



ICLG

The International Comparative Legal Guide to:

Employment & Labour Law 2012

A practical cross-border insight into employment and labour law

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Austria

Clemens Egermann



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1 Terms and Conditions of Employment

1.1 What are the main sources of employment law?

Austrian employment law is characterised by a multitude of its sources and their specific order of precedence. The Federal Constitutional law and the EU-law are the outline conditions. A great number of complementary laws, statutes and regulations cover various aspects of employment law instead of a uniform labour code. The most important laws are:

- General Civil Code (*Allgemeines Bürgerliches Gesetzbuch*);
- White-Collar Employees Act (*Angestelltengesetz*);
- Labour Relations Act (*Arbeitsverfassungsgesetz*);
- Working Time Act (*Arbeitszeitgesetz*);
- Holiday Act (*Urlaubsgesetz*);
- Employment Contract Harmonization Act (*Arbeitsvertragsrechts-Anpassungsgesetz*); and
- Equal Treatment Act (*Gleichbehandlungsgesetz*).

Collective bargaining agreements (CBAs) are usually concluded between (i) the Trade Union (*Gewerkschaft*) or its branches and (ii) the Austrian Chamber of Commerce (*Wirtschaftskammer*) for particular industries or branches of industries. They are an essential part of domestic employment law, since almost all employment relationships in the private sector are subject to a CBA. Rights arising under the CBA can be enforced by all individuals covered by the CBA.

On a plant level, (i) the owner and (ii) the works council may conclude plant agreements. A plant agreement may only deal with those matters, which are referred to it by statutory law or by CBA. Collective and plant agreements consist of mandatory rules, which cannot be altered to the employees' detriment.

Individual employment contracts cannot change provisions of plant agreements, CBA, or most statutory provisions to the detriment of the employee. Further, employees may have implicit contractual entitlements due to long-standing employment practices.

1.2 What types of worker are protected by employment law? How are different types of worker distinguished?

The employment law protects all dependent workers. Freelance service contracts (*freie Dienstverträge*) are subject to certain employment law provisions, provided the freelancer is actually dependent on the other contractual party. Executive employees are excluded from some employment law rules, for instance as regards the working time and rest periods.

The Austrian employment law distinguishes between white- and

blue-collar employees with different provisions applicable, e.g., concerning remuneration, reasons of termination, etc. Furthermore, there are separate rules for certain groups, for example home workers or apprentices.

1.3 Do contracts of employment have to be in writing? If not, do employees have to be provided with specific information in writing?

Apart from exceptions (e.g., apprenticeship contracts), employment contracts do not have to be in writing. Employers have to provide their workers with written records about the terms and conditions of their employment (*Dienstzettel*). The required content of such a document is specified by law (including e.g., the date of the beginning of the employment, term and dates of termination, place of work, remuneration hours of work, etc.) which can also be mentioned in the employment contract (instead of a *Dienstzettel*).

The *Dienstzettel* is only a declaration of knowledge, which describes the content of the employment contract in written form and cannot alter or replace the established agreement.

1.4 Are any terms implied into contracts of employment?

Under Austrian employment law, for example, there is an implied employee's duty of good faith (e.g., confidentiality, non-competition) and employer's duty of care (e.g., protection of the life and health of the employees).

1.5 Are any minimum employment terms and conditions set down by law that employers have to observe?

Austrian employment law provides a high standard of protection of employees' interests by a great number of mandatory employment terms and conditions. Contractual clauses less favourable to the employee than mandatory provisions are null and void. Such terms and conditions concern e.g., the maximum working hours and resting periods, the minimum amount of paid holiday, continued remuneration during illness, protection against termination/dismissal, minimum notice periods and termination dates, employee representation and works council's rights, etc.

1.6 To what extent are terms and conditions of employment agreed through collective bargaining? Does bargaining usually take place at company or industry level?

