually challenging tasks
3. Secure job

.....

Executive function ~25%

Entrepreneurship ~10%

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

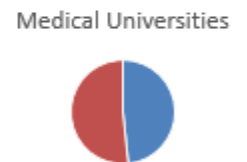
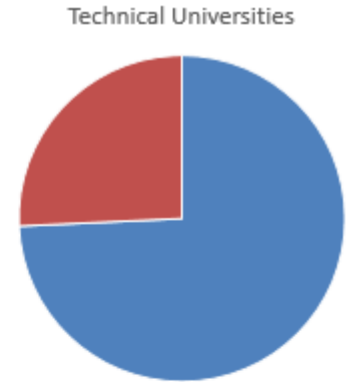
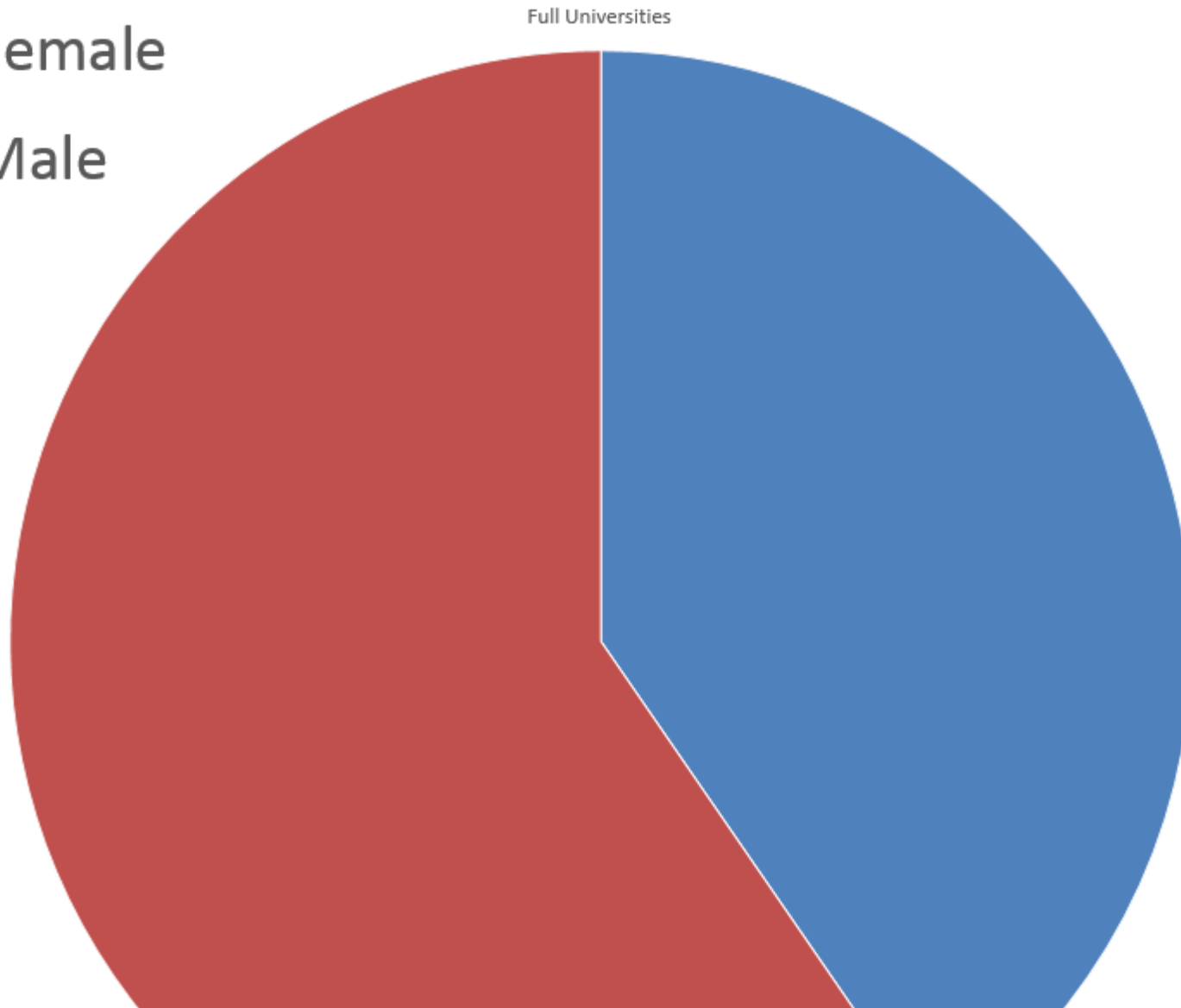
90% govt. funding, 10% tuition fee
Limited access!



