

The State of Unions: Austria

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I. Political Orientation, Organizational Structures, and Transnational Alliances

Austrian unionism stands out in terms of its organizational unity. In practice, the Austrian Trade Union Federation (*Österreichischer Gewerkschaftsbund*, ÖGB) obtains an associational monopoly, encompassing all of the country's unions and union membership.¹ Unity has been at the heart of the Austrian unions for historical reasons: In hindsight, they see their political fragmentation into rivaling organizations during the inter-war period as one key determinant of their defeat by Austro-fascism in 1933/34, which then paved the way for Austria's incorporation into Nazi Germany in 1938. Under the conditions of the strong political polarization of the Austrian postwar society, unity could be established and sustained only by internalizing all the existing political camps. They are institutionalized as political factions within the ÖGB, enabling the unions to maintain links with all major parties in parliament (Traxler, 1998). The faction of the Social Democratic Party (SPÖ) is the strongest, prevailing in the ÖGB as well as in all member unions, except for the Union of Public Services (*Gewerkschaft Öffentlicher Dienst*, GÖD), which is dominated by the Conservative Party (ÖVP). These political factions are the agents of intra-union goal formation. Consistent with the priority of organizational unity, this exposes internal decision-making to strong pressures for consensus. Union goals thus represent the lowest common political denominator, resulting in a highly pragmatic policy line that has traditionally been focused on preserving employment and optimizing macroeconomic management. This structurally pre-determined orientation has laid the foundations of pronounced cooperation with capital (i.e., bipartite "social partnership"), manifested in a long record of wage moderation and social peace.

Intra-confederal union demarcations were stable for a long time. In 1980 ÖGB had 16 member unions, as it had from its formation onwards. At that time their jurisdictions were as follows:² There were four public-sector unions (i.e., GÖD, GdG, GdE and GPF), differentiated by the type of employer (i.e., central state plus Land-level governments; municipalities and communities;³ railways; and postal and telecommunication services). In the private sector, most of the white-collar workers were organized separately from their blue-collar counterparts: Eight sectoral blue-collar unions co-existed with one single, cross-sectoral white-collar union (i.e., GPA). In addition, two unions—one organizing arts, media, and liberal professions, the other covering printing, and paper—recruited both blue- and white-collar workers.⁴

Meanwhile, several mergers have taken place. Table 1 summarizes the situation in 2004, with a total of 13 member unions. More recently, the powerful blue-collar union of the metal industry and the textiles industry (GMT) merged with the blue-collar union of agriculture and food (ANG) to form the *Gewerkschaft Metall-Textil-Nahrung*, GMTN, in 2006. Two further mergers are scheduled for the same year: GPA will combine with GDJP, and GdE, HGPS, and HTV will join forces. These mergers will leave a total of nine member unions. Further mergers are commonly seen as necessary. The mergers have mainly been driven by changes in the economic structure and the composition of the labor force that undermined traditional union jurisdictions, and by pressures to economize on resources caused by the coincidence of shrinking membership and growing tasks, such as extended support of the works councils in connection with bargaining decentralization. How the mergers were done has been sub-optimal in one important respect: They could not overcome separate organization of blue-collar workers and white-collar workers in almost all areas of the private sector, which is now covered by a few multi-industry unions of blue-collar workers on the one hand, and the GPA plus GDJP, on the other, aside from the KMSfB.

The dynamics of the mergers indicate that ÖGB is actually less centralized than its formal structure suggests. According to the constitution of ÖGB, its member unions are not independent associations but subdivisions of ÖGB which exercises full control over finance and staff under its umbrella. Regardless of this, ÖGB initiatives to reform union jurisdictions and to design large-scale mergers “from above” were ignored (Traxler, 1998; EIRO, 2001). For instance, in 2001, the president of ÖGB presented a new proposal for a profound reform, which would have resulted in a reduction to eight unions as well as substantial change in the membership domains. Above all, it would have meant breaking up GPA and HTV, such that the principle of industrial unionism (i.e., one single union per company) could be established. This reform met strong resistance from these unions. Furthermore, the plan was at loggerheads with the decision taken already by GMT and ANG to merge. In practice, the mergers arose from a bottom-up process, guided by the preferences of the top representatives of the member unions and resulting in amalgamations other than those envisaged by “grand design” elaborated by ÖGB.

As regards transnational alliances, the most essential one is the affiliation of ÖGB to the European Trade Union Congress (ETUC). In parallel with this, its member unions are affiliated to the corresponding European Industry Federations of ETUC. Within this framework the Austrian unions participate in efforts to coordinate bargaining across borders. Of these EU-level initiatives, the coordination activities of the European Metalworkers' Federation are the longest established and the most developed (Marginson and Traxler, 2005). This pioneering role of the metal industry holds true also for transnational cooperation below the EU level. The unions of Austria, Germany, and Switzerland representing this industry have met annually for decades to exchange views. Since the early 1990s the Austrian, German, and Swiss unions of the construction industry have followed this example by setting up their own network. Meanwhile, inter-regional cooperation has expanded in both industries. In the metal

Table 1
Membership of the 13 ÖGB Member Unions, 2004

Union	Total	Women's	Women as	Total	Change
	Membership in 2004	Membership	% of Total Membership	Membership in 2003	2003–2004 Absolute %
Union of Salaried Private-Sector Employees, GPA ^a	276,313	120,483	43.6	285,601	-9,288 -3.3
Union of Public Services Union (federal and provincial), GÖD	229,502	113,858	47.6	229,262	240 0.10
Metal Industry and Textiles Union, GMT ^{a,b}	203,225	34,463	17.0	205,418	-2,193 -1.1
Municipal Employees Union, GdG	170,145	86,838	51.0	172,549	-2,404 -1.4
Construction and Woodworkers Union, GBB [*]	146,316	6,354	4.3	149,784	-3,468 -2.3
Railway Workers' Union, GdE ^c	90,249	5,662	6.3	92,627	-2,378 -2.6
Posts and Telecommunications Workers' Union, GPF	64,533	15,585	24.2	66,756	-2,223 -3.3
Hotels, Catering and Personal Services Workers' Union, HGPD ^{a,c}	47,322	35,039	74.0	48,697	-1,375 -2.82
Agricultural and Food Workers' Union, ANG ^{a,b}	36,008	8,147	22.6	37,593	-1,585 -4.2
Chemical Workers' Union, GdC [*]	31,910	4,423	13.9	32,747	-837 -2.6
Commerce and Transport Workers' Union, HTV ^{a,c}	34,042	12,822	37.7	34,236	-194 -0.6
Union of Journalists, Printing and Paper Workers, GDIP ^a	17,320	3,039	17.5	18,327	-1,007 -5.49
Arts, Media, Sports and Liberal Professions Union, KMSfB	11,048	3,477	31.5	11,603	-555 -4.8
Total	1,357,933	450,190	33.2	1,385,200	-27,267 -2.0

Notes: ^aBlue-collar unions. ^bDetermined to merge in 2006. ^cMerged in 2006. ^dDetermined to merge in 2006.

Source: ÖGB, 2005a.

industry IG Metall of Bavaria, GMTN, and their Czech, Hungarian, Slovakian, and Slovenian counterparts regularly meet to discuss subjects such as bargaining policy and outsourcing strategies of employers. Some GMTN Land-level organizations cooperate with corresponding union organizations in the Czech Republic, Slovenia, and Slovakia. Since the early 1990s transnational cooperation has become an agenda of growing importance in response to European integration enabling employers to embark on “regime shopping” that puts downward pressures on labor standards.