Collective bargaining is one of the most essential instruments of

Austrian employment law. Collective bargaining agreements (CBAs) are important, amongst others, for the level of remuneration by determining the minimum wages and other important minimum working conditions, which cannot be contracted out or changed to the employee's detriment. The importance of CBAs is all the more significant taking into consideration that they cover approx. 95% of employees.

Most CBAs are concluded at industry level. Company collective agreements are existent, but very uncommon, and are usually concluded at major companies or those companies that used to be state-owned.

2 Employee Representation and Industrial Relations

2.1 What are the rules relating to trade union recognition?

The Austrian constitutional and ordinary statutory law protects formation, existence and activity of trade unions. Anyone has the right to establish a trade union and become a member of one, as well as the right not to join any trade union or to leave one.

2.2 What rights do trade unions have?

The most essential right is to negotiate and conclude collective bargaining agreements. They can also provide legal advice to their members (including legal representation). The competent trade union can delegate its members to take part in the general assembly of workers in a company. Upon request of the works council, the trade union can take part in works council's meetings and in consultations between the works council and management.

2.3 Are there any rules governing a trade union's right to take industrial action?

No, there are no statutory rules on industrial actions. In general, industrial actions are not prohibited by law. However, they are subject to certain general restrictions.

2.4 Are employers required to set up works councils? If so, what are the main rights and responsibilities of such bodies? How are works council representatives chosen/appointed?

If a company employs more than five persons, a works council has to be established. Works council representatives are elected by the general assembly, consisting of all employees of the business, by way of direct, equal and secret vote for a four-year period and enjoy special protection from termination of employment and dismissal. The number of the members depends on the number of represented workers.

Works councils have a number of mandatory rights such as (i) right to information, (ii) monitoring, and (iii) consultation. Moreover, works councils have major influence on personnel matters, most notably on transfers, terminations and dismissals.

Statutory law and collective bargaining agreements empower the works council to conclude plant agreements with the owner concerning an exhaustive list of issues. There are several categories of different plant agreements provided by law. In some circumstances, the conclusion of plant agreements is necessary before the introduction of a measure.

2.5 In what circumstances will a works council have co-determination rights, so that an employer is unable to proceed until it has obtained works council agreement to proposals?

An employer is unable to introduce *inter alia* the following measures without the prior agreement of the works council ("necessary plant agreements"; *notwendige Betriebsvereinbarungen*): (i) introduction of company's disciplinary code; (ii) detailed staff questionnaires; (iii) control measures and monitoring systems affecting worker's dignity; and (iv) a limited number of pay systems, in which the amount paid depends on the employee's performance, such as piece-work linked to performance, unless this has been agreed in an applicable collective agreement.

The necessary agreements, which are enforceable by an employer before the conciliation body, include: (i) introduction of computer-aided systems aiming at recording; (ii) processing and communicating data files of employees, unless they do not go beyond general personal data; and (iii) personnel evaluation systems.

2.6 How do the rights of trade unions and works councils interact?

See question 2.2. Although works councils are independent from trade unions, often, many works councils' members are also members of the trade unions.

2.7 Are employees entitled to representation at board level?

The representatives of the works council can be delegated to the company's supervisory board where they represent one third of supervisory board's members. Their appointment may be terminated only by the works council. The rights and obligations of employees' representatives are the same as those of shareholders' representatives.

3 Discrimination

3.1 Are employees protected against discrimination? If so, on what grounds is discrimination prohibited?

Employees are protected against discrimination, in particular, because of disability, race, religion or belief, age, sex or sexual orientation.

3.2 What types of discrimination are unlawful and in what circumstances?

Discrimination is prohibited at every stage of the employment relationship, including recruitment.

Any direct or indirect form of discrimination in employment or occupation is prohibited. There is direct discrimination, when one person is treated less favourably than another person is, has been or would be treated in a comparable situation. There is indirect discrimination, when an apparently neutral provision, criterion or practice puts persons belonging to an ethnic group or persons having a particular religion or particular belief, or a particular age or a particular sexual orientation at a particular disadvantage compared with other persons.

