

# UNDERSTANDING AUSTRIA'S EMPLOYMENT LAWS: A GUIDE FOR EMPLOYERS



**Comprehensive Insights into Labor Laws,  
Employee Rights, and HR Best Practices**

Provided by

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# INTRODUCTION: WHY UNDERSTANDING AUSTRIA LABOR LAWS MATTERS



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Austria has a **highly structured and employee-friendly labor market**, with strict employment regulations governed by **federal laws, collective agreements (Kollektivverträge)**, and EU labor directives.

Employers operating in Austria must comply with **contract requirements, termination laws, mandatory benefits, and social security contributions** to avoid legal and financial risks.

This guide provides an **in-depth overview of Austrian labor laws**, including **best practices for compliance and effective HR management**.

# EMPLOYMENT CONTRACTS AND WORKING CONDITIONS



## 📌 1. Employment Contracts and Working Conditions

Austrian labor law is based on:

- **The Austrian Civil Code** (Allgemeines Bürgerliches Gesetzbuch – ABGB)
- **The Labour Constitution Act** (Arbeitsverfassungsgesetz – ArbVG)
- **Collective Bargaining Agreements** (Kollektivverträge – CBAs)

### 📌 1.1 Types of Employment Contracts

All employment relationships in Austria must be documented in a written contract. The main contract types include:

- **Permanent Contract (Unbefristeter Arbeitsvertrag)**
  - The standard and most protective employment agreement.
  - Requires **proper termination procedures**.
- **Fixed-Term Contract (Befristeter Arbeitsvertrag)**
  - Can only be renewed a **limited number of times** before converting into a permanent contract.
- **Part-Time & Temporary Contracts**
  - Employees have the same rights as full-time workers, with proportional benefits.
- **Freelance & Independent Contractor Agreements**
  - Must meet strict **self-employment criteria** to avoid misclassification risks.

# EMPLOYMENT CONTRACTS AND WORKING CONDITIONS



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## 📌 1.2 Key Contractual Requirements

All employment contracts should specify:

- ✔ Job role and description
- ✔ Salary and payment schedule
- ✔ Working hours and overtime rules
- ✔ Notice periods and termination conditions
- ✔ Applicable CBA (if relevant)

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💡 **Important:** *If no written contract is provided, employees must receive a written "Dienstzettel" (employment record) outlining the basic terms.*

# WORKING HOURS, OVERTIME, AND LEAVE ENTITLEMENTS



## 📌 2.1 Standard Working Hours

- The **standard full-time workweek** is **40 hours**, but many CBAs reduce this to **38.5 hours**.
- **Overtime (Überstunden)** is limited to **20 extra hours per week** and must be **paid at a 50% premium** unless compensated with additional leave.

## 📌 2.2 Paid Leave and Public Holidays

- **Annual leave:** Minimum **25 working days per year** for full-time employees.
- **Public holidays:** **13 national holidays**, with additional **regional holidays** in some states.
- **Sick leave:**
  - Covered by the employer for up to **6 weeks at full salary**, then reduced pay via social security.
- **Maternity leave:** **16 weeks fully paid** (8 weeks before and after birth).
- **Paternity leave:** **1 month of unpaid leave**, but new fathers can take **family bonus leave**.
- **Parental leave:** Up to **2 years**, with job protection.

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💡 *CBAs may provide enhanced leave benefits, so employers should review sector-specific agreements.*

# MANDATORY EMPLOYEE BENEFITS & SOCIAL SECURITY CONTRIBUTIONS



## ✦ 3.1 Employer Contributions & Social Security (Sozialversicherung)

Employers in Austria must **register all employees** with the **Austrian Health Insurance Fund (ÖGK)** and contribute to:

- ✓ **Pension Insurance** (Pensionsversicherung)
- ✓ **Health Insurance** (Krankenversicherung)
- ✓ **Unemployment Insurance** (Arbeitslosenversicherung)
- ✓ **Accident Insurance** (Unfallversicherung)

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💰 **Employer contributions total approximately 21% – 22% of gross salary, while employees contribute around 18%.**

## ✦ 3.2 Minimum Wage and Salary Structures

- Austria **does not have a nationwide minimum wage**; instead, wages are determined by CBAs.
- **Minimum salaries vary by industry**, but the lowest negotiated minimum wage is **€2,000 per month** (as of 2024).
- Many employers provide **13th and 14th-month salary payments**, which are **tax-advantaged**.