II. *The Legal Framework for Union Action*

Labor law sets the central legal framework for trade union action. As in many other countries, Austrian labor law is divided into individual law and collective labor law. Since the early 1980s more changes have occurred in individual law than in collective law. The amendments of individual labor law primarily addressed the spread of nonstandard employment relationships, in particular the “gray” area between dependent self-employed and truly self-employed persons. According to Austrian labor law, the decisive criterion which distinguishes employed from self-employed persons is their relation to the principal in terms of working time, workplace, and duties. In this respect, the constituent property of employees is their subordination to managerial authority. Since the early 1990s, however, a growing number of persons have undertaken to perform a continued activity for a company as formally self-employed persons (i.e., a freelancer) under the terms of a contract for work (*Werkvertrag*), while being actually dependent on and subordinated to the respective company. In response to this, the amendments aimed to institutionalize dependent self-employment that is classified as similar to employees as an employment relationship in its own right by referring to a new legal form of employment, the so-called free-service contract, which had previously arisen from court rulings. The 1997 General Social Insurance Amendment Act, devised to extend social insurance coverage to all dependent self-employed people, was the first legislation to include a definition of this new type of employment contract. The main differences between the three types of employment are as follows: Both employee contracts and free-service contracts imply the obligation to perform an activity and make efforts during a specified or unspecified time period, whereas contracts of work specify a certain achievement that must be reached. In contrast to a free-service contract, an employee contract creates a personal subordination to the principal (i.e., the employer) (Guger et al., 2000). The 1997 legislation markedly improved social protection of the freelancers in that it brought them within full coverage of the General Social Insurance Act, which previously covered only employees. In contrast to this, self-employed holders of a contract for work (*Werkvertrag*) (also referred to as *Neue Selbstständige*) are still treated like all other self-employed persons and are therefore insured under the terms of the Social Insurance Act on Self-Employed Persons (Pernicka, 2002). The holder of a free-service contract enjoys another advantage over a self-employed person under a contract for work: In contrast to the former the latter fully bears the entrepreneurial and social risks of its activity (e.g., illness, liability for economic outcomes, lack of entitlement to paid leave).

The effectiveness of this legislation on dependent self-employment has been limited, since it is very difficult to demarcate between dependent and true self-employment. Rulings by the labor courts and the supreme court of justice have elaborated a list of criteria for clarifying a person's status. This helps persons successfully file an appeal to the courts in cases when employers try to circumvent an employment relationship, so as to save non-wage labor costs. Some employers have nevertheless found alternatives to circumvent these criteria as well, by persuading their employees to apply for a trade license which gives them true self-employed status by law. As a consequence, many dependent self-employed are still under the terms of a contract for work. Moreover, the measures to accommodate dependent self-employment to the formal status of dependent employment have been limited in important respects. As with contracts for work, free-service contracts do not entitle people to get unemployment benefits or invoke constituent protective provisions of labor law, such as collective bargaining coverage. Labor law excludes any kind of self-employment from the purview of collective agreements.⁵ The exceptions to this rule are journalists who continuously work as freelancers for a media company. Since the late 1990s legislation has enabled the two sides of industry to arrive at a supra-plant contract for this group which is modeled on a collective agreement in all essential respects (Runggaldier, n.d.).⁶ Consistent with this, GDJP and the corresponding employer associations have embarked on joint regulation of earnings of self-employed journalists which follows collective wage bargaining on behalf of their employee colleagues.

The most important change in collective labor law refers to the regulation on the legal capacity to conclude collective agreements. A notable feature of Austrian labor law is that it reserves the capacity to conclude collective agreements to associations (i.e., employer associations and unions at multi-employer level), while this capacity is not conferred on the single employer. Single-employer bargaining can be conducted only by way of exception in a few cases explicitly listed by labor law, such as (mainly public-law) companies and certain associations (e.g., the political parties). The group of companies vested with the capacity to bargain has grown in the wake of the restructuring of state activities since the 1990s: Several state services (e.g., postal services, labor market services, and air traffic control) were transferred from public-law to private-law status, in combination with deregulation of their monopoly position and with privatization in some cases (e.g., telecommunications). For each of these services, a special law enacted their restructuring, equipping, *inter alia*, the newly formed companies with the right to conclude collective agreements on behalf of their employees, with the notable exception of the group of civil servants still working there. These civil servants remain under the jurisdiction of public-sector industrial relations. Since the public sector is legally excluded from the right to bargain in Austria, these restructuring measures have enlarged the purview of the collective bargaining system, while causing problems of inter-union domain demarcation. Meanwhile, collective agreements have been concluded for a notable number of the new private-law companies.

Unlike other countries, there is no statutory regulation of internal union affairs. In 2006, however, a law came into force which directly intervenes in ÖGB, while it does

not address unions in general. Since the mid-1990s BAWAG, the country's fourth-largest bank fully owned by ÖGB, has lost more than EUR 1 billion, mainly on speculation deals in the Caribbean. When this disaster became public in April 2006, the government, major banks, and insurance companies together with ÖGB hammered out a plan to bail out the bank. Under the terms of the plan, which needed endorsement by legislation, ÖGB is obliged to sell BAWAG as well as its shares in Austria's central bank (i.e., 8.33 percent), and to be liable to the extent of its property. In connection with this, ÖGB must inform the central bank about its property, including the scale of its dispute fund. Although the law exempts ÖGB from liquidating related debts to an extent that would make it insolvent, it has nevertheless come close to financial collapse. This is because ÖGB is burdened with additional liabilities of more than EUR 1 billion, mainly caused some years ago by the buy-out of the former co-owner of BAWAG and the takeover of another bank by BAWAG.

III. *Trends in Labor Force Composition and Unionization*

Since the early 1980s the structure of the economy and the composition of the labor force have changed in a way detrimental to the unions for two main reasons. They have blurred the inter-union domain demarcations and have boosted the growth of groups which are hard to unionize. Most importantly, these changes include public sector restructuring, the shift from blue-collar to white-collar employment in the manufacturing sector, the overall decline of employment in manufacturing, and the rise of female and atypical employment. For instance, the percentage of blue-collar employment in total employment in manufacturing declined from 71.5 percent in 1980 to 64.0 percent in 2004. The share of employees in manufacturing in the total workforce fell from 43.9 percent to 26.9 percent over the same period, while the share of female employment rose from 40.0 percent to 45.9 percent.⁷