Harassment is deemed to be a form of discrimination under the Equal Treatment Act (*Gleichbehandlungsgesetz*).

3.3 Are there any defences to a discrimination claim?

In certain circumstances, the employer may put forward objective reasons to defend against the allegation of a discriminatory practice.

Gender-based unequal treatment (with the exemption of direct sexual discrimination) may be justified within very narrow limits, for example, if belonging to one of the two sexes is an essential prerequisite for the work to be performed (e.g., soprano singer).

If there is an allegation of discrimination on the basis of other grounds, the employer has to demonstrate that the behaviour is objectively justified by a legitimate aim and the means of achieving that aim are appropriate and necessary.

3.4 How do employees enforce their discrimination rights? Can employers settle claims before or after they are initiated?

Employees can enforce the discrimination rights before the labour courts. They might also request the Equal Treatment Commission (*Gleichbehandlungskommission*) to review his/her case. The court is required to consider the expert opinion or the finding of the Equal Treatment Commission and must give reasons if it comes to different conclusions.

Claims can be settled before or after the proceedings are initiated.

3.5 What remedies are available to employees in successful discrimination claims?

Employees may claim compensation for the pecuniary loss and for the suffered personal detriment. If a termination or a non-prolongation of an employment contract is due to discrimination, the employee can (i) either challenge the termination or non-prolongation, or (ii) accept it and file a suit for compensation.

3.6 Do “atypical” workers (such as those working part-time, on a fixed-term contract or as a temporary agency worker) have any additional protection?

Employment conditions of part-time workers and workers on a fixed-term contract may not be less favourable than those of comparable full-time workers or those on permanent contracts, unless there are objective reasons for a different treatment. The employer must provide evidence of such reasons. So-called “chain contracts” (consecutive agreement of a fixed-term employment contract immediately following a prior fixed-term employment contract) must be justified by objective economic or social reasons. Otherwise, the contract will be considered as violating public policy and treated as a contract concluded for an indefinite period of time.

A temporary agency worker is entitled to equal wages subject to a CBA as comparable to permanent workers of employer’s company.

4 Maternity and Family Leave Rights

4.1 How long does maternity leave last?

Eight weeks before and eight weeks after giving birth (in the case of premature, multiple or caesarean births the period will be extended to at least 12 weeks) employees are not allowed to be employed (*Beschäftigungsverbot*). After this period, the employee is entitled to a maternity leave (*Karenz*) until the second birthday of the child.

4.2 What rights, including rights to pay and benefits, does a woman have during maternity leave?

For the 16-week period, (*Beschäftigungsverbot*) the public system of health insurance will usually compensate the employee for the full salary (*Wochengeld*). During maternity leave, employees will not receive money from the employer, but are entitled to parental pay (*Kinderbetreuungsgeld*).

During maternity leave, employees are protected from termination/dismissal. They can only be terminated or dismissed with the prior consent of the labour court due to certain reasons stipulated in the pertinent law.

4.3 What rights does a woman have upon her return to work from maternity leave?

After the end of her period of maternity leave, a woman on maternity leave is entitled to return to her job or to an equivalent position on terms and conditions which are not less favourable to her than the previous conditions.

4.4 Do fathers have the right to take paternity leave?

Yes, fathers are also entitled to demand paternity leave up to the child’s second birthday, during which they enjoy special protection from termination/dismissal. Parents cannot claim parental leave for the same period, but they can use it subsequently. Fathers on paternity leave are entitled to parental pay in the same amount and for the same period as mothers on maternity leave.

4.5 Are there any other parental leave rights that employers have to observe?

During parental leave, the employer has to inform the employees about important business incidents affecting their interest, in particular insolvency proceedings, restructuring measures and measures regarding education and training.

