

## The impact of immigration on Austria's Society: The economy

Economic impact analyses of migration tend to focus on monetary effects which are the result of market transactions. This is also the case in Austria. Many aspects, which affect the material well-being of a society but are not organised through the formal market economy, are neglected. The main topics of research in Austria centre around the impact of migrants on economic growth, productivity and technical progress, the labour market — in particular labour market segmentation, employment opportunities of migrants and natives, the impact of migrants on wages and unemployment; and lately also on the balance between contributions to and receipts from the social security system on the part of migrants. In the last few years, in view of rapid population ageing and technological change, the focus of analysis has turned to the potential benefits of immigrants, particularly highly skilled ones, for sustainable economic growth. On the other hand, the role of migrants as consumers and their impact on inflation or the balance of payments have hardly been examined.

### 1. Taxes, pensions and impact on the welfare system<sup>1</sup>

This topic was not an issue in the early years of immigration, when unemployment was low and migrant workers, in the main target workers without family members, guaranteed economic growth. It was obvious that they were paying more into the welfare system than they took out, as they were in the main prime age workers. In the 1980s, however, as domestic labour supply growth picked up — a consequence of the baby-boom generation entering the labour market — and as immigration continued, increasingly as a result of family reunion and refugee intake, questions about the effect on welfare budgets surfaced. They became an issue of public debate, and in consequence of research, during the 1990s. The research has to be understood in the context of substantial inflows of migrants, workers as well as refugees in the wake of the fall of the iron curtain and, thereafter, the war in Yugoslavia. (*Biffli 2002A, Biffli et al 1998, Biffli et al 1997, Walterskirchen 1998*) Not only the large numbers but above all the composition of the inflows became a matter of concern. Immigration to Austria had changed its character from a guest worker programme to one of immigration proper, not dissimilar to traditional immigration

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<sup>1</sup> Welfare system: refers to the contributory social insurance programs that protect those who contribute to them against loss of income and unplanned expenditures because of illness, accident, old age or disability, and unemployment; as well as to the non-contributory social compensation programs that provide tax-financed social welfare (such as health care, pension, and other benefits) to those who perform a public service to society.

countries with a large humanitarian intake. (*Fernandez de la Hoz — Pfliegerl 1999, Fassmann — Stacher 2003, Hintermann 2000, Gürses—Kogoj—Mattl 2004*) This had implications for the welfare system.

Research indicates that, on average, payments of migrants into the social security system and receipts from the system were more or less balanced in the 1990s. The analyses differentiate between the various elements of social protection, e.g., unemployment insurance, public housing contributions, child benefits, retirement benefits, health care services etc. The contributions of migrants to the public household are primarily social security contributions, wage and value added tax.

Migrants have on average a lower annual income than natives — in the 1990s it was some 85% of the national mean. This is due to the combination of various factors: their on average lower skills, their concentration on low wage industries, the high proportion of seasonal work, and their limited opportunities to join the core work force of enterprises (Insider-Outsider problem, see *Biffl 2000*). Given the progressive tax system, their social security contributions and wage taxes were 24% below the national average.

Contributions to unemployment insurance constitute part of social security payments. As migrants are in the main in low wage industries and occupations, their contributions to the unemployment benefit system are below average — 16.3% below the national average in the period 1989-1999. The returns in terms of unemployment benefits (active and passive labour market policy measures) are somewhat higher than for nationals. This is in the main the result of the above average incidence of unemployment of migrants, which results not only from the types of jobs they occupy but also from the employment protection of indigenous workers. This is a longstanding feature of Austrian labour law and dates back to the thirties. Accordingly, a foreign worker is the first to be laid off if the enterprise reduces its work force. However, the average duration of unemployment benefit receipt is shorter in the case of migrants as they are not generally able to access long-term benefits — only permanent permit holders are treated equally with Austrians—, thus keeping the positive differential in total benefit receipts of migrants minimal.