Gender split (State-owned Universities)



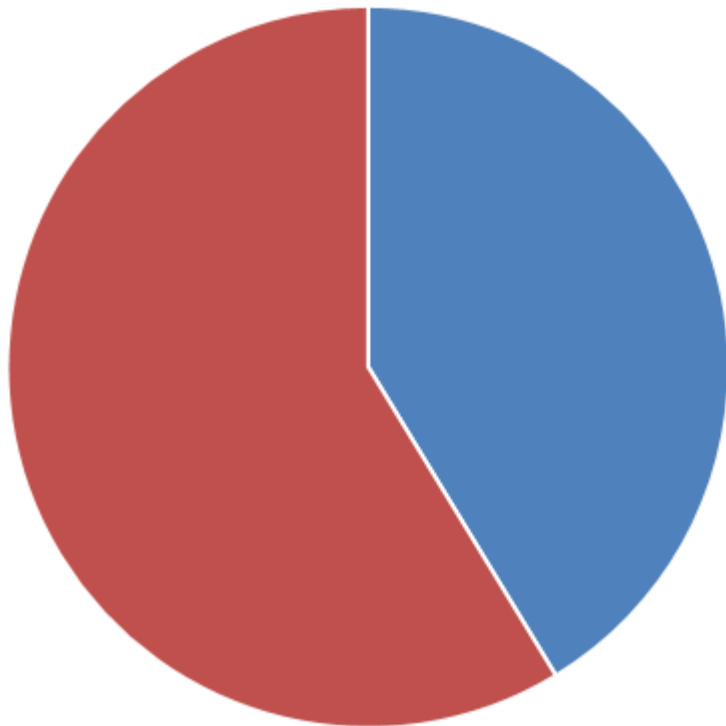
■ Female
■ Male



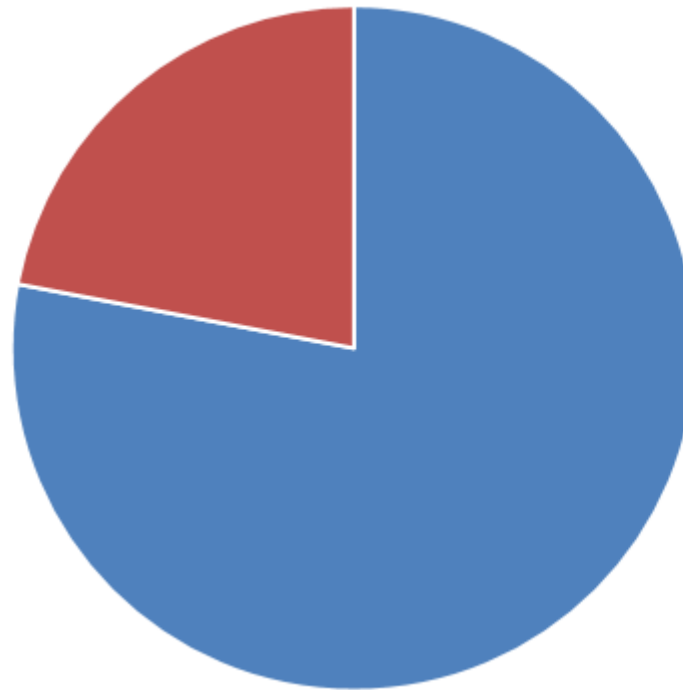
Gender split (FH)