4.6 Are employees entitled to work flexibly if they have responsibility for caring for dependents?

Parents, who have worked for at least three years for a company with more than 20 employees, are entitled to work part-time until their children’s seventh birthday. The special protection against termination/dismissal ends four weeks after the end of the part-time work or with the children’s seventh birthday, at the latest.

5 Business Sales

5.1 On a business sale (either a share sale or asset transfer) do employees automatically transfer to the buyer?

A share sale (share deal) does not have an impact on the employment relationships as the employer remains the same legal entity. If an asset transfer (asset deal) takes place, the employment relationships existing at the time of the transfer will automatically be transferred with the pertinent assets with all rights and obligations to the buyer as stipulated by statutory law.

5.2 What employee rights transfer on a business sale? How does a business sale affect collective agreements?

All individual rights are transferred on a business sale.

The applicable collective bargaining agreement (CBA) continues to apply to the transferred employees until the transferred CBA is amended or terminated. This does not apply if the transferee has its own CBA in place. In this case, the transferee's CBA applies to the transferred employees. However, payments and remunerations granted under the transferor's CBA must remain in place, regardless of the new CBA's payment scheme.

Furthermore, employees are entitled to object to their transfer within one month if the transferee refuses to assume any material employment terms and conditions, including under applicable CBAs. If the employee objects to the transfer due to a refusal by the transferee to accept (i) special protection against dismissal under the transferor's CBA, or (ii) pension entitlements, the employee stays employed with the transferor. If the objection is caused by worsening work conditions under the applicable transferee's CBA, the employee can terminate his/her employment, keeping all statutory or contractual entitlements he/she would have had in case of a termination by the employer.

5.3 Are there any information and consultation rights on a business sale? How long does the process typically take and what are the sanctions for failing to inform and consult?

Yes, on an asset sale, the works council must be informed about any operational changes. It can demand consultations and, in certain circumstances, compel the employer to offer a social compensation plan. In the absence of a works council, the transferor or the transferee must inform affected employees of (i) the proposed timeframe of the transfer, (ii) the reasons for the transfer, (iii) the legal, economic and social consequences of the transfer for the employees, and (iv) the envisaged measures relating to the employees. This information must be provided prior to the business transfer.

5.4 Can employees be dismissed in connection with a business sale?

Dismissals are considered to be invalid if they are exclusively or primarily due to the business transfer. However, they are permissible, if they are due to other (personal or business related) reasons. The shorter the time between transfer and termination, the more difficult it will be to prove for the employer that the termination was not due to the transfer.

5.5 Are employers free to change terms and conditions of employment in connection with a business sale?

No, unilateral changes of terms and conditions of employment because of the business transfer are not permitted.

6 Termination of Employment

6.1 Do employees have to be given notice of termination of their employment? How is the notice period determined?

Fixed-term employment contracts normally end automatically when they reach their agreed end point, without giving notice and

without any period of notice unless otherwise agreed.

In case of contracts concluded for an indefinite period of time, which is the most common form in Austria, employees have to be given notice of termination of their employment unless they are terminated for good cause with immediate effect. Generally, notice can be given verbally, in writing or by conclusive behaviour (i.e., behaviour that on an objective assessment makes it clear to the addressee that the employment relationship is to end). However, a written notice is advisable in order to have evidence.

Unless the employment agreement provides more beneficial conditions in favour of the employee, the employment may only be terminated by the employer effective as of a calendar quarter. This rule may be changed by individual agreement so that employment may, instead, end on the fifteenth day or at the last day of each calendar month (Sec 20 Para 3 White-Collar Employees Act).

The notice periods for the employer depend on how long the employee has worked in the company and range from six weeks to five months. Regarding blue collar workers, notice periods are also governed by CBAs, usually respecting a two-week minimum notice period.

6.2 Can employers require employees to serve a period of "garden leave" during their notice period when the employee remains employed but does not have to attend for work?

Yes, employers are entitled to put employees on "garden leave". During such period, the employees are entitled to their salary, even if they do not have to work.

