

From the golden age to the gilded cage? Austrian trade unions, social partnership and the crisis

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1. Introduction

Like many other highly developed capitalist nations Austria has undergone far-reaching change in industrial relations in recent decades. However, the national system of industrial relations is highly specific as it is still characterised by institutionalised neo-corporatism, with its strong links between the social partners and the political system and a bargaining system containing sectoral agreements with exceptionally high coverage rates. The stability of these institutions is due, among other things, to statutory membership of the Austrian Economic Chambers and the Austrian Chambers of Labour and therefore dependent on legal support. These features make the Austrian model of industrial relations unique and very instructive for international comparisons. Turning to Austrian trade unions, they are – in comparative terms – fairly strong and, in addition, highly integrated into a relatively stable institutional setting of bargaining and corporatist concertation (Crouch 1990). However, today the labour movement is much weaker than thirty years ago. The Austrian trade unions suffered a severe financial crisis in the 2000s, membership rates have fallen considerably, the policies pursued within the consensus-oriented institutional setting have changed and reflect the hegemony of neoliberalism, which has put supporters of non-market institutions on the defensive. It is the tentative shift to neoliberalism under conditions of institutional stability that has brought the trade unions into a strategic dilemma.

In comparative analyses of labour relations, Austria is categorised as neo-corporatist (Schmitter 1979) and sometimes even cited as ‘the’ ideal type of corporatism (Siaroff 1999). This goes together with the consensus-oriented politics of consociational democracy (Armingeon 2002; Lehmbbruch 2003) and the important role of the social partners. Social partnership as a whole rests on the principle of including business and labour in governmental decision-making rather than on statutory tripartite bodies (Traxler and Pernicka 2007: 223). The consensus that can be reached in this way is supposed to guide policy implementation. In comparison with other countries social partnership in Austria has unique influence over politics (Karlhofer and Sickinger 1999). The consensus-oriented system of labour relations achieved a remarkable economic upswing in the post-war period and was able to continue through economic crises and to pacify class conflicts. However, it was (and still is) embedded in a conservative welfare state regime that continues to discriminate against women, in particular those on low income and with discontinuous working careers (Hermann and Flecker 2015). This fact is also reflected in the gendered wage inequality of collective agreements. Therefore, a review of Austrian social partnership must not overlook its selective character. From the 1960s onwards new social movements, such as the women’s movement or the ecological movement, were not included in concertation. The absence of reactions to economic and societal changes is partly responsible for the trade unions’ loss of general legitimacy.

The following analysis of the trade unions within the very particular system of Austrian labour relations is based on a power-resource approach (Wright 2000; Silver 2005; Dörre *et al.* 2009). It distinguishes four power resources union renewal can rely on. *Structural power* is derived from the position in the labour process at workplace level (production power) and depends on the level of unemployment (market power). *Organisational* or *associational power* is based on union density, the capability to mobilise workers and links to political parties. *Institutional power* rests on the unions' legal position, their rights in collective bargaining and their position within the social partnership setting. Finally, *discursive power* relies on trade unions' ability to influence political discourse and to shape public opinion. Throughout the chapter we will portray important events in the Austrian system of industrial relations and analyse how power resources have been altered by them. Overall, we will show that the labour movement has been losing power, but in a non-linear, oscillating way. To illustrate trade union struggles we discuss developments in collective bargaining and wage policy, as well as unions' working time policies.

In Section 2 we provide a necessary introduction to the Austrian model of industrial relations, which is strongly shaped by social partnership. Internationalisation, a shift to neoliberal mainstream economics, a labour-hostile government and internal scandals brought the Austrian labour movement in multiple difficulties between the 1990s and 2006 (Section 3). However, since 2007, with a labour-friendlier government and coordinated anti-crisis measures, the unions have regained strength even during the global financial and economic crisis. But these positive aspects were accompanied by a continuing weakening of some foundations of the union's power resources. Thus, currently the labour movement is facing highly contradictory challenges, fuelled by the labour-hostile government that came into office in December 2017 (Section 4). In the concluding section we summarise the prospects and challenges and look in particular at the strategic dilemma the unions are facing.