Business, Economics



Technology, Engineering



Health Science



Social Sciences



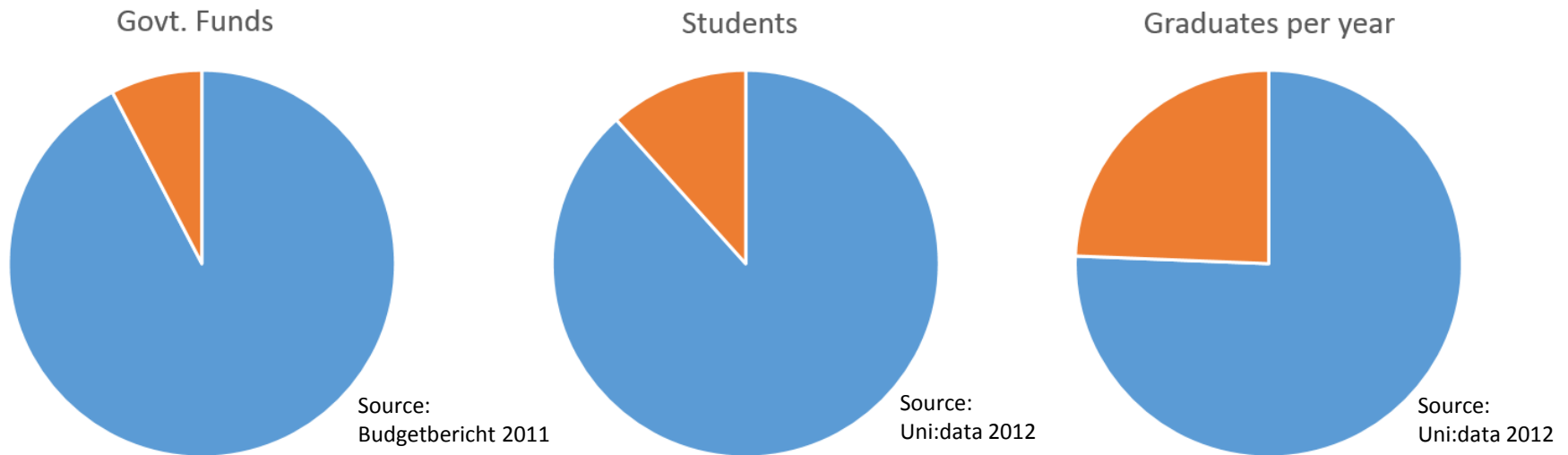
Female

Male

The more freedom of choice, the more distinct the gender split