In contrast, foreign workers pay into a public housing fund without very often being able to draw benefits from it as long as they are aliens. The legislation on these matters is regional and no comprehensive statistical information is available on a national basis. (*Czasny—Hartig—Schöffmann 1999, Deutsch — Spielauer in Biffl et al. 1997, Biffl et al. 2002*)

Contributions to the public pension system do not differ between natives and foreign workers at any particular point in time and there is no distinction between the pay out of pensions to migrants and natives. If pensions are transferred abroad, it may be a pension to an Austrian or a former migrant worker. As migrants, particularly foreign workers from the traditional source countries, tend to settle in Austria, retirement pay is increasingly spent in Austria. As contributions to the public pension system are on a

pay-as-you-go basis, pay-outs follow after a considerable time lag. It was not until the mid 1990s that a larger number of migrant workers, namely those who came to Austria in the first wave of the 1960s, began to enter the retirement system.

The composition of migrants at a particular time informs us only about the balance of the social transfer system at that time. In order to know more about the longer term relationship, these partial analyses need to be complemented by dynamic process analyses. This calls for longitudinal data of migrants and natives over the life cycle. In such a generations model, it becomes necessary to take into account the number of children, their use of educational resources, the income of immigrants, their health status and their life expectancy. If, for example, an immigrant has no or only one child over the life cycle and earns an above average income, then he/she is a net contributor to the social budget during the working life. When entering retirement, the situation changes, particularly if the period of retirement is long. Simulations of various phases in life would need to be made for the various categories of immigrants, low income earners with many children, rich ones with few children, retirees staying or returning to their country of origin, etc., and compared with natives.<sup>2</sup>

As the composition of immigrants and natives is changing over time, so is their impact on social budgets. The balance in the transfer budget is reached when child benefits and retirement benefits are compensated by the contributions payed into the social policy budget over the life cycle. A comprehensive cost-benefit analysis of migrants in the context of social transfers has to take the generational transfers into account as well as the impact of migrants on educational, health and care infrastructure, and not only direct transfer payments like child benefits and retirement pay. If we do this, migrants tend to contribute more to social budgets than they take out. This may not come as a surprise as the Austrian welfare system is contribution based and has a relatively small redistributive capacity.

Migrants have on average a higher fertility rate than natives, but the educational resources spent on migrant children are below average. (*Biffl—Schappelwein in Fassmann—Stacher(eds) 2003*) As to the health status of migrants — they are healthier when young and upon arrival but become a vulnerable group of people when getting older. The lower than average educational attainment level of migrants and the associated above-average physical and often also mental and psychological strain in the workplace, are the main explanatory factors for the weaker health of older migrants.

This insight should trigger off more focused medical attention on occupational diseases and their impact on health conditions over the life cycle. It may well be that a different organisation of work in enterprises, i.e., job rotation, flexible work

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<sup>2</sup> Simulations of that kind (overlapping generations models) are starting to be undertaken in Austria see *Karin Mayr (2004)*.

arrangements, reduction of shift work with age and the like, can help reduce health problems of older workers. Given the large proportion of migrants in unskilled and semi-skilled occupations, this may be rather difficult. (*Biffi 2003A*)

The bad health record of older migrants adds yet another dimension to the already daunting task of providing adequate care for an aging Austrian population. This implies that health care institutions will be faced with caring for people with special needs due to often chronic and multimorbid health problems as well as different language and cultural background. This may imply institutional adjustments, e.g. intercultural training for care personnel and medication and equipment. (*Pochobradsky et al. 2002; Dogan—Reinprecht—Tietze 1999*)

## **2. Immigrants as consumers**

This is an area which is under-researched in Austria. Of course, there is a general understanding that immigrants are consumers and as such raise the demand for goods and services and in so doing boost economic growth — unless migrants' consumption patterns affect economies of scale and so promote productivity. This raises the question about the effect of immigration on productive investment.