2. Trade unions in the context of tripartism: the Austrian model and the golden age of Austro-corporatism

In order to understand the contemporary role of the unions within the Austrian system of labour relations, the system of Austro-corporatism (Bischof and Pelinka 1996) will be explained in this section. The Austrian model was founded in response to the negative experience of Austrofascism and was intended to pacify class conflicts. It was established at the end of the 1950s in a situation of weak private capital and strong unions and had its golden age in the 1960s and 1970s. Back then, trade unions had strong structural, associational, organisational, institutional and discursive power within the system of social partnership. Although the institutional setting and the policies pursued have changed considerably in the meantime, this period has shaped the current system of labour relations in Austria. The actors within the social partnership are employers', employees' and farmers' interest groups, the government and governmental bodies (Tálos 2015: 176). The highly centralised organisations have the monopoly of representing their clientele, either *de jure* or *de facto*. Social partnership is characterised by the influence of these institutions on policymaking (concertation) and by the balancing of interests.

The representation of labour interests is divided roughly into three formally independent pillars, the seven sectoral trade unions and their umbrella organisation the ÖGB (Österreichischer Gewerkschaftsbund), the works councils at establishment and company levels and the Chamber of Labour (Arbeiterkammer – AK). Despite formal independence, there is a close relationship between unions and works councils: works councillors are often union members and the unions' most important 'lay' officials. They also play an active role in the recruitment of new union members, the communication of trade union strategies and the preparation of wage bargaining. The Chamber of Labour forms the third workers' interest group in Austria, with statutory membership of every private sector worker. Among its main tasks are to provide information and expertise in political decision-making, to lobby for workers and to offer counselling services to workers. Overall, trade unions in Austria are characterised by their relations with company-level works councils and statutory interest representation in the Chamber of Labour. In addition, the relations between sectoral unions and between the latter and the umbrella organisation the ÖGB influence the structure and strategies of Austrian trade unions. In this widely accepted system of industrial relations the unions have considerable institutional power, as well as strong organisational power due to the connection to the Chamber of Labour and to the Social Democratic Party. Therefore they also have multiple channels for public opinion-making, resulting in fairly strong discursive power.

Capital is represented mainly by the Austrian Economic Chambers (*Wirtschaftskammern* – WKO). One particular feature of the Austrian system is the statutory membership of companies, and thus of employers, in one of the subunits of the WKO. Besides the Economic Chambers the Federation of Austrian Industry (Industriellenvereinigung – IV), an influential voluntary organisation, is the second big employers' organisation. Farmers are represented by the Chamber of Agriculture (PRÄKO), which forms part of the core of social partnership. Besides these leading organisations there are various institutions involved with the social partners in interest concertation between capital and labour. Historically, the Parity Commission for Pay and Prices (Paritätische Kommission für Preis- und Lohnfragen), founded in 1957, was the leading organisation in interest concertation.

Apart from tripartite concertation, the institutional setting of Austrian industrial relations relates to the centralised and well established collective bargaining and wage setting. It is, almost without exception, highly coordinated multi-employer bargaining at sectoral level (Traxler 1996). The Federal Arbitration Board has the important task of conferring on organisations the right to conclude collective agreements. Among the preconditions is that the organisation is able to guarantee extensive occupational and territorial coverage. This de facto rules out the possibility of company-level bargaining. Unions for white- and blue-collar workers normally form a bargaining committee. Every autumn, the federal and regional subunits of the WKO and the individual unions start the most important wage negotiations. The metal workers play a leading role in the form of pattern bargaining (Eurofound 2015; Knell and Stiglbauer 2012). In order to prevent wage competition between industries represented by individual unions, the influential metal workers' union was accepted as the leading organisation in wage setting (Unger 2001:2). A further important consideration is that the metal industry, the