6.3 What protection do employees have against dismissal? In what circumstances is an employee treated as being dismissed? Is consent from a third party required before an employer can dismiss?

Austrian law provides for (i) general protection for employees in companies in which five or more employees are regularly employed, and (ii) special protection for certain groups of employees against termination. The employee (or the works council) may challenge the termination by filing a lawsuit with the labour court.

For example, a termination can be challenged in court if it was given on the basis of certain employee activities such as trade union activities, or if it is socially unjustified. Reasons for justification available to the employer in such proceedings are (i) economic reasons preventing continuation of employment, and/or (ii) personal reasons such as disciplinary issues.

For important reasons specified by law (e.g., breach of trust, criminal acts, persistent neglect of duties, breach of confidentiality, infringement against a non-compete clause, etc.), the employer may immediately dismiss the employee, without a notice period having to be adhered to.

Certain protected groups of employees (members of the works council, mothers/fathers on parental leave, disabled persons, etc.) may be terminated only upon prior approval by the labour court or the committee for disabled employees. The specific grounds on the basis of which termination may be authorised by the court or competent administrative authority are set out in the respective laws.

6.4 Are there any categories of employees who enjoy special protection against dismissal?

Yes, certain groups of employees enjoy special protection against termination by law, e.g., (former) members of the works council, pregnant employees, mothers/fathers on parental leave, employees doing military service or alternative civilian service, and disabled persons.

6.5 When will an employer be entitled to dismiss for: 1) reasons related to the individual employee; or 2) business related reasons? Are employees entitled to compensation on dismissal and if so how is compensation calculated?

In general, ordinary termination does not require any cause. However, if the termination is challenged at court, the employer has to justify the termination by providing (i) personal related reasons, or (ii) business related reasons. Personal related reasons are usually on such grounds regarding personal characteristics of the employee that are adverse to the employer's interests (e.g., frequent absences due to illness, lack of capability to perform contractual duties, etc.). Business related reasons may be, for example, a drastic decrease in turnover or closure of a business.

Employees are not entitled to compensation on the basis of a justified dismissal. However, if the employer fails to comply with the notice period or with the permissible date or if there is no justified reason for the dismissal, the employee is entitled to receive compensation on dismissal.

6.6 Are there any specific procedures that an employer has to follow in relation to individual dismissals?

If a works council is established, the employer must notify the works council of the intended termination one week before giving notice of termination to the employee. The works council may then comment on the termination. If this pre-notification requirement is not adhered to, any termination by the employer is null and void. The way the works council responds influences the appeal procedure, but once the information and consultation requirements have been fulfilled, the termination may go ahead.

6.7 What claims can an employee bring if he or she is dismissed? What are the remedies for a successful claim?

Employees may file a lawsuit with the labour court after having been terminated/dismissed. If the court grants the action, the termination/dismissal will be without effect. In such case, the employer has to pay arrears of remuneration and the employment relationship will continue as if it had not been terminated at all.

6.8 Can employers settle claims before or after they are initiated?

Yes, employers can settle claims at any stage of the proceedings. In practice, a large number of lawsuits end by the way of a settlement.

6.9 Does an employer have any additional obligations if it is dismissing a number of employees at the same time?

In the event of an intended mass redundancy of employees (starting with five dismissals within 30 days in companies with 20 to 100 employees and/or if at least five employees aged over 50 are

concerned), the employer has to notify in writing the local office of the Labour Market Service (*Arbeitsmarktservice*) 30 days prior to the intended termination.

The notification has to include (i) exact information regarding the grounds for the termination of the employment relationship, as well as (ii) information regarding the individuals who are affected by it. At the same time, it must also be proven that the works council has been informed about the envisaged terminations. If there is no works council, a copy of the notification is to be sent promptly to each of the employees concerned.

6.10 How do employees enforce their rights in relation to mass dismissals and what are the consequences if an employer fails to comply with its obligations?