A growing population requires higher capital expenditure on social infrastructure (housing, roads, schools etc.). Investment in social infrastructure is linked with capital widening rather than deepening. This means that, apart from economies of scale, productivity growth will hardly be boosted. Only if the employment of migrant workers is coupled with the implementation of new technology, thus promoting restructuring of the economy towards more efficient production modes (especially directed to export markets) will immigration be linked with capital deepening and increasing productivity. This is clearly not the case in Austria.

Migrants in Austria tend to be at the lower end of the income scale, which implies that a high proportion of their income goes into satisfying their basic needs. In addition, a certain amount of their savings is repatriated as they send remittances to their countries of origin (*Biffi — Sopemi Reports*). At the same time they import food and life style from their countries of origin and enrich the quality of life in Austria, not least by diversifying the cuisine, crafts and arts (ethnic entrepreneurs, see *Gollner 2001; Cahit 2001, Haberfellner 2000, also Haberfellner—Betz 1999A and B, Haberfellner—Böse 1999*). Thus there has been a revival of sheep farming, as demand for lamb was boosted with the inflow of Turks. However, it is arguable that this is not the result of immigration but rather the consequence of changes in consumer tastes and/or of globalisation which resulted in an increasing diversity of food in Austria.

### 3. Immigrants and employment

This is a well researched area, not surprising, as immigration in Austria is strongly rooted in labour migration with the social partners as the major institutional players. At the outset, in the early 1960s, Austria chose a foreign worker model of migration rather than an immigration model, as such migrant workers were supposed to reduce labour scarcities and promote the flexibility of the labour market. In the 1960s and early 1970s, this objective was achieved in that only workers without family members came to Austria; thus, the share of foreign workers in total employment amounted to 6.1% in 1971, while the share of foreigners in the total resident population amounted to 2.8% only. However, during the 1970s and 1980s, family reunion was instituted, and the share of foreign workers in employment and the share of aliens in the total population converged to 5% and 4% respectively in the mid 80s. Towards the end of the 80s a new wave of immigration took place as a result of a combination of push and pull factors. The civil war and ethnic cleansing in the region of former Yugoslavia represented the major push factor for immigration to Austria. The reunification of Germany on the other hand resulted in a prolonged cyclical economic growth phase in Austria due to an exceptional rise in export demand from Germany. This constituted the major pull factor for foreign workers. It did not only open up employment opportunities for Bosnians, Serbs and Kosovars, the major foreign worker groups in Austria, but also for Turks, the second largest single nationality of foreign workers in Austria. Furthermore, persons from Central and Eastern European countries, for the first time after the fall of the iron curtain, could take up jobs in Austria in larger numbers. By 2002, about 750.000, somewhat less than 10% of the population and 335.000, or 10.6% of all employees, were aliens. Today the majority of foreign workers have become permanent residents and many have become naturalised, particularly less skilled migrants from the traditional source countries.

The impact on the employment sector can only be understood in the context of the original policy objective, which was to enhance the competitiveness of export industries. The Austrian migration system channels migrants mainly into industries which produce tradeables, e.g., manufacturing with a low capital to labour ratio, in particular, labour intensive industries like clothing, leather and textiles as well as tourism. To a lesser extent migrants flow into non-tradeables, in particular construction, personal, health and domestic services. (Biffi 2003B)

The economic rationale for the employment of migrant labour differs between the production of tradeables and non-tradeables. Migrants tend to flow disproportionately into export oriented industries which are using labour intensive technology in the production of goods, in order to promote export growth. In the non-tradeable sector, pressure for keeping costs down is the major rationale for migrant labour. Personal services tend to have limited possibilities for productivity growth in the technical sense, i.e., the ratio of inputs to outputs — e.g., the patient/nurse ratio or the consumer/hairdresser ratio — cannot be reduced by

technology to the same extent as business oriented services or the production of manufactured goods, if the quality of the service is to be preserved. Thus, the costs of these labour intensive services relative to manufactured goods tend to increase over time if wage disparities are not to exceed conventional social norms of fairness. In those occupations in which wages do not rise in line with the rest of the economy, labour supply may become scarce. In order to ensure sufficient labour supply, migrants are employed, i.e., migrant labour represents a means to keep costs of non-tradeables low. This explains why migrants are employed dis-proportionately in low wage/low skilled jobs in the area of non-tradeables, e.g., cleaning, nursing and domestic services.