From the late 1980s onwards, public services have undergone a restructuring process which has changed the employment relationship and industrial relations. Depending on the type of services, this restructuring process has taken several, often interrelated forms: the opening up of former monopoly markets, privatization, and the transfer of services from the status of a public authority to the status of a private-law company (Adam, 2003b). On the one hand, this process has changed the traditional boundaries between the public and private sector to which the inter-union domain demarcations refer. On the other hand, it has created hybrid employment patterns in the companies affected, since the staff employed already before restructuring could preserve its public-law status, whereas new entrants have to work under the terms of private law which differs from public-law employment most essentially in that it assures less protection against dismissals. As noted above, the private-law employees are under the right to bargain in contrast to their public-law counterparts. As a consequence, the unions organizing these services have to face a fairly heterogeneous constituency. Moreover, the restructuring process has challenged the formerly clear-cut demarcation lines between the member unions of ÖGB so strongly that it resulted in inter-union competition for members in some cases. Although the pub-

lic sector unions that traditionally cover the restructured services maintain their claim to represent any of their employees, the private sector unions may be tempted to claim responsibility for those services which fall within their purview in terms of branch activity. For instance, GPA has achieved a firm footing in posts and telecommunications, a sector originally covered by GPF. Parallel efforts of HTV to establish itself in the sector failed. GPA and GPF ultimately agreed to negotiate jointly with their employer counterpart. This joint initiative resulted in the first ever collective agreement for the posts and telecommunications sector (Traxler, 2002). A similar conflict has been settled in the case of the air traffic control aviation sector, when the responsible authority was transferred into a private-law company, Austro Control, in 1994. Originally, the company was organized by GPF which concluded a collective agreement for all the company's employees. The restructuring prompted HTV to organize the company's most qualified employee group, the air traffic controllers. HTV succeeded in its recruitment initiative by promising the air traffic controllers that a special, more generous collective agreement would be negotiated for them. However, this was prevented by intervention from ÖGB itself. Fearing a split among Austro Control's staff and a precedent for further poaching on established domains, ÖGB ordered the two unions involved to establish a joint negotiating team for future bargaining, and this joint team concluded a single collective agreement for all employees in December 2002. Despite its successful recruitment initiative HTV thus failed to keep its promise of a tougher bargaining policy in favor of its new member group (Adam, 2003b).

In the manufacturing sector the distinction between white- and blue-collar workers has become less clear than in the past. For instance, employers seeking to increase employee involvement may classify workers performing manual tasks as white-collar employees, a status still privileged in terms of labor standards. This threatens to undermine the membership basis of manual unions—particularly since qualified manual workers, who tend to be those who shift from blue- to white-collar status, represent their unions' key recruiting ground for officials and works councilors (Traxler, 1998: 277).

With the decline in manufacturing employment, this problem has been further exacerbated especially in the case of the smaller blue-collar unions. A related problem is that unions attract white-collar employees less than their blue-collar counterparts, and the same holds true for women relative to men. Hence, the general expansion of white-collar and female employment has contributed to the long-term decline in unionization. An analogous effect emanates from the spread of atypical employment relationships, such as temporary agency work or dependent self-employment. In addition, atypical employment questions the given union jurisdictions, as one can learn from the cases of temporary agency workers and journalists. The blue-collar workers among the temporary agency workers cross-cut the unions' branch demarcations since these workers are spread over distinct industries. At the same time, general employer reluctance to enter collective bargaining for the blue-collar group of temporary agency work constituted a common interest across industries. In response to the expansion of temporary agency work, the original idea was that ÖGB itself should negotiate

and conclude the collective agreements for this group. In the end, this idea was rejected because ÖGB lacks any bargaining experience. Hence, the responsibility was delegated to GMT (nowadays GMTN) mainly for two reasons. First, the majority of temporary agency workers have been hired by the metal industry. Second, the GMT is known for its bargaining power. After difficult negotiations, GMT signed the first collective agreement on behalf of this group (EIRO, 2002a). Within KMSfB the question of how to cope with the problem of freelancing caused tensions between the section of journalists and the union leadership, which induced most unionized journalists to move from KMSfB to the printing and paper union, nowadays GDJP, in 2001. As noted, GDJP successfully conducted quasi-collective wage negotiations on behalf of freelance journalists. To the extent that atypical employment is beyond the legal reach of collective bargaining, it poses a challenge not only to the membership strength of the unions but also to their power *vis-à-vis* their interlocutors, i.e., the state and, especially, the employers (Pernicka, 2005: 211). One should note, however, that the share of nonstandard employment in total employment has been relatively small so far: About 72 percent of the total workforce are standard workers; 21 percent have a part-term contract; and less than seven percent are subject to very flexible employment conditions such as the temporary agency, the fixed-term, or dependent self-employed workers (Pernicka and Stadler, 2006: 6).

Unions have addressed these structural problems in various ways. One response has been intensified cooperation between unions of contiguous sectors and employee groups in bargaining matters. The cooperation of GMTN and GPA in the metal industry is most advanced. Recently, it resulted in collective agreements on a common pay system for blue- and white-collar employees, signed in the electrical and electronics sector in 2003 and in the broader metal industry in 2004. This pay harmonization for the two groups probably helps contain the move of manual workers to white-collar employee status. Measures to cope with economic and occupational change have focused on organizational reforms, particularly on mergers, as already outlined above.

Furthermore, some member unions launched internal reforms. The most far-reaching was implemented by GPA in 2000 in response to the growing heterogeneity of its membership. Most importantly, the reform replaced the six sections (for craft and industry, commerce, money and credit, insurance, social insurance, and agriculture) and their more than 200 subunits with 24 branches, and introduced two new lines of member grouping: the so-called interest groupings and issue platforms. The interest groupings are designed to organize special groups of members whose interests cross-cut branch demarcations: dependent self-employed and temporary agency workers, specialists and executive staff, social services workers, IT-workers, etc. The issue platforms aim to provide the rank and file with an opportunity to actively participate in intra-union discussions (GPA, 2000). Although use has been made of issue platforms rather rarely so far, they are an important novelty. Before the reform only works councilors and trade union officials were able to take part in internal communication processes, as is still the case of the other ÖGB member unions (except for KMSfB). Both interest groupings and issue platforms are meant to extend recruitment efforts to

new groups of workers and to integrate new perspectives and interests into the more “traditional” spheres of GPA (Pernicka, 2005). In this respect, special emphasis has been placed on atypical work, such as dependent self-employment. However, in 2004, self-employed members account for only 0.4 percent of a total of 285,600 GPA members, and their diverse occupational backgrounds range from bicycle couriers to higher education and scientific research.

Catering to the interests of female employees is traditionally institutionalized in special women’s departments within ÖGB and its member unions, in a way analogous to special departments for youth and pensioners. This might seem like treating women’s interests as the special needs of a minority, something which does not match reality any more, as the female labor force participation rate underscores. The shortcomings of this traditional approach are manifested in a rather low density rate of women and an even lower proportion of women officials in many unions, with the notable exception of GPA. Against this background, the 1995 ÖGB Congress decided that women should be represented on ÖGB bodies according to their share in membership. GPA implemented a positive action plan comprising a women’s quota on all bodies in 1997 (Blaschke et al., 2000). More recent initiatives include the introduction of a gender mainstreaming plan.

IV. Trends in Membership and Density

The data on ÖGB membership by its constituent unions (Table 1) refer to the situation before the 2006 mergers. The merger of GMT and ANG to form GMTN will probably make this union the second largest ÖGB member, the position GÖD had held since 1994. Since 1974 GPA has been the largest member, and its coming merger with GDJP will reinforce its leading position. GPA also comprises the majority of organized women in absolute terms and ranks fourth among ÖGB unions in terms of its proportion of women members after the women-dominated HGPD, GdG, and GÖD. A new larger organization will be formed in the wake of the merger of GdE, HGPD, and HTV. Table 2 displays the development of union membership from 1980 to 2002. Over this period ÖGB lost more than 10 percent of its members. This trend continued

Table 2
Total ÖGB Membership, by Gender, 1980–2002, Selected Periods
(Arithmetic Mean for Specified Time Periods, 1,000s)

	1980–1984	1985–1989	1990–1994	1995–2002
Total union membership	1,668.82	1,656.68	1,626.32	1,478.90
Females’ union membership				
In absolute numbers	507.96	512.02	509.44	473.93
In percentages	30.4	30.9	31.3	32.0

Source: BAK (2004).

in 2003 and 2004 (Table 1). As the breakdown by sub-periods shows, this process gathered momentum from the mid-1990s onwards, reflecting the fact that the economic and political context of union action has become far more difficult recently. As with aggregate membership, the number of female members shrunk, while their share in total membership slightly increased (Table 2). This results from the growing female labor force participation rate rather than a growing propensity of women to join unions. With a female gross density of 30.6 percent in 2004, as compared to 43.9 percent in 1980, the trend in female unionization corresponds with the aggregate development (Table 3). Overall, the considerable differences in unionization between the sexes have hardly changed over time.