exposed sector, is vulnerable to losses in competitiveness. Therefore, wage coordination between the exposed sector and the sheltered sector is in the interest of metal workers. This process of wage coordination and moderation in the sheltered sector creates inter-sectoral tensions and demands strong peak-level coordination of the unions (Brandl and Leoni 2013). The results of the strong metal workers' union are a benchmark for wage increases in the other sectors. In comparative terms, Austria is among the countries with the highest collective bargaining coverage rate. The institutional reason for this is that companies' WKO membership is compulsory and collective agreements cover the workers of all WKO members. This is why the coverage rate in the private sector is close to 100 per cent. But this also means that it might be changed by legislation. This happened in Slovenia, which had built up an industrial relations framework along Austrian lines but abolished statutory membership later on. A severe reduction of the coverage rate followed in this neighbouring country. But also in Austria, the law only sets the broad framework of bargaining, while the details are organised informally.

Another important feature of the Austrian model is the strong integration of interest groups in political decision-making. The main activities include (i) the provision of information and expertise in the preparation of new policies, (ii) the shaping of economic, social and labour-market legislation and (iii) the implementation of legal norms (Tálos 2015: 176f). There are strong connections between the social partners and the political parties (Karlhofer and Sickinger 1999) and a vertical network exists between the ÖGB, the Chamber of Labour and the Social Democratic Party, as well as between the Economic Chambers, the PRÄKO and the Conservative Party (Famira-Mühlberger and Leoni 2014; Tálos 2015). Furthermore, most important state-administration or social-security organisations are led by people recruited from a social partner institution. Social partners have always been included in decision-making on economic and social policies and the social partner organisations and think tanks are mainly responsible for fostering public and political discourse, while outsiders' expertise is judged critically (Karlhofer 2007). In addition, many politicians begin their career in one of the social partnership organisations. Traditionally, the Minister of Social Affairs has a background in the unions, and between 1970 und 2000 seven prime ministers and six state secretaries had a background in the Advisory Council for Economic and Social Affairs (Karlhofer 2007). The cooperation of the institutions of social partnership and the government is based on the consensual idea that coordination leads to better results in the achievement of growth, employment, purchasing power and currency stability. The overarching acceptance of and belief in this system of concertation partly explains the willingness to make compromises (Tálos 2008). Wage moderation in order to increase competitiveness and the near absence of strikes illustrate this consensus orientation. And indeed it has performed surprisingly well. According to today's mainstream economic textbooks it is inconceivable that strong unions and comparatively rigid regulation could help a backward agrarian country to become one of the richest economies in Europe, but that is what happened.

The strong power of the unions and their influence on the government was also visible in working time policy, which was characterised by a gradual reduction of working hours. The policies comprise a reduction of the weekly working time, annual working time and working life (Schmid 1993). In 1959, normal weekly working hours were reduced from

48 to 45 hours. After a referendum initiated by the SPÖ in 1969 a further reduction to 40 hours per week was implemented until 1975. However, this was the last step in the reduction of weekly working hours by way of legislation. Further measures only targeted the increase of statutory paid leave. From 1965 to 1986 holiday entitlements increased from two weeks to five weeks. We can conclude that between the 1950s and the end of the 1980s the unions were able to pursue one of their main goals, the reduction of working hours, very successfully.