The rationale for employing migrant workers translates into wage and/or unemployment effects of migrants relative to natives. In summary, it can be said that the pressure on wages and employment opportunities increases with the elasticity of substitution of migrant versus resident labour. This is to say that in occupations and jobs, in which migrants are complementary to natives, natives profit from migrant labour in terms of job opportunities and relative wages. In contrast, in jobs where migrants and natives are substitutes, the wages and employment of natives are adversely affected.

Empirical research suggests that direct competition between immigrants and residents is relatively small in Austria as a result of pronounced segmentation of work. (*Winter-Ebmer — Zweimüller 1996, 1999; Biffl in Husa—Parnreiter—Stacher (eds.) 2000*) Immigrants tend to be concentrated in certain labour market segments which are generally not favoured by the resident work force. In Austria, mostly unskilled and semi-skilled workers face increased competition from migrants which shows up in the main in a negative wage impact on blue-collar workers. (*Hofer—Huber 2001, Biffl et al. 2002*) The different legal status of foreign workers vis-à-vis nationals introduced a social and economic stratification new to Austria, leading to a deterioration of equity in labour markets.

Research into the effect of migration on unemployment is not conclusive as to the impact on native workers. Migrants tend to have higher unemployment rates than natives. The difference is to a large extent a result of the concentration of migrant employment in manufacturing industries, very often in tasks complementary to Austrians. Both, technological developments and increased reallocation of elements of production in a value added chain to CEECs account for severe employment declines in these segments of the labour market.

Micro-economic reform and restructuring entails above average job losses for unskilled workers, the group in which migrants are more than proportionately represented. But reallocation of production to neighbouring countries in the 1990s increasingly affects medium skilled national tradesmen. Thus, while in the past migrants contributed to employment stability of natives in tradeables by ensuring the competitiveness of exports, this is less the case in Austria of the 1990s.

Immigrants of earlier generations entered labour markets during the phase of rapid industrialisation with rising labour demand for low and medium skilled workers. Today de-industrialisation and expansion of service activities affects both the structure and the nature of employment. The number of traditional jobs with standardised work processes from the era of massproduction have declined (quantitative loss of jobs). Flexible specialisation gains weight. The demand for labour may change on an ongoing basis in a quest to adapt to consumer demands (market and client-orientation). Firms are entering into flexible supplier-producer relationships, whereby formal and informal sector activities may be intertwined (qualitative change of jobs). Nontraditional working hours, contract labour, casual work, flexworkers, homeworkers are becoming a feature of the Austrian labour market. These economic and social conditions add to the integration problems of migrants.

In addition, the informal sector gains weight. In the case of Austria the informal sector is estimated to have increased from some 3% of GDP in the early 1970s to 15 percent in the mid to late 1990s. The rising share of informal labour in total employment is associated with other elements of greater flexibility in the formal labour market generated by the forces of demand and supply. These flexibility elements are compatible with what already prevails in the informal economy - workers employed by informal enterprises, domestic workers, outworkers, homeworkers, part-time and casual workers - and thus facilitate the movement from one economy to the other. Migrants play an important role in the informal sector, particularly in situations where access to formal sector jobs is difficult due to quota regulations and other institutional barriers to entry.

An oversupply of labour may not always take the form of higher unemployment. It may instead be the source of labour in casual and part-time employment, marginal occupations and as fringe self-employment outside the core economy at lower wages. Peripheral workers drift in and out of employment while a core of highly skilled workers continues to retain stable jobs and high wages. This becomes more and more a feature of the Austrian labour market.