A closer examination of membership trends requires relating them to changes in employment. This brings us to union density, i.e., the ratio of actual to potential members. Table 3 provides figures on net and gross union density which differ in that the latter includes nonactive members, i.e., retired and unemployed member groups. Over the periods under examination, net and gross density tended to decrease in parallel. However, in the early 1990s, gross density declined more than net density. Perhaps rising unemployment during that time induced the unemployed to quit their membership. Recalling the figures on absolute membership (Tables 1 and 2), one finds the mid-1990s a watershed in membership trends. Until then, ÖGB could more or less maintain its membership level in absolute numbers, whereas density had already declined due to steadily growing employment. From the mid-1990s, membership dwindled in both absolute and relative terms as employment growth continued. As a consequence, net density decline has accelerated.

The long-term decline in membership is remarkable: Starting from a comparatively high level of unionization in the postwar period, density has continuously decreased (Traxler, 1998). Systematic research on the determinants of this development is lacking. Aside from the changes in the economic and occupational structure outlined above, more specific factors have presumably contributed to this decline, namely the lack of selective incentives for membership. Most employees have automatic access to services as a result of their compulsory membership in the chambers of

Table 3
Net Union Density, 1980–2003
(Arithmetic Mean for Specified Time Periods)

	1980–1984	1985–1989	1990–1994	1995–2003
Net union density	50.2	47.2	43.9	37.3
Gross union density	58.3	56.6	50.92	45.05*

Note: *Arithmetic mean for 1995, 1996, 1997, 2001, 2002, and 2003.

Sources: Ebbinghaus and Visser (2000); data set of the Institute of Industrial Sociology, University of Vienna.

labor. This robs the ÖGB's own services of much of their attraction as selective incentives. Furthermore, considerable interest income which was available until 2005 mitigated the financial consequences of dwindling membership, something which might have diminished the need to intensify recruitment efforts.

V. Trends in the Union Effects on Wages and Other Economic Conditions

The strength of ÖGB and its member unions in bargaining is unmatched in the OECD area. On behalf of labor, ÖGB and its member unions have a bargaining monopoly: No other union is legally authorized to collectively bargain. Aside from ÖGB, only the chambers of labor possess a capacity to represent labor. However, labor law prioritizes unions over chambers as bargainers, since the former are voluntary associations, whereas the latter are public-law organizations with compulsory membership. In practice, the chambers of labor have never sought to enter the bargaining process. There is a clear division of labor between them and the unions in that both types of labor associations see collective bargaining as a union task.

This bargaining monopoly combines with a markedly high level of collective bargaining coverage. The adjusted coverage rate, which controls for employees excluded from the right to bargain, is around 99 percent (Traxler et al., 2001). For Austria, one must carefully differentiate between the adjusted and the unadjusted coverage rate, since the employees of the state sector do not have bargaining rights. In formal terms, the employment relationship in the state sector can unilaterally be determined by the state bodies representing the central state, the *Land*-level governments and the municipalities and communities as employers. Regardless, *de facto* negotiations over the employment terms between these bodies and the unions of the public sector occur, including annual wage negotiations analogous to the bargaining rounds in the private sector. The essential difference between collective bargaining in the private sector and the *de facto* negotiations in the state sector is that the private sector collective agreements are legally binding, whereas the *de facto* negotiations can result in only a gentlemen's agreement, which requires formal ratification by the legislative bodies. Reflecting the size of the state sector this difference in legal status translates into a corresponding difference between the adjusted and unadjusted coverage rate, with less than 80 percent in the latter case.

Given a union density of slightly more than 40 percent, the extremely high coverage rate in the private sector follows from very high density of the employer associations and their legally privileged position in the bargaining process, as compared to the single employers. With a limited number of exceptions regarding the employer side (as discussed earlier), labor law authorizes only associations at the multi-employer level to conclude collective agreements. Since company unions do not exist, and works councils are not licensed as a bargaining agent in their own right in Austria, this regulation restrains the scope of employer action more than that of labor, since labor law thus prevents the companies from resorting to single-employer bargaining in stark contrast to the situation in other countries.⁸

This privileged status of multi-employer bargaining essentially accounts for the high coverage rate, since the cross-national comparison shows that coverage is significantly higher in countries where multi-employer bargaining prevails, as compared to countries characterized by prevalent single-employer bargaining (Traxler et al., 2001). However, this does not fully explain why the coverage rate is very high in Austria even in comparison to other countries operating under predominant multi-employer bargaining. In the private sector almost all employees are covered, since the chambers of business (*Wirtschaftskammern*), which rest on legally based compulsory membership, operate as the principal employer associations there. For employers, the bargaining position of the chambers comes close to a monopoly (Traxler, 1998). Most collective agreements are concluded by the industry subunits of the peak organization of the Austrian Chamber of Business (i.e., the *Wirtschaftskammer Österreich*, WKÖ). All businesses covered by the domain of WKÖ are legally required to be members, so coverage is 100 percent for companies and employees in all areas where the chamber subunits bargain on behalf of the employers. The aggregate adjusted coverage rate of 99 percent of the employees thus reflects both the principal role of WKÖ in the bargaining process and its encompassing domain, which embraces almost all privately and publicly owned business firms—the main exceptions are agriculture and the liberal professions. Within WKÖ's domain only a few smaller employer associations conduct bargaining for such narrow branches as distinct bank groups, newspapers, and printing. In 2001 WKÖ had 200,945 member firms which together employed 2,222,565 employees who represented 70.6 percent of all Austrian employees. Although rivals do not exist, ÖGB and WKÖ have formally reinforced their bargaining position by mutual recognition as the privileged partner for collective bargaining.

These institutional properties of bargaining empower ÖGB and its member unions to exert significant leverage on wage formation in Austria, even though the coverage of collective wage agreements is likely to be slightly below aggregate coverage of 99 percent which includes collective agreements on both wage and non-wage issues. This impact is all the more considerable since the unions negotiate not only standard rates which define the minimum wage for the purview of the respective collective agreement, but also clauses on actual pay rates. These clauses do not specify pay levels themselves, but percentage increases to be applied to the pay actually paid, which may vary from company to company due to differences in overpayment in relation to the pay level, as fixed by the collective agreement.