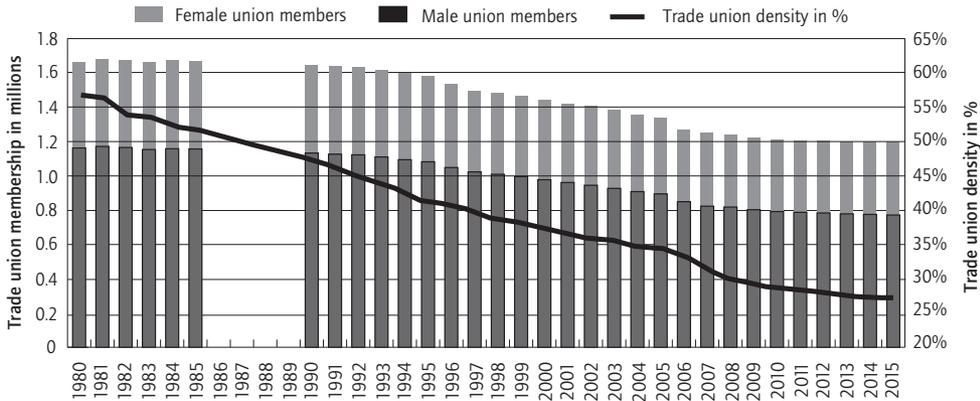
To sum up, in the golden age of Austro-corporatism more than half of workers were organised in unions and nearly all workers were covered by collective agreements (Traxler 1996). The net organisation of workers in unions peaked in 1970 at 62.8 per cent (Pernicka and Stern 2011), while in absolute numbers union membership peaked in 1981 (Engel 2006: 47). Not only were the trade unions extraordinarily strong but also consensus-oriented social partnership as a whole proved fairly stable well into the 1980s. However, the whole system of concertation and industrial relations came under growing pressure in the late 1980s.

3. Trade unions in multiple difficulties – early 1990s to mid-2000

Processes rooted in the golden age of Austro-corporatism came to the surface in the early 1990s. A shift from demand-side ‘Keynesianism’ to supply-side corporatism occurred (Traxler 1993); privatisation policies, growing unemployment and accession to the EU in 1995 weakened the position of the unions. At the beginning of the new millennium the Austrian model was actively challenged by a far-right government hostile to unions. In interest groups and political parties neoliberal ideas became more influential (Tálos 2015: 178). On top of that, in 2006 the ÖGB was on the brink to financial collapse due to speculative losses by the ÖGB-owned bank BAWAG. These negative developments were accompanied by, and accelerated, membership losses. Thus, by 2007 the Austrian trade unions had suffered a considerable loss of structural, associational, organisational, institutional and discursive power.

At the beginning of the 1990s unions were economically challenged by the rising unemployment rate, the privatisation of state-owned industry, internationalisation and rising inequality. The unemployment rate increased from 1.85 per cent in 1980 to 3.25 per cent in 1990 and peaked in 1998 with 4.42 per cent (OECD 2016b). Individual trade unions were confronted with far-reaching structural changes. Back then, unions mainly oriented their recruitment and representation strategies towards core workers, often male industrial workers. The decline of the industrial sectors, rising atypical employment and the growing labour market participation of women in the service sector accelerated at the end of the 1980s. These developments made recruitment of new members difficult which, in turn, negatively influenced organisational power. While Austrian trade unions still had 1.6 million members in 1990, this number had declined to 1.27 million by 2006. Measured in union density rates, the decrease is even more dramatic (see Figure 1).

Figure 1 Trade union density and membership, Austria



Source: OECD (2016a); ÖGB (2016); from 1986 to 1989 no figures were published.

In Austria in the 1990s a surge of political internationalisation reduced the unions’ institutional power. Important steps included the referendum on EU membership (1994), EU accession (1995) and the implementation of the euro as common currency. Social partners again had a common positive stance towards the internationalisation of the Austrian economy and society. After reaching agreement on a common position, the Parity Commission for Pay and Prices suggested EU entry, which was finally prepared by the SPÖ/ÖVP government. Ironically, however, this was the last important measure proposed by the Parity Commission for Pay and Prices, as it lost most of its relevance due to EU accession, with the shift of decision-making power to the supranational level and the accelerated internationalisation of the economy (Pernicka and Hefler 2015: 43). Hence, the last decision on prices dates back to 1994 and the last general assembly to 1998. Due to the Maastricht criteria ‘Keynesian’ economic policy and macroeconomic control – major features of the Austrian model – were no longer feasible. The Austrian trade unions were not only in favour of EU membership, but they actively campaigned for a yes vote in the referendum.