#### **4. Immigrants as ethnic entrepreneurs<sup>3</sup>:**

There is no comprehensive statistical information on ethnic entrepreneurs in Austria and their role in the economy. As migrants are facing more and more difficulties to find employment in manufacturing, they increasingly turn to self-employment. This is a relatively new feature of migration in Austria. Until now, the proportion of self-

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<sup>3</sup> **Ethnic Entrepreneurs:** the term refers to the activities of Europe's immigrant entrepreneurs and the businesses, mainly small and micro-enterprises, owned by immigrants or people with immigrant background. Ethnic businesses show a wide variety, ranging from catering to textile production to arts-and-crafts, etc.

employed migrants has been significantly lower than of natives, contrary to countries like France and the UK.

Migrants in Austria tend to set up business in services, in particular cleaning, restaurants, food production and retail trade as well as in manufacturing, above all in clothing, leather ware, shoes and textile production and repairs. These developments are not yet formally researched due to lack of survey data. Students, often of migrant background, are starting to take up this subject in essays and diploma theses.

## 5. Highly qualified immigrants:<sup>4</sup>

In the wake of globalisation and the opening up of CEECs, the skill composition of migrants in Austria has changed somewhat. Highly skilled migrants from industrialised countries and to a large extent also from CEECs came to Austria during the 1990s, very often not with the intention to settle but as a result of increased internationalisation of business. As a result, the skill composition of the foreign population has become somewhat bipolar, with strong concentrations at the lower end of the skill segment and an above average proportion in the highest skill segment. This is in stark contrast to Austrians, who tend to cluster in the middle and upper medium skill segment. Highly skilled migrants tend to be concentrated in business oriented services, in particular banking, insurance, information-communication technology, in utilities, in particular as electrical engineers, as well as in education and research. (*Biffi 2003C*)

The number of highly skilled migrants remains very small, however, in spite of the implementation of a quasi open ceiling in the quota of highly skilled workers in the amended immigration law of 1997 (Alien Law). It remains to be seen if the most recent amendments to the foreign worker law (BGBl.I Nr. 133/2003, BGBl II Nr. 469/2003), according to which distinguished highly skilled persons and researchers are able to access the labour market without a prior test of labour market needs, will boost the inflow of highly skilled workers to Austria. Also the facilitation of employment of foreign graduates from Austrian universities, a common practice in traditional immigration countries — and introduced in Austria in 2003 —, could promote settlement of skilled migrants in Austria. (*Biffi— Bock-Schappelwein 2004*) This may all the more be a viable option for increasing skilled human resources as Austria is among the OECD countries with a net-inflow of students from abroad. In 1998, Australia had the largest net-inflow (12 percent), followed by Switzerland (11.4 percent) and Austria (7.1 percent). (*Biffi 2004A*)

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<sup>4</sup> **Highly qualified immigrants:** refers to the international mobility of highly skilled people, that is, individuals with particular expertise, talents and often high education levels. This term usually refers to information technology (IT) experts, doctors, academics, etc. It generally does not include domestic personnel, catering, service providers, etc.



To summarize, it is safe to say that Austria has not yet been able to attract highly skilled workers in large numbers either because of limited demand for these skills or because of perceived or real bureaucratic hurdles and red tape. The migration system does not appear to encourage the recruitment of highly skilled people from third countries. This may be the result of path dependence of migration policy — Austria has tended to recruit workers with trade skills or less; family reunion with these core migrants tends to promote the inflow of the same skills — and/or half hearted reforms of migration legislation and institutional ramifications. The latter implies that increased competition at the lower and medium skill level is condoned by migration policy while increased competition at the higher skill level does not find the support of the major players of migration policy.

## **6. Impact of immigration on specific economic sectors**

As noted earlier, foreign workers tend to be concentrated in industries and occupations which are at the bottom end of the wage scale. Those industries experience high competition in the national and global market either because of relatively common (global) technology and skills of workers and/or because of a limited concentration/market power of the industry.