The rising importance of the „FH“ sector

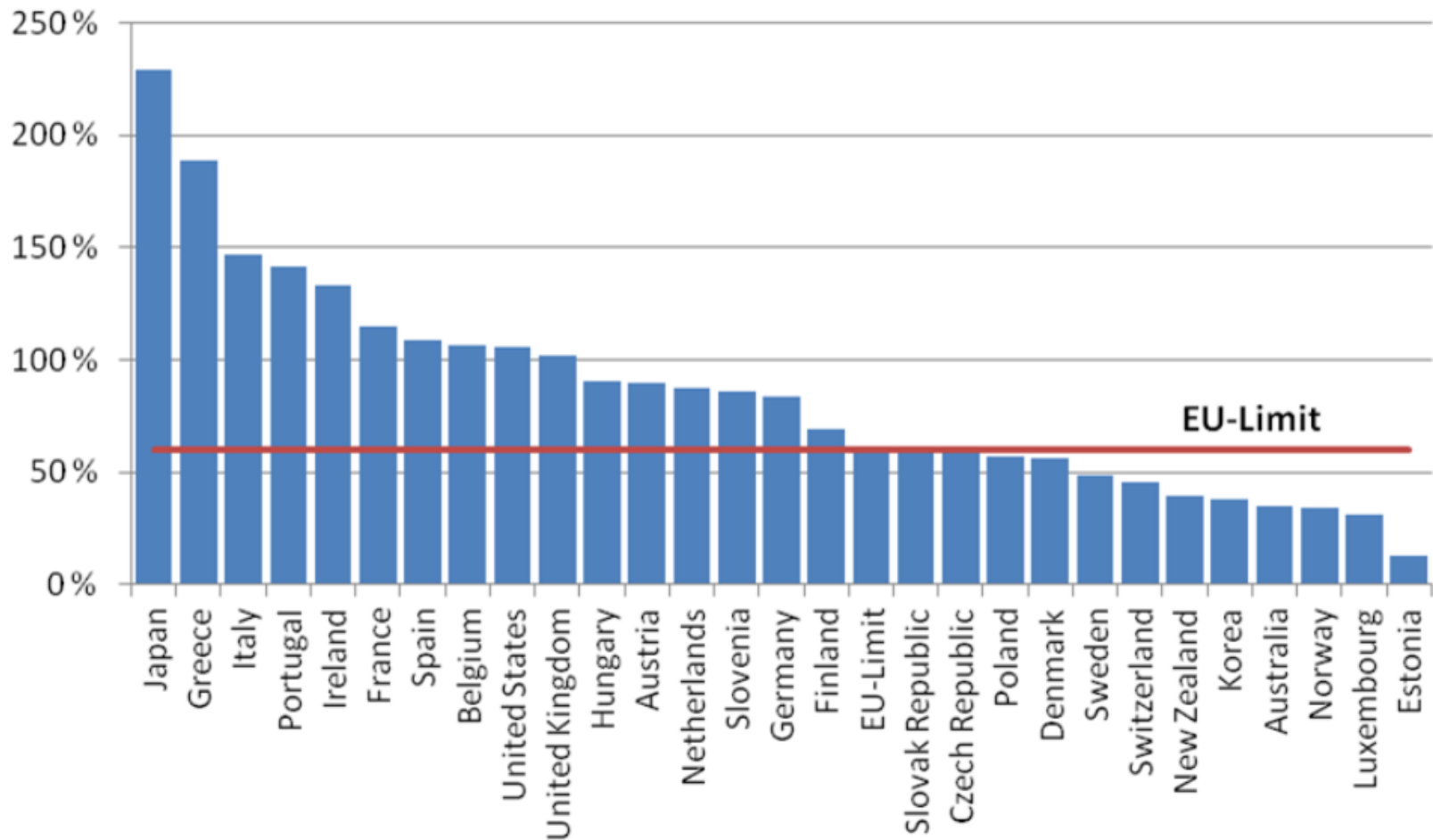
- State-owned Universities
- Universities of Applied Sciences (FH)