Depending on the sector, trade union members were affected differently by EU accession. The ÖGB tried to secure side payments for those who suffered disadvantages, such as the food or forwarding industries. However, the main reason why it was able to support the country’s policy, although parts of the membership had to expect disadvantages, was centralised decision-making within the ÖGB and comprehensive trade union participation in political decision-making in Austria. In fact, the Austrian trade unions and the Chamber of Labour were provided with offices in the new ‘Austria House’ in Brussels, together with the federal ministries, receive funding for their officials in Brussels, and have been involved ever since in the preparation of the Austrian position in EU policy-making. There is no denying, however, that the quality of concertation and trade union influence has deteriorated. Not only is the Austrian position not that relevant within the EU, but the short time limits set within the machinery of EU decision-making severely restricts the harmonisation of interests and thus trade union influence (Beer and Flecker 1997).

As far as discursive power is concerned, workers' organisations have lost part of their public legitimacy. The declining voter turnout in the elections to the Chamber of Labour indicates the loss of support and legitimation of labour interest groups, which has negatively affected the willingness to join unions as well. Turnout fell from 63 per cent in 1984 to 31 per cent in 1994 (Karlhofer 2005). The negative development of the image of labour interest groups was further fuelled by a scandal in 1990. Rechberger, the president of the Styrian Chamber of Labour, had illegitimately received multiple salaries. The scandal provoked mistrust in representatives of labour as people doubted that officials with such high incomes could understand the lives of ordinary workers. This was a starting point for multiple attacks against the statutory system of chambers waged mainly by the extreme-right FPÖ under Jörg Haider.

As a reaction, in 1992 an amendment to the law on the Chamber of Labour was adopted that increased members' possibilities to participate (Tálos 2015) and the relation between the ÖGB and the AK was put on a legal basis. Against this background a decision was taken in 1994 on a ballot involving all members of the chambers about statutory membership. Members clearly voted in favour of continuing the chamber system. After structural changes and, in particular, after the Chamber of Labour's counselling services for individual workers were extended and intensified – as demanded by Haider – support for the Chamber regained strength and voter turnout recovered, reaching 49 per cent in 2000 and 2004, before falling back somewhat to 41.5 per cent in 2009 and 40 per cent in 2014. For the trade unions the recovery of the AK is double edged. While secure funding of the statutory workers' interest organisation also helps the trade unions that dominate decision-making within the AK, the competition they face from AK has been aggravated considerably: workers no longer have to become trade union members if they want to get counselling and representation before the labour courts. There is no denying that this has made it more difficult for unions to win new members.

In 2000, the Austrian unions were confronted with a political sea change, shaking the stable system of industrial relations. The right-wing ÖVP/FPÖ and later ÖVP/BZÖ coalition between 2000 and 2006 weakened the institutional power of the social partners and therefore the unions. The FPÖ tried to abolish compulsory membership of the chambers, one of the fundamental principles of social partnership (Tálos and Stromberger 2004). In general, the government took a neoliberal stance and reduced the role of the state in order to achieve a 'balanced budget'. Reforms in the social security and pensions systems are intended to replace mutual solidarity by individual provision for education, health and old age (Pernicka and Hefler 2015: 44). According to Ney (2004: 30) the new political approach is characterised by (i) acceleration of decision-making,¹ for example, in pension reform, (ii) circumventing formal and informal participation of the social partners and (iii) lack of balance of conflicting interests. In this period, the social partners were totally excluded from political decision-making (Karlhofer 2007: 398). For example, the ÖGB and the WKO offered to develop an alternative concept for

1. Social partners are legally entitled to evaluate tasks. In the right-wing government from 2000 to 2006 the period for the evaluation was shortened so that in fact there were no evaluations possible anymore. For corporatist actors one of the basic resources for consensual democracy was lost: time.

the pension reforms, which was turned down by the government. This disempowerment led to trade union resistance resulting, in 2003, in the first major strike since 1950, a one-day general strike. It was accompanied by a huge mobilisation of members and the general public in the form of demonstrations the large size of which took the union leaders by surprise. The ÖGB managed to demonstrate power and to achieve some changes in pension reform, although its main principles were not altered.