# TERMINATION & DISMISSAL REGULATIONS



## ✦ 4.1 Notice Periods and Dismissal Protection

Austrian labor law protects employees from unjustified dismissal, and notice periods depend on tenure:

- 0–2 years: 6 weeks' notice
- 2–5 years: 2 months' notice
- 5–15 years: 3 months' notice
- 15–25 years: 4 months' notice
- 25+ years: 5 months' notice

💡 *During the probation period (max 1 month), either party can terminate the contract without notice.*

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## ✦ 4.2 Severance Pay (Abfertigungssystem)

Austria has a **mandatory severance pay system**, known as "**Abfertigung Neu**", which requires employers to contribute **1.53% of gross salary to an employee severance fund**.

Employees receive severance pay only if they:

- ✓ Resign voluntarily after 3+ years of service
- ✓ Are dismissed without fault

⚠️ *Unlawful termination can result in high compensation claims and possible reinstatement.*



# HR COMPLIANCE & RISK MANAGEMENT



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## ✦ 5.1 Key Compliance Areas

- ✔ **GDPR & Employee Data Protection** – Strict rules apply to handling employee information
- ✔ **Health & Safety Laws (ASchG – Arbeitnehmerschutzgesetz)** – Employers must provide a **safe workplace** and conduct risk assessments
- ✔ **Diversity & Inclusion** – Companies with 50+ employees must comply with gender equality laws and provide equal pay policies.
- ✔ **Workplace Harassment & Discrimination Prevention** – Strong legal protections exist against harassment and discrimination

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## ✦ 5.2 Common HR Compliance Risks

- ⊗ **Misclassifying freelancers**, leading to fines and back payments.
- ⊗ **Non-compliance with CBAs**, which can result in legal disputes.
- ⊗ **Failure to follow proper dismissal procedures**, increasing liability risks.

# HR BEST PRACTICES FOR EMPLOYERS IN AUSTRIA



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- ✓ **Ensure compliance with CBAs** – These agreements **override company policies**, so review them carefully.
  - ✓ **Invest in HR technology** – Digital payroll and compliance tracking help avoid legal risks.
  - ✓ **Offer flexible work arrangements** – Austrian employees value **hybrid work options**.
  - ✓ **Stay informed on legal updates** – Labor laws frequently change, requiring proactive HR management

# AVOIDING COMMON HR COMPLIANCE MISTAKES: CASE STUDIES



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## 📌 Case Study 1: Avoiding Payroll Compliance Risks

**Challenge:** A tech company miscalculated social security contributions, leading to back payments and penalties.

**Solution:** Partnering with a payroll provider ensured accurate deductions and timely payments.

**Result:** Reduced compliance risks and improved financial planning.

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## 📌 Case Study 2: Managing Cross-Border Employees

**Challenge:** A multinational firm struggled with tax and labor law differences for employees working in Austria and Germany.

**Solution:** Implementing a cross-border employment policy with legal consultation.

**Result:** Smoother payroll processing and reduced tax complications.

# CONCLUSION & NEXT STEPS



Austrian labor law is **highly structured**, requiring employers to **stay compliant with contracts, CBAs, and termination regulations**. By implementing **best HR practices, staying informed on legal changes, and using compliance tools**, companies can **successfully manage their workforce in Austria**.

**Need HR support in Austria?**

**[book your call with us by clicking](#)**



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