- ▶ 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

High public debt

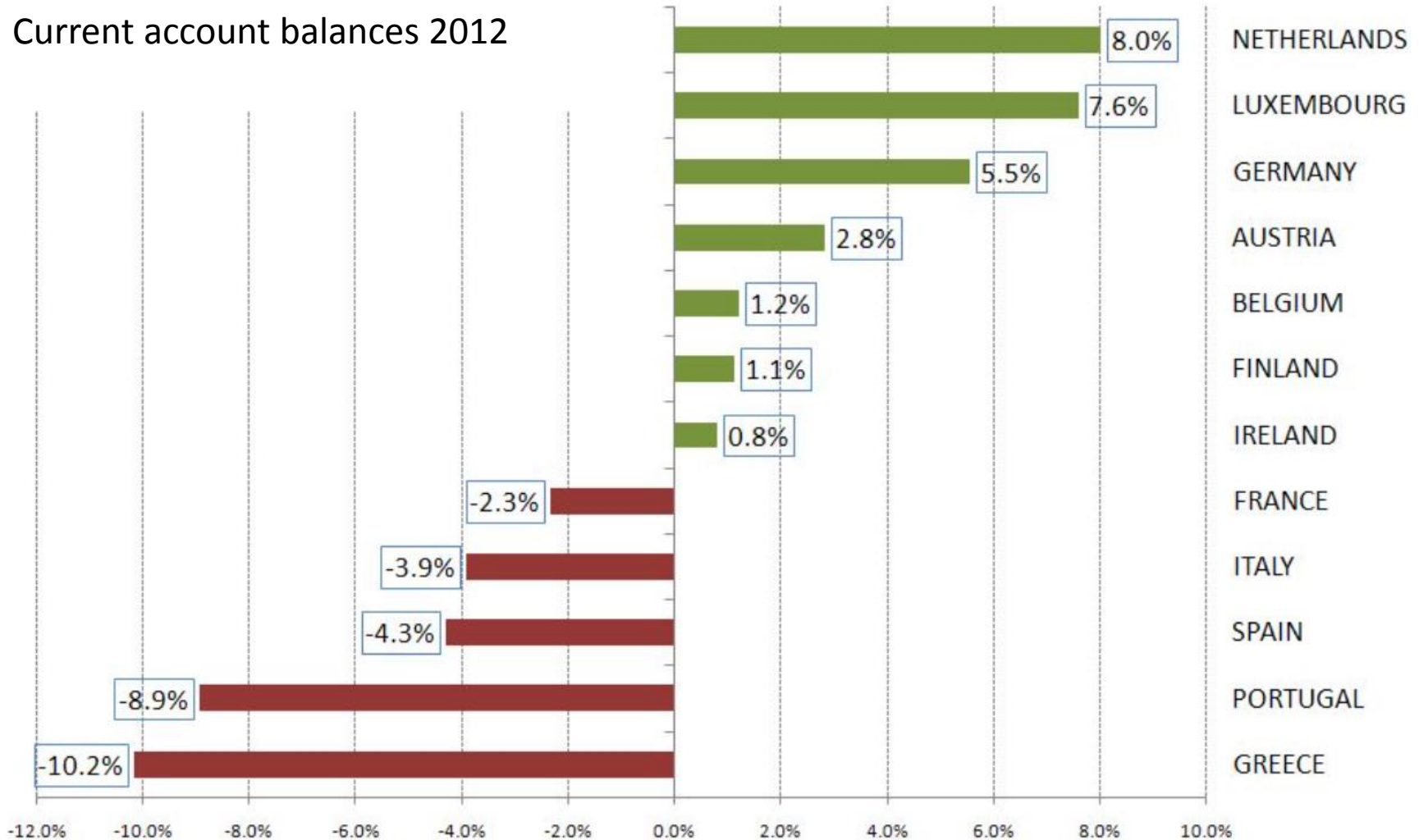
% of GDP, 2014



OECD 2014

Positive current account balance

Current account balances 2012



Datstream; Eurostat; The Wilder View; 2012

3. Current political issues

Stabilizing the Euro:

How much money is involved for Austria?

A calculation I made in 2012:

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

Greece 2015 not included!

For comparison:

2011 Public Debt in Austria : 215 Billion €



We pay only
2 Billion, the
rest is just
guarantee

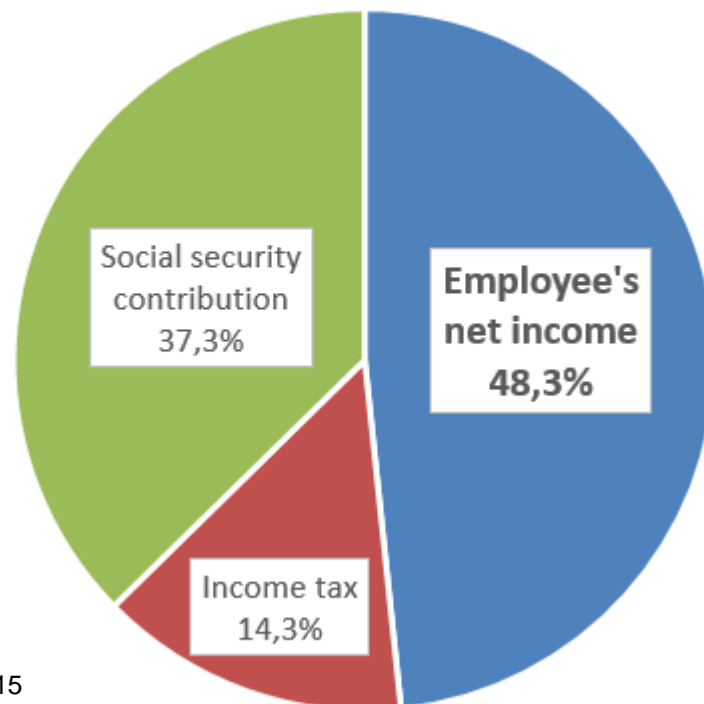
Former Austrian Minister of
Finance (name does not matter)

Tax and social security share

Let's say you agree a total compensation of 50 000 € annually with a new employee ...