The whole system of consensus-oriented politics was changed in this period, in which the unions partly moved from the influence-based approach (Schmitter and Streeck 1981) to a membership based approach as they were cut off from direct political influence (Pernicka and Stern 2011). The provision of services was enhanced and participatory processes and decision-making were established. A duality of social partnership and lobbying was developed (Karlhofer 2007). In parallel to the reduction of the social partners' political influence new neoliberal think tanks gained in importance. For example, the finance ministry funded a position at the neoliberal Vienna Hayek Institute. The right-wing government proved that the institutionalisation of social dialogue rests on a fragile system of reciprocal acceptance between social partners and politicians. As a consequence, the unions lost large parts of their institutional and some of their discursive power under the right-wing government. However, the institutional basis of the bargaining system and thus the high collective agreement coverage rates could be maintained. This can be seen as 'borrowed institutional stability' because of the importance of the legal basis for the bargaining system (Flecker and Hermann 2005).

In the years prior to the global financial and economic crisis the Austrian trade unions suffered severe home-made difficulties. At the end of the right-wing government the ÖGB-owned bank BAWAG made huge speculative losses. In 2005, it transpired that BAWAG had been involved in risky trading in derivatives. Between 1995 and 2001 the trade union bank lost about 1.9 billion euros in these high-risk trades. From 1998 to 2005 the severe losses were disguised by bogus companies and foundations established by BAWAG or the ÖGB. Already in 2001, after BAWAG board members had refused to sign the balance sheet, the ÖGB took over full liability. This included also the strike fund financed by the union members. In July 2006 the then ÖGB president Rudolf Hundstorfer did not rule out ÖGB insolvency. It was unfortunate for the trade unions that the bank was 'ahead of its time'. Only a few years later it became customary for governments and taxpayers to bail out ailing banks. The result of the BAWAG affair was not only a huge financial loss, but also one of reputation for the ÖGB, especially as the SPÖ and the ÖGB had publically criticised risky financial businesses and financial capitalism. Union membership declined and new discussions about the connectedness between interest groups and state politics emerged. Furthermore the ÖGB now had problems covering its costs. BAWAG dividends had compensated for the difference between membership fees and expenses. Trade union restructuring took place in 2007 in response to the dramatic financial situation. The twelve sub-unions merged into seven sub-unions under the holding organisation ÖGB. The biggest unions now are GPA-djp (278,083 members, representing mainly private sector white-collar workers), PRO-GE (231,216 members, representing blue-collar workers in manufacturing) and

the GÖD (243,506 members, representing public sector workers).² Further effects were the resignation of members, layoffs, a new strategic orientation, the sale of properties such as ÖGB headquarters and shares in the national bank. But the ÖGB's political image was also severely damaged. In 2006 only 5 per cent of the population had high trust in the ÖGB (IFES 2006). Hence, its organisational power was substantially reduced due to the financial losses (the strike fund) and the resignation of members, while its discursive power was damaged by the loss of credibility.