Overpayment results from upward wage drift (i.e., a situation where the wages actually paid increase faster than the standard rates laid down by the collective agreements on minimum wages). Actual-pay clauses thus enable the unions to directly regulate actual pay and to restrain wage drift, insofar as these clauses reduce the employers' scope for overpayment.⁹ Actual-pay clauses are endorsed only in the collective agreements for certain industries. Employers of these industries are not happy with actual-pay clauses and increasingly tend to question them. Consistent with this, the unions can enforce such clauses only in such industries as large-scale manufacturing, where a comparatively high level of unionization gives them strong bargaining

power. In these circumstances, collective wage agreements specify two distinct pay increases, referring to the standard rate and actual pay. As a rule, higher percentage increases are fixed for the minimum pay scale than for actual pay. Estimates (Guger, 1993: 240; Pollan, 2000: 6) suggest that the coverage of actual-pay clauses declined from less than 25 percent of the total number of employees in the private sector in the late 1980s to less than 20 percent in the late 1990s.

Actual-pay clauses are all the more important, since the scale of overpayment is relatively high in Austria, although it has declined over time. In 1981 and 1998 overpayment of blue-collar workers in large-scale manufacturing was 33.5 percent and 22.8 percent, respectively. The corresponding figures for the white-collar employees were 26.8 percent and 22.5 percent (Pollan, 2000). Overpayment and other extra benefits are unilaterally conceded by management, or settled in negotiations where a works council exists. Such negotiations occur primarily in larger companies. Since labor law does not authorize works councils to negotiate wage increases, they can conclude only informal (i.e., legally not enforceable) settlements on this issue.¹⁰ This informal nature in combination with the general obligation of the works councils to keep peace ensures that company-level pay bargaining rounds cannot challenge multi-employer bargaining. Recent bargaining rounds in the metal industry have introduced a new flexible component for companies to implement. For instance, the 2003 collective agreement for the electrical and electronics industry obliges employers to distribute 0.35 percent of the total wage bill flexibly among the employees, in accordance with a works agreement to be negotiated with the works council, unless such an agreement provides for more favorable conditions. In contrast to the “distribution option” (see below), the employers are obliged to implement this provision in any case (EIRO, 2004).

More than 400 collective agreements are fixed in the course of the annual bargaining round (Traxler, 1999). This large number relative to the size of the country ensues from three main types of differentiation applying to most areas of the private sector. First, separate agreements are concluded for white-collar employees and blue-collar employees in areas where this difference in formal employee status applies. Second, collective agreements are differentiated by industries. Third, in manufacturing, there is a differentiation by production method and firm size in that separate agreements exist for large-scale manufacturing and small-scale craft production. Whereas the differentiation by employee status originates in a corresponding internal differentiation of ÖGB (see above), the differentiation by industry, production method, and firm size echoes the membership domains, as demarcated by the industry-level employer associations, namely the domain demarcations of the WKÖ subunits. Sometimes, these rather narrow subunits form joint bargaining cartels for broader areas, as in the metal industry. Thus, unions have difficulty controlling what industries a certain agreement covers. At the same time, the pay levels and other labor standards markedly differ across the agreements. Although the companies cannot escape collective agreement coverage unless replacing employees with self-employed persons, these differences provide an incentive for them to switch from “expensive”

to “cheap” agreements, which can mainly be done in two ways. First, a company may outsource certain activities to a formally independent subsidiary which belongs to an industry distinct from the parent company. For example, outsourcing in-house services is especially attractive to large-scale manufacturing firms, since the collective agreements for the service sector usually specify labor standards that are far less favorable to the employees than those in large-scale manufacturing. Second, the entire company may move from one narrow employer association to another, if these associations represent contiguous industries, while the agreements of the two associations have markedly different standards. With growing inter-firm competition in product markets, these tendencies of “regime shopping” have gained in importance. The most spectacular case was in the banking sector which is differentiated even into five sub-sector bargaining units. In 2004 Austria’s largest bank left the employer association of the savings banks and joined its sister organization for commercial banks. This change was explicitly driven by differing terms of the collective agreements.¹¹

The large number of collective agreements indicates that their purview is usually rather narrow in terms of the type of companies and employees covered, although most of them are national in scope, with a minority also concluded at the Länder level. Regardless of the large number of agreements, the bargaining system itself is less fragmented because the five largest bargaining units represent more than half of all employees (Pollan, 2000: 5). Moreover, the distinct agreements are coordinated across the economy. This cross-sectoral coordination that includes the *de facto* negotiations of the state sector arises from the practice of pattern bargaining, based on the leading role of the large-scale metal industry. Traditionally, collective bargaining for the metal industry opens the annual bargaining round in early fall. While separate agreements are concluded for the blue-collar workers and the white-collar workers of this industry, like in other industries, GMTN and GPA negotiate these agreements jointly with a bargaining cartel composed of several (currently six) subunits of WKÖ which represent broader areas of the metal industry. In connection with these two agreements, the “global” bargaining round (*Globalrunde*) for the white-collar employees in several industries of large-scale manufacturing, such as paper and pulp and major areas of food processing, takes place. These agreements are negotiated in parallel by GPA with the responsible industry subunits of WKÖ, and these set the pattern for wage bargaining in other industries. Note that this coordination mechanism does not rest on an explicit accord on either of the two sides of industry. Neither ÖGB itself nor its member unions have agreed on the leading role of the metal industry in bargaining. Nor have WKÖ and its subunits done so. It is primarily the economic importance of this industry and the extraordinary strength of its unions which constitutes its pace-setting impact on the overall bargaining process.

As a rule, the metal industry’s wage agreements set a going rate that takes into account the inflation rate plus overall productivity growth as the upper limit of pay increases. This mode of cross-sectoral coordination assures wage moderation in line with the need to maintain competitiveness of those sectors that are highly exposed to international competition. Above all, this implies that the pay hikes in such segments

of the economy as the state sector which are highly unionized and rather shielded from international competition have to remain rather below the going rate, although their unions might be powerful enough to enforce higher increases.

Historically, the rise of coordination by pattern bargaining dates back to the late 1970s and early 1980s, reflecting thoroughgoing changes in the economic context: intensified international competition caused by the opening of markets, and the policy shift from the demand side to the supply side, including a conservative monetary policy which was made credible by strictly tying the Austrian Schilling to the Deutschmark. These changes significantly restrained the capacity of the internationally exposed industries to pass on cost increases, including those caused by pay hikes in the domestic protected sectors, their customers. Hence, the exposed sectors developed an interest in wage moderation across the economy, in line with the imperatives of international competitiveness. This interest was especially strong in the metalworking industry because of its extraordinary exposure to world market competition. In addition, the severe economic crisis of the industry's nationalized flagships during that time compelled its unions to adopt a policy of wage restraint which they wished to see observed by the other unions as well. There is one single union document which makes this policy-line explicit: In its contribution to the 1983 ÖGB annual report, the union of the blue-collar workers of the metal industry, mining, and the power industry (i.e., the predecessor of GMTN) claimed that macroeconomic growth and inflation should be the main criteria for wage policy, and the exposed sector of the economy be recognized as the pace-setter for the sheltered sector (Traxler, 1998). How effective pattern bargaining has been in moderating wages is evident from the development of the functional distribution of income: The wage ratio, when adjusted for changes in the employment structure, steadily decreased from 70.1 percent in 1980 to 58.5 percent in 2003 (Guger and Marterbauer, 2004). This indicates that wage bargaining has been moderate even by its own standards, as real wage increases have tended to lag behind productivity growth. The fact that pattern bargaining only coordinates average wage increases explains why inter-industry wage differentials are very high, compared to most other OECD countries (Guger, 1993; Rowthorn, 1992). These differentials have continuously increased since the early 1980s. Likewise, the personal distribution of employee earnings has become more unequal, especially since the mid-1990s (Guger and Marterbauer, 2004).