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 €

Employer's cost = 100%



Source: Brutto-netto-Rechner,
Federal Ministry of Finance 2015

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



The taxpayer: an endangered species

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

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

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

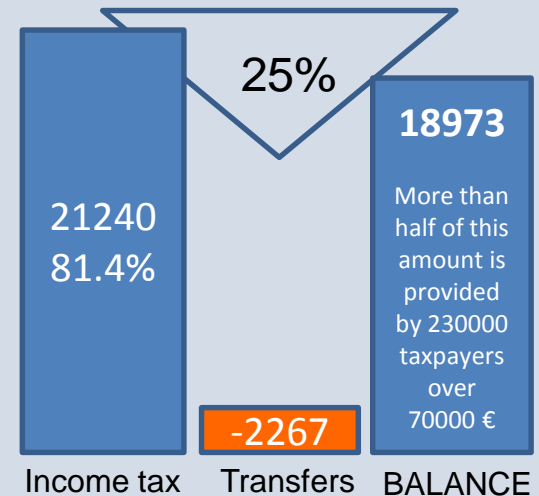
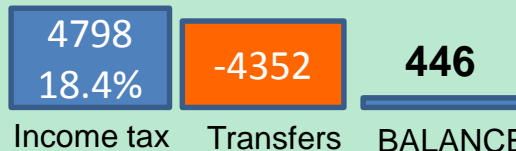
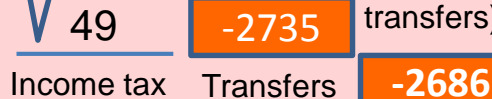
Share of all taxpayers
37%

Share of all taxpayers
38%

25%

0,2%
of total tax

BALANCE
(Tax less
transfers)



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)

Statistik Austria / Reinhold Koch
Die Presse, 11 Dec 2014

Muslims in Austria – Unique situation



- In 1878, Austria-Hungary occupied Bosnia-Herzegovina 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.



Bosnian infantryman in the Austro-Hungarian Army 1897

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

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

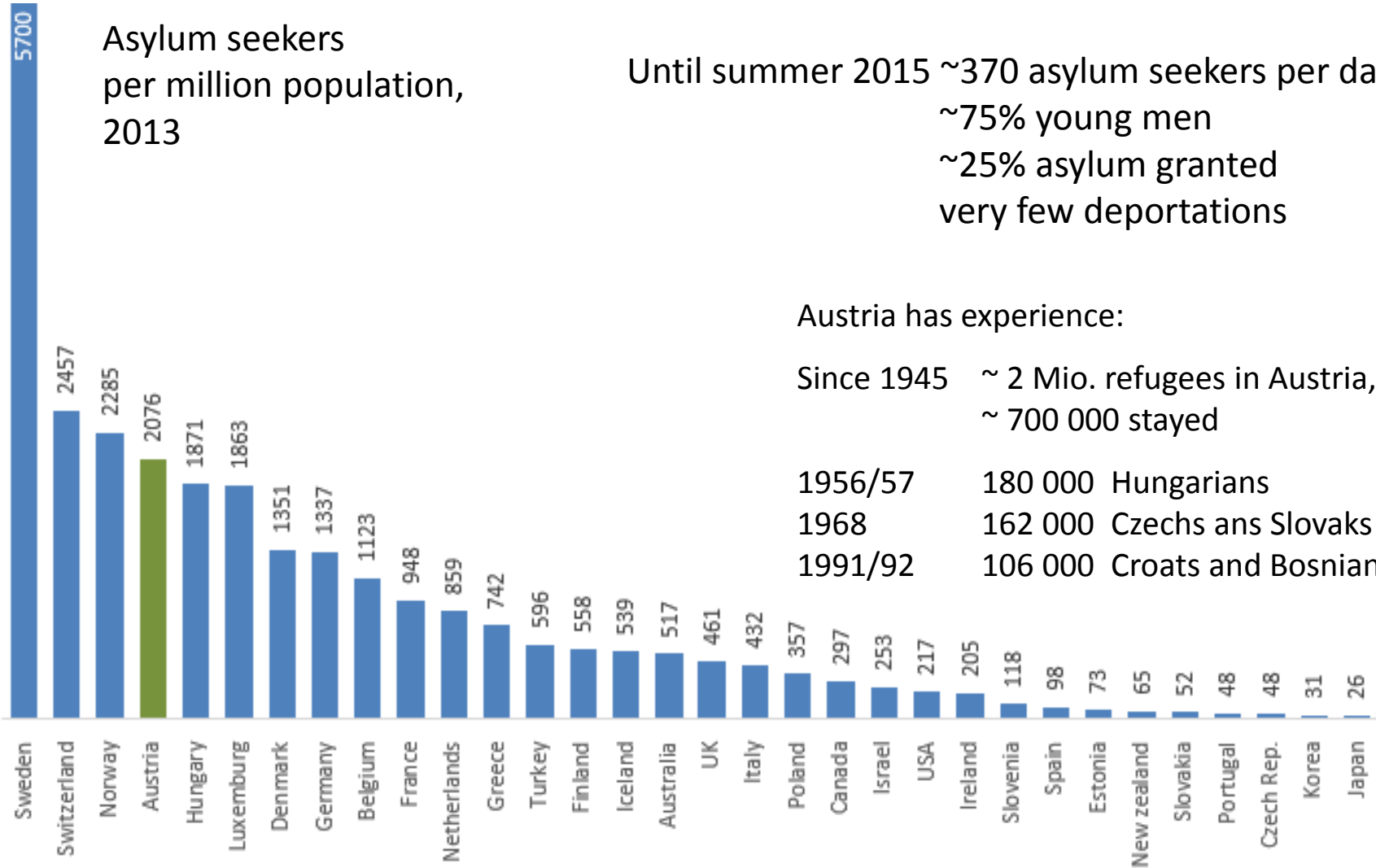
- However, like from other European countries, there are about 100 – 150 Austrian IS-fighters



