

UniCredit Bank Austria analysis:

## **Working hours per capita continue to decrease in Europe, particularly in Austria, while the figure is increasing in the US**

- While the number of people in employment in the eurozone has increased by around 30% since 1995, the number of working hours has only increased by around 23%. Average working hours per capita have fallen by around 90 hours per year — and in Austria that figure is a huge 180 hours
- Boom in part-time work: The share of people working part-time in 2022 in the eurozone was 20.5%, compared with only around 13% in 1995
- In Austria, the share of part-time workers had risen to almost 30% by 2022. More than half of those working part-time in Austria do so voluntarily and are not seeking full-time employment
- Sharp increases in productivity are offsetting decreasing working hours. Employees in the eurozone have become almost 25% more productive on average since 1995, with the figure for Austria up by as much as a third
- A further decrease in average working hours per capita is expected: This represents an increasing challenge to prosperity in Europe, particularly given that annual working hours per capita are higher in the US, where the figure has been trending upwards since 2010

"Working hours per capita in the eurozone have fallen by more than 6% between 1995 and 2023. Despite this decline, a significant rise in productivity and the increase in the number of employees have enabled real-terms value-add growth of around 50%", says UniCredit Bank Austria Chief Economist Stefan Bruckbauer. He adds:

"The decrease in the number of working hours per capita is expected to continue in the coming years. Social and demographic change will become a major challenge in terms of maintaining prosperity in Europe." The veracity of this claim becomes all the more apparent when you consider that the annual working hours figure for individuals in the US outstrips the eurozone figure by 300 hours — and the figure for the US has actually increased by around 85 hours since 2010.

### **Sustained downwards trend in working hours per capita in Europe**

The employment rate in the eurozone hit a new record high in 2022, with almost 144 million people in employment. This represents an increase of 33 million since 1995. The number of people in employment has therefore risen by an average of just over 1% per year. Ireland is the frontrunner, with the number of people in employment increasing by an average of 2.7% per year; the employment rate in Latvia, by contrast, has actually fallen slightly. In Austria, the increase in employment levels was slightly above average at just over 1% per year.

"Given the record level of people in employment, the working hours figure for the eurozone was also at an all-

time high in 2022 at more than 210 billion hours. However, the volume of working hours has 'only' increased by around 23% since 1995, while the number of people in employment has increased by 30%", says UniCredit Bank Austria Economist Walter Pudschedl. In Ireland, Luxembourg and Malta in particular, there has been a strong divergence between these two paths of development. The divergence is particularly evident in Austria, too, with the number of people in employment increasing by 33% and working hours by 18%.

At around 1460 hours, the average working hours per capita figure in the eurozone for 2022 was almost 90 hours lower than in 1995. This equates to a 6% decrease in average working hours. Ireland has seen the biggest decrease among the countries currently included in the eurozone. The average working hours figure has dropped by 260 hours (almost 14%) since 1995. With a figure of 180 hours (more than 11%), Austria has the third-largest decrease in the eurozone. Cyprus was the only country to experience a slight increase during this period.

"After Ireland and Latvia, Austria has experienced the biggest decrease in annual working hours per capita in the eurozone since 1995. In both Ireland and Latvia, however, output per capita remains significantly higher than in Austria. Only in Germany, the Netherlands, France and Belgium are fewer hours worked per capita than in Austria", says Pudschedl.

### **Boom in part-time work**

The reduction in individual working hours in the eurozone is reflected in an increase in part-time employment. The absolute number of part-time workers almost doubled during the period under review to more than 31 million. In Austria, the number of part-time workers increased from just under 500,000 in 1995 to almost 1.3 million in 2022. This represents an increase of almost 170%. Only in Luxembourg, Malta, Spain and Italy was the change more marked.

In the eurozone in 2022, part-time workers accounted for 20.5% of the total number of persons employed. In 1995, the part-time employment rate in the countries that currently make up the eurozone was only around 13%. In 2015, the part-time employment rate in the eurozone reached what was then a historic high of 21.5%. As economic recovery in the wake of the euro crisis took hold, the part-time employment rate declined, as we still see today.

"In Austria, the share of part-time workers rose from 13% in 1995 to almost 30% by 2022. This is the highest proportion of part-time workers in the eurozone apart from the Netherlands. In contrast to the trend seen across most of Europe, in Austria the proportion of part-time workers has steadily increased since 1995, continuing to grow even after 2015", says Pudschedl. More than 50% of those in part-time employment in Austria work part-time by choice.

### Sharp rise in productivity

"The drop in individual working hours is offset by a significant rise in productivity. Employees in the eurozone have become almost 25% more productive on average since 1995", says Pudschedl. Gross added value per hour worked has doubled from EUR 30 in 1995 to almost EUR 60. This equates to an inflation-adjusted increase of 22%.