The metal industry sets the pattern not only for wage bargaining but also for basic priorities of bargaining policy. The latter is evident from the fact that the industry has pioneered the continued process of organized decentralization which has taken place since the mid-1980s. Organized decentralization means that the industry-level agreements have deliberately devolved bargaining tasks to company management and the works council. Since these industry-level agreements have set a binding framework for the scope of local bargaining, the industry-level bargaining parties have managed to maintain control over bargaining decentralization. This process began with decentralizing bargaining over working time, which was a key issue for both bargaining parties, albeit for different reasons. The unions called for reducing working time to combat

unemployment, whereas the employers pressed for more flexible working time to reduce costs and improve performance. In 1985 an agreement for the metal industry was concluded which combined a reduction of the work week from 40 hours to 38.5 hours with a framework for more flexible working hours, which left the detailed regulation of actual work hours to management and works councils. This breakthrough agreement paved the way for a series of similar agreements in many other industries—the main exception is the state sector. As flexible working time was the driving force behind organized decentralization during the 1980s, flexible pay has been the issue since the 1990s. Initiatives to tailor pay more strictly to firm performance have consistently been launched by the employers. In 1993 a collective agreement for the metal industry's blue-collar workers and for the white-collar workers in all branches of industry contained an opening clause, which authorized management and works council to conclude a works agreement on withholding all or some of the increase in actual pay, as fixed by the collective agreement, for spending on employment promotion measures. This agreement was not renewed the following year, since the unions were disappointed at its rare use and its insufficient implementation in many cases, when the works council did not receive the documentation of related measures (e.g., investment plans) which they requested from the employers (EIRR, 1993: 5). The 1997 agreements for the metal industry hammered out another clause on flexible pay, the so-called "distribution option." The basic idea is to allow a more customized implementation of the actual-pay clause. Accordingly, there are two options. The first, non-flexible one implements a fixed percentage increase in actual pay (i.e., 2.1 percent in 1997). Alternatively, companies may choose the distribution option which splits the actual pay rate into two components: a general percentage increase applied to all employees (i.e., 1.9 percent in 1997) and a distributable percentage increase (i.e., 0.5 percent) which can be allocated flexibly among a company's employees by agreement between management and works council. The collective agreement obliged the parties to the works agreement to award the distributable wage increase to employees whose income is considered by them too low in absolute or relative terms. In practice, this clause thus targeted low-income groups on the one hand, and highly qualified, especially well-performing personnel on the other. Works agreements using the distribution option were concluded for 22 percent of the total number of employees covered by the collective agreement (Gächter, 1998). This proportion was almost twice as high as in the case of the agreement of 1993, when its opening clause was applied to 12.6 percent (EIRR, 1993). Hence, the bargaining parties interpreted the 1997 agreement as a success, which thus became the blueprint for analogous settlements in years following. Agreements for some other industries have copied the distribution option. Regardless, its spread across industries and over time has been more limited than that of the pattern for flexible working time arrangements, mainly because the distribution option is designed to modify the actual-pay clause which applies only to a few employees. The unions saw the distribution option primarily as way to take the actual-pay clause out of dispute. The spread of the distribution option is limited because employers must pay for wage flexibility under the terms of the given pattern, in stark contrast to collective agreements on "hardship clauses" in other countries like Germany, which

enable the company to undercut the standard rate under certain circumstances. The distribution option is always more expensive for employers than compliance with the non-flexible increase in actual pay.¹² Consequently, even the metal industry did not include the distribution option in all agreements after 1997. Employers waived the distribution option in certain bargaining rounds, when they found that the inflexible increase in actual pay was costly.

According to labor law, collective bargaining is devised to govern any aspect of the employment terms. Matters which are not accessible to collective bargaining, but which are nevertheless relevant to the unions, generally fall within the formal purview of state responsibilities. To persistently influence such matters, the unions have to establish institutionalized cooperation with the state. This cooperation is embedded in corporatist policy-making that constitutes the tripartite dimension of social partnership. Austria has a long record of tripartite cooperation. Moreover, comparative studies concur in ranking Austria as a very pronounced case of corporatism (Siaroff, 1999). In comparison with corporatism in many other countries, social partnership rests on a basic principle of decision-making rather than on statutory tripartite bodies, although there are numerous such bodies as well.¹³ This principle's essence is that the authorities should involve both business and labor (i.e., the "social partners") in all matters of economic and social policy, so that a consensus reached by them should determine the policy decisions. In its most extreme version, the government devolves drafting policy to the social partners. A joint proposal delivered by them is then simply ratified by the government based on its majority in parliament. As with the strong unitarian orientation of the unions, this traditional emphasis on consensus-building arises from the country's inter-war history: the self-defeating conflict between the classes and political camps. ÖGB enjoys the status of belonging to the exclusive circle of social partners. Regarding labor representation, this status is shared with the Federal Chamber of Labor (*Bundesarbeitskammer*, BAK).¹⁴ The activities of ÖGB and BAK are in concert, since one and the same persons often hold leadership positions in both organizations. An implicit division of labor also exists: ÖGB sets the political priorities on behalf of labor, whereas the well-staffed BAK provides the needed expertise. Aside from their presence in social partnership, the unions can channel their interests into the political process through their links to the political parties, on the basis of the intermediary role of their political factions. This also results in dual office-holdings — union representatives obtain seats in parliament on behalf of their faction's political party. In practice, such ties exist with SPÖ and ÖVP. Reflecting its internal political configuration of power, union representatives most frequently obtain parliamentary seats in the name of SPÖ.¹⁵ Similar arrangements apply to several other social partners, something which makes the cooperation of organized interests, the parties, and government more effective.

These arrangements have given ÖGB an important role in public policy-making—particularly in all decisions of fundamental importance, such as Austria's accession to the EC and EMU, including the manifold measures to prepare and implement these decisions. ÖGB even played the leading role in another fundamental, but less critical

decision taken at the beginning of the time period covered by this study which involved responses to the far-reaching economic changes of the 1970s, such as the breakdown of Bretton Woods, the oil crisis, world-wide stagflation, and growing internationalization of markets. As noted above, Austria's decided to follow Germany which, based on a credibly conservative monetary policy, shifted to supply-side policies first and most consistently among the OECD countries. This policy choice was far from self-evident, as an alternative existed which usually had more appeal to organized labor: Its main ingredients were an accommodating monetary policy and a centralized incomes policy in tandem with an exchange rate policy ready to devalue the national currency, if needed, to maintain international competitiveness. Given its absolute majority in parliament then, the social-democratic government and ÖGB could have easily opted for this alternative, based on the Scandinavian example. Fostered by the personal orientation of Chancellor Kreisky towards the Swedish model, parts of the party indeed favored this alternative but failed to carry the day mainly because of lack of support from ÖGB. Since conservative monetary policy helped suppress autonomous shopfloor bargaining, ÖGB preferred it (Traxler, 1998). Originally, export-oriented industry also had concerns about this "hard-currency" policy, but these concerns could be overcome by the union commitment to wage moderation of pattern bargaining in the metal industry. This policy choice proved superior in macroeconomic terms, including a relatively low level of unemployment. Price stability and real wage restraint were assured and more than offset the comparative disadvantages of the repeated appreciations of the Austrian Schilling (Knöbl, 1990). Under the hegemony of the German Bundesbank and the terms of the Maastricht Treaty, virtually all European countries had to shift to this policy approach from the late 1980s onwards, with more painful adjustment shocks accompanying late starts. As comparative analysis shows, wage coordination by pattern bargaining has been able to align pay policy with a conservative monetary policy more effectively than most other bargaining systems, as is manifested in relatively low real costs caused by a monetary tightening (Traxler, 2003).¹⁶