In these industries, migrants often occupy unskilled and semiskilled jobs or specialized medium skilled jobs. This is in the main the result of the need on the part of employers to quickly understand and evaluate the competences of the migrants. Thus migrants often have traditional craft skills, e.g., sewing, tailoring, leather processing; or relatively low skills, as these skills are almost by definition easily transferable. Thus, migrants are more than proportionately employed in textiles, leather goods and apparel production, in food production and processing; and they have contributed to the survival of these industries as well as to certain low to medium-tech industries. They are also disproportionately represented in construction industries, tourism, personal services, cleaning and nursing, as well as harvesting in agriculture. Increases in the wages of unskilled workers and tradesmen have been restrained by international trade pressures on the one hand and migrant labour on the other.

Few migrants find employment in industries with a high capital/labour ratio and limited international competition. These are mainly banking, real estate and insurance, telecommunication and transport services, the high skill segment of health and education and the like. These sectors do not only offer employment security but also above-average and rising wages. They have been protected from market pressures and external competition, at least until the early to mid 1990s. In contrast, industries with a large share of migrant workers are not only at the low end of the wage scale but exhibit significant cyclical and/or seasonal employment instability.

A special case is the construction sector, which pays comparatively high wages to migrant and native workers alike. This is the result of the high degree of union density and thus the result of institutional rather than market forces.

The segmentation of employment by country of origin and industry is partly the result of market forces but also the objective of migration policy to promote exports and to restrain inflationary tendencies resulting from labour scarcities. However, migration policy increases labour supply only in the lower to middle skill segment. Thus, highly skilled native workers face comparatively little competition. This is to the disadvantage of society at large because it tends to retard the development and application of new technology and encourages inflationary pressures. This is in stark contrast to policy in traditional immigration countries like Canada and Australia, which give priority to migrants with high and scarce skills, in order to ensure that migrants do not only contribute to population growth but above all to productivity increases.

## **7. Impact of immigration on exports and imports**

The international economic and political environment in Austria changed at the end of the 1980s following the opening up of the neighbouring CEECs to international trade, and again in the mid 1990s, in the wake of the integration of Austria into the EU. Both factors increased competition suddenly and significantly, the former in labour intensive export industries — in particular consumer goods production — the latter in quasi public sector services.

The change in the competitive position of Austria's export industries and the opening up of sheltered services to competition (telecom, banking and insurance, postal services) did not only give rise to unemployment but gave also a boost to international trade (measured in terms of imports as a percentage of GDP) and to labour immigration (measured as a percentage of total employment). The share of the foreign work force in total employment increased from 6.3 percent in 1980 to 11 percent today. The share of imports/exports in % of GDP increased over the same time span by more than 10 percentage points to 52% of GDP. The major factor for this increase was increased trade with CEECs. (*Biffi 2003B*)

The sequencing of factor and goods mobility differed. Migration had a head start and subsided as trade gained momentum in the mid 1990s. This was not so much the result of market forces but rather the result of an explicit policy preference in favour of trade rather than migration. This may be deduced from the timing of the signing of the so-called Europe Agreements. It took place in 1991, i.e., well before Austria's membership to the EU, thus effectively liberalising trade between Austria and the CEECs, while clamping down on migration flows at the same time.

Trade liberalisation resulted in greater specialisation in production, both in Austria and abroad; labour-intensive and low to medium technology-intensive stages in production tended to be transferred abroad while higher value added production remained and expanded in Austria. Costs of relocation of production and transport costs of intermediate goods in the production process were more than compensated by the lower production costs in CEECs, given their ample supply of

significantly cheaper labour in the required skill segments. Major restructuring and specialisation occurred in five industries – the chemical industry, which is intensive in human capital and natural resources and medium in technology; the construction material, cement, stone, glass and ceramics industry which is natural resource intensive; printing, paper, pulp, food processing; manufacturing of equipment and machines in the mature, medium-tech field with high labour intensity in production; and, of course, the labour intensive textile and clothing industry.