The strongest productivity gains across all the eurozone countries were recorded by the Central and Eastern European member countries, in particular the Baltic States and Slovakia. The structural change in the course of the transformation of the economies following the opening up of the East has resulted in productivity gains of up to 300%. The biggest productivity gains among the member countries in the West were achieved by Ireland, which benefited from a large number of business relocations as a result of tax benefits. In Greece, by contrast, productivity has actually fallen as a result of the huge economic problems in the wake of the euro crisis.

"Austria has achieved particularly strong productivity growth since 1995 at around 35%, outstripping its main trading partner Germany. Gross added value per hour worked more than doubled between 1995 and 2022, to almost EUR 70. It now exceeds the benchmark for the eurozone by 16%, compared with just 7% in 1995", says Pudschedl.

### Added value could be 69% higher in eurozone

The rise in productivity has played a major role in the 50% increase in real-terms gross added value in the eurozone since 1995. This increase in productivity alone has resulted in a rise in gross added value of more than 22% in real terms. The 39 billion increase in working hours since 1995 has seen the growth in real-terms gross added value slightly outpace the productivity improvements.

"While the productivity gains and increased working hours have contributed almost equally to an increase in added value of around 50% in the eurozone since 1995, the fall in average working hours per capita has slowed this increase. If the average working hours between 1995 and 2022 had not decreased by around 90 hours per year, the real-terms gross added value in the eurozone could have been around 9% higher — assuming all other parameters remained the same", says Pudschedl.

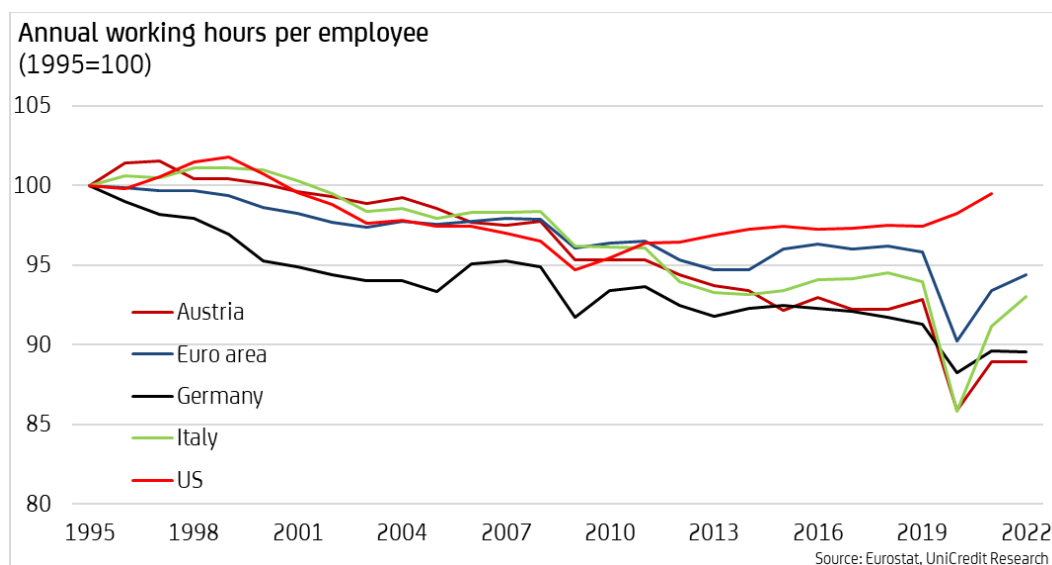
In Austria, where there was a particularly strong increase in real-terms gross added value of around 60%, the increase in productivity accounted for around three-fifths of the growth and the increased volume of working hours around two-fifths. The sharp decline in average working hours reduced the potential gross added value attainable in Austria by 12.5%.

### Challenges of social and demographic change on the rise

The decline in individual working hours capacity is expected to continue in Europe in the coming years. In

addition, an ageing population means that Europe is facing a demographic change that will at the very least see growth in labour supply decline.

"Social and demographic changes present challenges to prosperity in Europe. Greater efforts to increase employment, improve productivity through innovation and use more efficient provision methods could counteract this. However, in many sectors, especially those offering contact-oriented services, such as accommodation and catering, and in the health sector, this is difficult to achieve without impairing quality or service", concludes Bruckbauer. At the same time, a further decrease in the supply of working time increases the risk of loss of wealth or significantly weakened growth in wealth compared to the past.



Further information can be found on:

<https://www.bankaustria.at/en/markets-research-analyses.jsp>

Analysis: "Working time per employee in a cross-country comparison ", UniCredit Bank Austria, June 2023

**Enquiries:** UniCredit Bank Austria Economics & Market Analysis Austria  
 Walter Pudschedl, Tel.: +43 (0)5 05 05-41957;  
 Email: [walter.pudschedl@unicreditgroup.at](mailto:walter.pudschedl@unicreditgroup.at)