Compared to the late 1970s and early 1980s, the influence of corporatism in general and the unions in particular has declined especially since the mid-1990s for several interrelated reasons. Above all, economic internationalization and European integration (which accelerated in the case of Austria after its accession in 1995) have diminished leeway for domestic policies. With the crisis of ÖGB's stronghold, nationalized industry, and its privatization following from the 1990s onwards, ÖGB has lost much of its economic power apart from its bargaining role. The opening up of the markets has made the export industry fairly independent of union support in advancing its interests in relation to the (shrinking) segments of protectionist business. Moreover, economic internationalization, namely the integration of the former Soviet bloc into the world market, has enabled larger companies to pressure the unions by outsourcing activities to low-wage countries in the East. As welfare state retrenchment has become a key policy issue, corporatist consensus-building primarily requires unions to make sacrifices, something which ÖGB finds hard to accept against the background of a long

and continued record of wage moderation. While these factors have tended to weaken corporatist practices, the center-right government, composed of the conservative party and the populist Freedom Party, has overtly challenged them by taking an anti-corporatist and anti-union stance since its formation in 2000 (Pernicka, 2001).¹⁷ This challenge has involved both the practices and the formal institutions of corporatism. As regards practices, the social partners have been deprived of their privileged role in drafting regulations, including core areas of social policy which have commonly been seen as a vital domain of corporatism: In 2003 the government pushed through a far-reaching pension reform, explicitly rejecting the offer of the social partners to draft their own proposal. Until then, no government had refused a joint initiative of the social partners in such important matters (Adam, 2003a). The most prominent case of an attack on formal institutions was the administrative reform of the public social insurance system which had been led by the social partners before the reform replaced governing board members delegated by the social partners with party representatives. The unions took the case to the Constitutional Court which in 2003 ruled that the reform had been unlawful, because it conflicts with the principle of “self governance” on which the system of public social insurance is based (EIRO, 2003). The case underscores the resilience of corporatism. Even in the policy-making process as such the government was sometimes compelled to surrender to corporatism, when the coalition parties failed to agree. An important case in point was the reform of severance pay. Blocked by internal dissent, the government delegated the drafting of the bill to the social partners and accepted their proposal, with only slight modifications, for legislation in 2002 (EIRO, 2002b).

Overall, the anti-corporatist project of the center-right government contained strong elements of opportunistic action. A coherent strategy of dismantling tripartite social partnership could not be deployed, since corporatism still corresponds with existing statutory regulations, deeply entrenched configurations of powers and interests, and basic values in society.

VI. *Trends in Strikes and Other Disputes*

Despite the comprehensive regulation of other aspects of Austrian industrial relations, legislation does not cover industrial disputes directly, nor is there any Supreme Court case-law on the subject. In legal terms, no clear principles are laid down for assessing the legality and the consequences of industrial disputes (Guger et al., 2000: 36). Legislation refers to strikes only in some rare cases. For instance, unemployment benefit recipients are entitled to refuse to work in companies affected by strikes; and the hiring out of temporary agency workers to companies under industrial dispute is illegal. However, the right of freedom of “association with others including the right to form and to join trade unions for the protection of interests” which is stipulated by the “Convention for Protection of Human Rights and Fundamental Freedoms” (Article 11 (1)), is commonly seen as the legal basis for strikes in Austria.

Table 4
Industrial Disputes in Austria 1980–2003

Year	Involved Workers	Workers Involved per 1,000 Employees	Working Hours Lost	Average Strike Duration by Employee
1980–9*	3,715	4.2	51,793	—**
1990	5,274	1.8	70,962	1 min 28 sec
1991	92,707	30.9	466,731	9 min 18 sec
1992	18,039	5.9	181,502	3 min 32 sec
1993	6,869	2.2	104,502	2 min 2 sec
1994	0	0	0	0
1995	60	0	894	0 min 2 sec
1996	0	0	0	0
1997	25,800	8.6	153,000	3 min 0 sec
1998	0	0	0	0
1999	0	0	0	0
2000	19,439	6.2	23,579	0 min 27 sec
2001	0	0	0	0
2002	6,305	2.0	74,445	1 min 25 sec
2003	779,182	245.8	10,443,727	3 hrs 16 min 48 sec
2004	30	0.06	1,422	0

Notes: *Annual average figures. **data not available.

Sources: Stückler (2000); BAK (2004); ÖGB (2005); authors' own calculations.

In fact, there were so few strikes in Austria until recently (Table 4) that the issue has never troubled legislators or courts. By international standards, Austria has long had the lowest strike statistics in terms of the number of hours lost and employees involved (Guger et al., 2000: 37). The situation changed in 2003, when strike activities in Austria reached its highest postwar level in terms of working hours lost (totaling more than 10.4 million hours). In addition, more employees (some 780,000) were involved in industrial action than in any year since 1950. On the basis of an eight-hour working day (i.e., the statutorily defined “normal” working hours in Austria), this means more than 1.3 million working days lost due to industrial action in 2003 (Adam, 2004).

The large-scale strike activities of 2003 mainly targeted the government's plans to reduce public pensions and to extensively restructure the state-owned Austrian Railways. However, these strikes accompanied by a series of large demonstrations, were triggered not only by the subject matter, but also by the willingness of the center-right coalition government to confront and bypass corporatist policy-making—a move which provoked outrage among ÖGB and its member unions. This policy style had already caused ÖGB to call major demonstrations and protest actions targeting

the reform of the administration of the public social insurance system in 2001. With the government's refusal to consult the social partners over the pension reforms, tensions reached an unprecedented peak, causing ÖGB to organize throughout the economy. Since WKÖ also had some reservations about the anti-corporatist policy-line, employers found themselves in a paradoxical situation: Whereas WKÖ and ÖGB jointly sought an alternative to the government's reform proposal, ÖGB's strike actions hit WKÖ's member firms. Although union mobilization could not prevent the government from pushing through its reforms, it was not completely ineffective. The government was forced to modify the pension reform and to delegate the employment relations aspects of the railway reform to labor-management negotiations (Adam, 2004). After 2003 labor disputes returned to their traditionally low level of incidence for two reasons: The government had mainly accomplished its program of welfare state retrenchment, and conflict with ÖGB did not spill over to industrial relations in the private sector.

VII. *Conclusions and Prospects*

To survive and prosper, unions have to face in two directions at once: towards their (potential) members and towards the employers and authorities whose actions they wish to influence. The results of Austrian unionism have been mixed since the end of the 1970s. On the one hand, membership in absolute and relative terms has steadily declined, and its political influence together with the tripartite social partnership has progressively dwindled. On the other hand, Austrian unions have managed to maintain a strong grip on the labor market, buttressed by an almost all-encompassing bargaining coverage. More specifically, their most notable success is the still low unemployment rate as compared to other European countries which can mainly be traced to the consistent union policy of coordinated wage moderation (Traxler et al., 2001). Until 2006, the decay of corporatism, namely the open attacks of the center-right government on the unions' role in public policy-making, seemed to challenge the unions more than shrinking membership. This was mainly because the loss in members did not proportionately feed through to their finances, since they could enjoy notable revenues from interest which mainly resulted from their shares in BAWAG. The BAWAG disaster has changed this situation drastically. In 2004, for instance, ÖGB registered a balanced budget of around EUR 266 million to which income from member dues and BAWAG shares contributed 71.1 percent and 26.7 percent, respectively (*Die Presse*, 2006a).