The multiple attacks on the system of social partnership, the loss of union power on multiple levels and the changing external economic conditions are also reflected in terms of working-hours policies, which were shaped predominantly by the employers. The topic of working-hours reduction was more or less replaced by the topic of working-time 'flexibility'. In terms of legislation, working-time reduction was no longer an issue, having been transferred to bargaining within the framework of collective agreements. There were two amendments to working time law regarding flexibility in 1994 and 1997. The first widened the possibilities for flexitime and laid the foundation for further deregulation of working hours. The amendment of 1997 was the most important step towards more flexibility and allowed normal working days of up to nine hours. Furthermore, the new law allowed the use of working-time accounts through which working hours may be averaged out during long periods of up to one year. For the workers, this potentially meant a loss of overtime payments and longer working hours. The law allows working for up to 50 hours, eight weeks in a row. While this describes only the legal framework, the social partners are empowered to negotiate even higher levels of flexibility within collective agreements. In this way the law provides only a broad framework, while flexibility is ultimately determined in sectoral collective agreements. This was intended to give the unions control over working time flexibility. In general, the ÖGB and the SPÖ were willing to accept further flexibility in exchange for further working time reductions. But the general shift to a more capital-friendly political hegemony and the trade union problems described above led mainly to decentralisation of working-time regulation and to more flexibility. Despite the hugely increased scope for flexibility the trade unions were not able to achieve a reduction of working hours towards the proclaimed 35 hours.

4. Partial recovery and contradictory developments since 2007

Since 2007 corporatist bodies have regained strength, mainly because of the re-establishment of the grand coalition and, surprisingly, the economic crisis. The coordinated measures during the aftermath of the financial crisis of 2007/2008 signalled both the need for, and the effectiveness of concertation. However, contrary to these positive impressions the rapidly rising unemployment between 2011 and 2016 points to negative consequences of 'austerity' policies and structural problems in the Austrian economy. In addition, tensions are increasing between capital and labour, putting the unions on the defensive in many of their core areas of concern and social partnership as a whole is becoming more

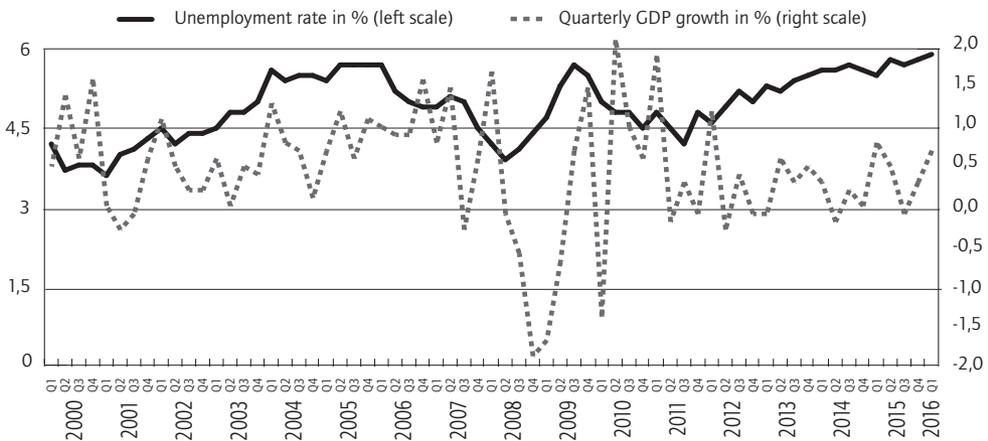
2. ÖGB (2018), figures from 2016.

fragile. Against this background, the unions seem not fully prepared to use new means of power, such as organising via social media, and for the formation of alliances with new social movements. On the other hand, the unions have had a few successes in social policy and tax reforms and have regained strength in influencing public opinion. For example, they were able to put the topic of working-time reduction back on the agenda and there is a general concern about growing inequalities. In contrast to the period described above, when all power resources declined we now see more dynamic and contradictory developments, with some power resources declining and others increasing.

Between 2007 and 2016 the grand coalition between SPÖ and ÖVP formed a new ‘corporatist’ government. One indicator that social partnership was regaining political power was the fact that in these days several ministers had a background in social partner institutions. Unions were brought back into the political decision-making process for example in the design of the Working Time Act 2007 (Tálos 2015).³ In addition the chamber system was included in the Austrian constitution which backed up the institutional power of the unions.