Without timely notification of the Labour Market Service, any termination is invalid. During the 30-day period, no termination or termination by mutual consent is admissible (the so-called "cooling-off period") unless the Labour Market Service has given its consent.

7 Protecting Business Interests Following Termination

7.1 What types of restrictive covenants are recognised?

The Austrian law allows employers and employees to conclude non-compete clauses. The law distinguishes between (i) restrictions of competing activities during the employment, and (ii) restrictive covenants pertaining to post-termination periods.

During employment, employees must not take part in activities that compete with their employer. The restriction of activities may be specified by the contract.

Further, parties may enter into a non-compete covenant, in order to prevent the employee from working for a competitor and/or acting in competition to the employer for a certain period of time following the termination of the employment relationship. The pertinent laws provide restrictions for such agreements.

7.2 When are restrictive covenants enforceable and for what period?

Whether employees have to observe a post-contractual non-compete clause, depends on the nature of the termination of the employment.

The maximum term for such a clause is one year. The clause must not restrict the employee's professional advancement in a material manner. A non-compete clause is only valid, if (i) the employee is not a minor at the time of the conclusion of the clause, and if (ii) the salary exceeds a certain amount of money.

7.3 Do employees have to be provided with financial compensation in return for covenants?

Generally, employees are not entitled to financial compensation in return for covenants. However, if the employer terminates the employment and undertakes to pay the salary for the duration of the restrictive covenant, the clause will be enforceable.

7.4 How are restrictive covenants enforced?

Restrictive covenants are enforceable by filing a complaint with the

labour courts. An employer can apply for preliminary injunction and/or file a lawsuit for injunctive relief and/or claim damages from the employee.

However, if the parties agreed on a penalty, the employer can only claim the penalty and is not entitled to also request injunctive relief or additional damages. The contractual penalty is subject to judicial scrutiny and can be reduced according to equitable principles.

8 Court Practice and Procedure

8.1 Which courts or tribunals have jurisdiction to hear employment-related complaints and what is their composition?

The jurisdiction falls into the competence of the local labour courts. They are composed of one judge (who is legally qualified) and two expert lay judges (representing both sides of industry, i.e., employers and employees). The professional judge has to chair each panel.

8.2 What procedure applies to employment-related complaints? Is conciliation mandatory before a complaint can proceed?

Employment-related disputes generally follow the procedural rules of civil law claims with certain exceptions laid down in the Act on the Procedure in Labour Law and Social Law Matters (*Arbeits- und Sozialgerichtsgesetz*).

In general, conciliation is not mandatory. Only in relation to a very few matters, the law provides for compulsory conciliation (e.g., relating to the enforcement of plant agreements).

8.3 How long do employment-related complaints typically take to be decided?

How long employment-related proceedings last, depends on the type of claim and on the complexity of each case. In general, employment related proceedings are faster than normal civil law matters. In practice, a great number of lawsuits end by way of settlement.

8.4 Is it possible to appeal against a first instance decision and if so how long do such appeals usually take?

In Austria, there are three successive stages in civil-law (and labour law) cases, up to the Austrian Supreme Court. First instance decisions can always be appealed. Appellate proceedings usually take between four to twelve months. In certain circumstances (in particular, pertaining to cases requiring a decision on legal issues of fundamental importance), the appeal to the Austrian Supreme Court is permissible. These proceedings usually take four to twelve months, but in some cases a decision may also be rendered within a few weeks.

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Sabine Hauer graduated in law at the Vienna University in 2002. Before she joined the law firm in 2008, she worked as in-house counsel for financial services companies. Since November 2008, she has worked at Barnert Egermann Illigasch Rechtsanwälte GmbH, where her main areas of practice are real estate law, labour law, civil and commercial law. Her experience in labour law includes drafting of individual and collective labour agreements, management contracts and legal opinions and providing legal assistance related to individual and collective dismissals of employees, as well as regarding the transfer of employees. Further, she provides representation in employment related disputes before labour courts.

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