The severe present crisis has triggered internal debates on a reform of the ÖGB. In these circumstances, thoroughgoing changes are possible, depending on intra-confederal power configurations and the conclusions drawn from the given problems. Closer consideration, however, suggests that the range of feasible options is rather narrow. Above all, there are enormous pressures to cut cost, including the reduction of ÖGB's staff of nearly 2,000 members. In addition, measures to increase revenues by combating the decline in membership can help overcome the financial problems. Given an "organizing" and a "servicing" approach to intensified member recruitment (Frege and Kelly, 2003; Pernicka and Blaschke, 2006), ÖGB must probably center on the

former, as the latter is rather cost-intensive.¹⁸ However, this new priority may question the strongly “representative” style of the Austrian unions: So far union activities have been performed almost exclusively by union officials and unionized works councilors. Therefore, one cannot rule out the possibility that the current reforms will be confined to cost-cutting programs, complemented by organizational changes in the relationship between ÖGB and its member unions.

Regardless of the route the ongoing reform process takes, the present crisis will magnify two already visible tendencies. The first tendency, unleashed by the erosion of macro-level tripartite social partnership and by the rise of a few large member unions through mergers, is a further weakening of ÖGB in relation to its member unions. Consistent with this, a first meeting on union reforms in June 2006 decided to strengthen the unions, especially in financial matters, in response to the fact that the (then dismissed) ÖGB top representatives were responsible for poor corporate governance of BAWAG. The second tendency is the decay of tripartite social partnership. The BAWAG case fuels this development, as it has impaired the role of ÖGB in public policy by damaging its public reputation. Against the background of its close ties with ÖGB, SPÖ, concerned about voter support in the coming 2006 national elections, decided not to allot anymore parliamentary seats to the heads of ÖGB and its member unions as representatives of the social-democratic union faction. A success of SPÖ in the elections will reinforce this decision, such that SPÖ and ÖGB will unprecedentedly drift apart, unable to renew corporatism under the changed political conditions. If the SPÖ loses the election, the decision may be revoked, all the more since it met opposition from parts of the party. In this case, however, ÖVP will again lead the government and will be capable of continuing its anti-corporatist policy approach. Furthermore, a possible shift of ÖGB to “organizing” efforts tends to be at odds with attempts to renovate tripartite corporatism in times of austerity policies and welfare state retrenchment.

The consequences of the crisis for bargaining and bipartite social partnership are less clear. There are signs that the employer side wants to test the unions, after their famed strike fund, from which ÖGB publicly deduced its power, evaporated during the BAWAG case. At a press conference in June 2006 the head of WKÖ, while emphasizing the big success of wage moderation of the past, called for splitting future wage increases into two components: a fixed one in accordance with the inflation rate, and a flexible one, defined as 0.1 percent of a company’s pre-tax profits (*Die Presse*, 2006b). This would fundamentally change the principles of wage policy, because it would imply not only abolishing the actual-pay clauses but also excluding the flexible wage increases of previous settlements from the base for calculating the inflation-related pay hikes in the bargaining rounds of the following years. Since this proposal clearly restrains the leeway for wage increases, the unions will hardly accept it. Aside from this initiative, which may primarily be rhetoric, WKÖ has been anxious to help ÖGB survive its crisis by stressing its importance as a social partner. This indicates that the employer representatives are well aware of the merits of cooperation, such that “business as usual” is the most probable bargaining scenario in the foreseeable future.

The long-term development depends on whether the ÖGB will be able to reverse the negative membership trend. In particular, this will be important to contain employer-driven pressures for a fragmentation of the bargaining system into smaller units as a result of growing intra-industry heterogeneity of the companies. "Organizing" union efforts may match employer demands for more flexibility by giving more room for local bargaining. A continued decline in membership will weaken the unions' bargaining power in wider areas outside their shrinking strongholds. However, even such an unfavorable development will hardly challenge the existing bargaining institutions and the high level of bargaining coverage, since they are well protected by supportive legislation.

NOTES

¹In 1998, during its heydays of populist opposition, the Freedom Party set up its own union organization which claimed around 10,000 members (i.e., 0.007 percent of total union membership) who mainly came from certain sections of public services (Traxler et al., 2001: 45). Meanwhile, this organization, which never became active as a voice of labor, has disappeared from the scene.

²For an explanation of union acronyms, see Table 1.

³The city of Vienna is distinct, as it is both a Land and a municipality. Its employees are covered by GdG.

⁴In the paper and printing sector, technical staff belonged to the domain of the corresponding sectoral union, whereas administrative staff was organized by GPA.

⁵By contrast, other forms of atypical employment, such as part-time work or fixed-term contracts, are covered by collective agreements, provided they can be subsumed under employee status.

⁶The fact that this enactment does avoid the term "collective agreement" probably indicates the unwillingness of the legislator to generally include self-employment into the realm of collective bargaining.

⁷Reliable long-term data series for atypical employment are not available. For a snapshot, see below.

⁸Under these circumstances, a company can arrive at a single-employer settlement only, when its employer association signs a separate agreement which applies solely to this company. There are only a few such agreements, which usually copy most of the employment terms, as endorsed in the multi-employer agreement of the corresponding industry.

⁹The actual-pay clause was first introduced in the metal industry in 1959. At that time the unions aimed to restrain wage increases in periods of economic upturn and to stabilize purchasing power in times of economic downturn (Guger et al., 2000).

¹⁰According to labor law, works councils are formally allowed to negotiate wage increases only if a collective agreement assigns this task to them. The unions have never made use of this option.

¹¹The domain demarcations of the employer associations are no serious barriers to the tendencies of the companies to change their affiliations. This especially applies to sectors such as banking where the employer associations are voluntary. Any of them will be happy to get new members. However, companies, when embarking on regime shopping, may run the risk that their change in membership is nullified by the courts, if their business activities are not sufficiently related to the domain of the association to which they preferred to move. WKÖ has usually not hindered its member companies from moving from one of its subunits to another one, so as to avoid internal conflicts. In principle, it has become harder for companies to move within WKÖ, since legislation of the 1990s provides for a mechanism to review proper membership in the subunits.

¹²For instance, according to the 1997 agreement for the metal industry, the implementation of the distribution option implied an aggregate increase in actual pay by 2.4 percent, as compared to 2.1 percent in the case of the nonflexible option.

¹³However, a statutory body for tripartite macro concertation of economic and social policy does not exist.

¹⁴WKÖ, the peak organization of agriculture, and the Austrian Federation of Industry (*Industriellenvereinigung*), the latter being the special voice of the large, export-oriented firms, represent capital as social partners.

¹⁵This, however, is likely to change after the 2006 elections for parliament (see below).

¹⁶Centralized wage bargaining combines with a conservative monetary policy less easily than pattern bargaining, since the former faces more problems of implementation than the latter (Traxler, 2003a).

¹⁷Before 2000 all governments had been led by SPÖ from 1970 onwards.

¹⁸As noted, BAK offers an extensive range of services. Outperforming them would require ÖGB to make extraordinary efforts.

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