Austrian Guard at a parade in Paris
40% of the 800 guards are Muslims

3. Current political issues

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 and 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



Rudolf Stricker / Wikimedia

Changing political landscape: Austria

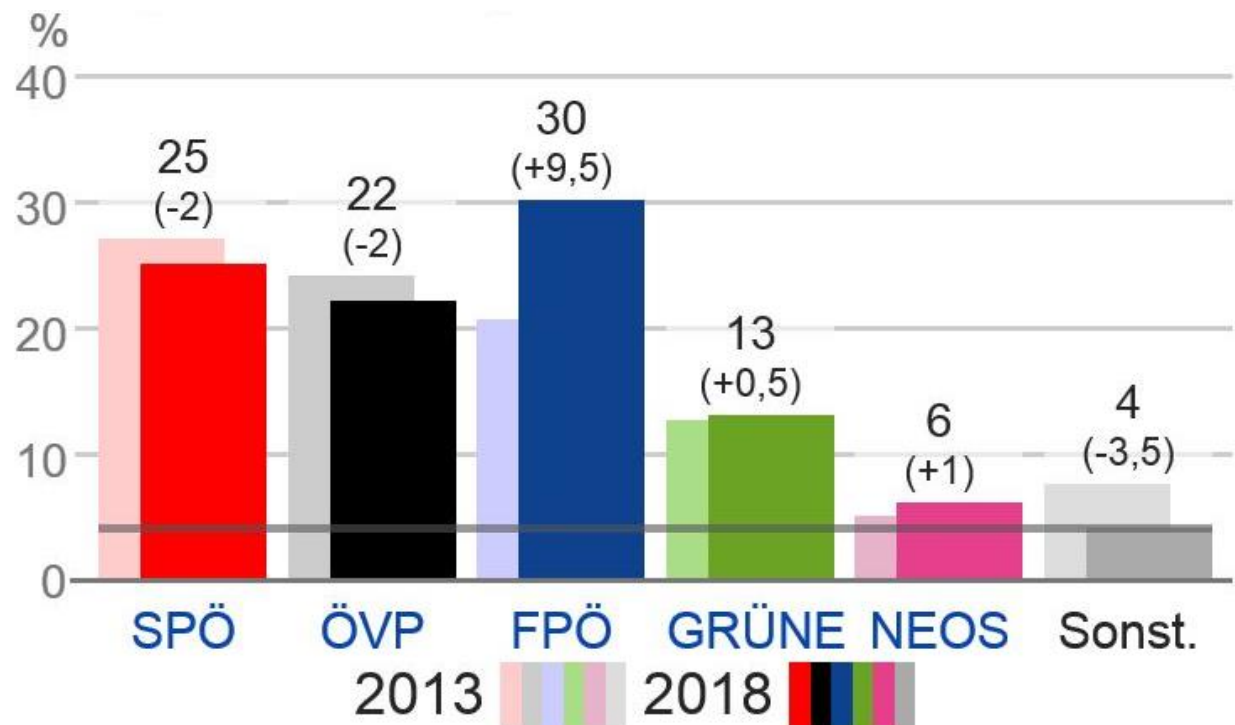
Coalition of Socialdemocrats (SPÖ) and Conservatives (ÖVP).

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



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%