The industry restructuring in the 1990s resulted in winners and losers. Workers employed in industries specialising in human skill and advanced technology intensive production of goods and services were the winners and workers in medium-tech and low to medium skill intensive production the losers.

The least productive firms in the industries affected by increased imports went out of business, often as a result of re-location of stages of production in the value added chain of the more productive enterprises in that industry. The production activities which moved to CEECs, employed disproportionate numbers of migrants. Employment declined in the industries which underwent substantial restructuring — between 1990 and 2002, employment in manufacturing industries (excluding mining) declined on average by 2.1 percent annually. Firms in these industries invested either in labour saving technology or specialised in production higher up in the quality ladder or in the marketing of the final product.

The result of these massive structural developments in the 1990s was that certain occupations in the medium skill segment (tradesmen, i.e., persons with apprenticeship education) and unskilled labourers were most affected by job losses. Thus, unemployment increased more than proportionately for persons with medium skills in manufacturing, followed by unskilled and semi-skilled labour. Unemployment of unskilled nationals increased between 1989 and 2001 by 8 percent; for migrants, the number more than doubled. In the case of medium skilled nationals (apprentices), unemployment increased by 30 percent while unemployment of foreign tradesmen quadrupled between 1989 and 2001.

In the medium skill segment, migrants bore the brunt of labour adjustments, since their chances for retraining were lower than for Austrians, either because of language barriers or because of limited financial means to invest in human capital. They did not only experience a significant rise in unemployment but also a growing wage gap relative to indigenous workers. While wages of migrants in the late 1980s were on average 11 percent lower than of natives (men: -15 percent, women: -10 percent), the differential increased to 21 percent in the early 1990s. As industry restructuring gained momentum and migrants either dropped out of the labour market or moved into the non-tradeable sector, wage differences between migrants and natives declined again to the levels of the mid 1980s.

As job opportunities in the traditional trade skill segment dried up during the 1990s, migrants concentrated even more in certain industries. Thus by 2002, 25.3 percent of

the work force in low wage manufacturing industries and agriculture were foreign workers. In tourism their share even reached 28.1 percent. Large numbers of laid off migrants also took up jobs in the non-tradeable sector, often in tasks in which they are unable to fully utilise their original occupational skills; in particular, in cleaning services, trade and repair work, in domestic and personal services and the construction industry.

## 8. Cultural diversity<sup>5</sup> and competitiveness

The cultural diversity in private business has increased as a result of immigration, increasingly since the opening up of CEECs. The latter effect has been both through increased commuting — to a large extent from East to West — and socio-economic regional re-integration. The public sector, in contrast, has hardly taken to employing migrants — with the exception of nursing and other health care services and to a lesser extent teachers and social workers. The latter found access to these jobs in the main as helpers or specialists to promote the integration of migrants.

Recently, political parties, particularly the Green Party, began to diversify their representatives by giving voice to immigrants, thus acknowledging the increasing political weight of immigrants in Austria. (*Appelt 1999*)

The economic impact of increased cultural diversity has not been researched in Austria. In the circumstances, it is sufficient to say that Austria's economic success is closely linked to the fortunes of its major trading partners and their socio-economic development. The increasing internationalisation of Austria's economy inevitably leaves an imprint on the Austrian society through its immigrants who contribute to the character and the competitiveness of the Austrian economy.

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<sup>5</sup> **Cultural Diversity:** Culture can take diverse forms across time and space. This diversity is embodied in the uniqueness and plurality of the identities of the groups and societies that make up humankind. Cross-border population flows, such as migration, lead to increased cultural diversity within societies (co-existence of a difference in behaviour, traditions and customs, etc.) that can serve as a source of exchange, innovation and creativity.

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