While the unions slowly recovered from their internal problems and exclusion from political decision-making under the far-right government, the country was hit by the economic crisis of 2008 in which the social partners were able to prove their economic-policy capabilities.

Figure 2 Unemployment rate and GDP growth in Austria, 2000–2016 (quarterly)



Source: (OECD 2016b, 2016c).

3. The three major changes of the amendment to the working time law 2007 were the following (Schindler 2008: 33ff):
 a. Established working-time models (like the four days week or flexitime) were simplified and the competence for regulation on company level was enhanced.
 b. It allows stronger concentration of the working times (longer hours on less days, longer overtime hours) in exceptional economic cases. E.g. it enables the collective agreement to allow 12 hour shifts in special cases.
 c. Attempts to improve the system and efficiency of regulations
 Furthermore, a 25 per cent premium on overwork for part-time workers was introduced.

The crisis hit Austria in the second half of 2008. In the first quarter of 2009 there was a 4.9 per cent reduction in GDP in comparison with the first quarter of 2008. The crisis caused the strongest decline in GDP since 1949 and the Austrian economy kept shrinking until mid-2009, although it fared better than most other European economies (Scheiblecker *et al.* 2010). While the crisis had the strongest effect in the banking sector, the 20 per cent decline in exports – mainly in the production of investment and durable consumption goods – hit the Austrian economy hard as well. With some delay the construction sector was affected by the crisis. But well-directed public investment partly offset the drop in private demand. Initially, the anti-crisis policy followed the pattern of ‘Keynesian’ deficit spending. The legislator decided to implement two economic stimulus packages in 2008 to support medium-sized companies, improve public infrastructure and implement regional measures to increase employment and enhance skills. The stimulus packages are supposed to help to get the staggering economy back on its feet. Temporary agency workers were among the first who lost their jobs. In response measures were introduced to increase the social protection of non-standard employment, especially for independent subcontractors and subcontracted workers. The coordinated measures in combination with the stabilising effect of the Austrian social welfare system (Leoni *et al.* 2011) and the rapid economic recovery kept the unemployment rate in Austria comparatively low during the first years of the crisis (Figure 2). Hence, Austria had the lowest unemployment rate within the euro zone between 2010 and 2012. Nevertheless, unemployment increased by about 48,100 or 22.6 per cent from 2008 to 2009.

For the social partners and unions the crisis offered a platform on which to get back into the game of concertation (Pernicka and Hefler 2015; Tálos 2015). The state’s interventions were strongly influenced by the unions and the economic stimulus packages pushed by the unions and the Chamber of Labour (Georg Feigl *et al.* 2016). As one ÖGB representative put it: ‘The crisis did not make itself felt until 2013/14 because social partnership took over the government.’ The most important measures were the short-term working schemes, easier access to educational leave schemes, an increase in the budget for social policy, the introduction of guaranteed vocational training for apprentices and the exceptionally high wage increases during the crisis. In 2009 real wages increased by 2.9 per cent, equal to the total wage gains of the eight preceding years (Hermann 2011). Hence, cooperative steps were taken at all levels, from the plant to the macro-political level. All these coordinated measures and their success were strong signs of life with regard to social partnership (Wineroither 2013).

To illustrate the unions’ success in crisis corporatism, take the example of short-time working. It was developed by the social partners and considered favourable to both employees and employers. Employees did not lose their jobs, while employers did not have to lay off skilled workers (Hermann 2011). The legislation on short-time work that existed before the crisis was changed. The short-time working period was extended to 24 months and the bandwidth of accepted reductions in working time was enlarged and may range from 10 to 90 per cent. Furthermore, there were reductions in employers’ social security contributions and possibilities to combine short-time working with training programmes (Allinger 2013; Hermann 2011). The two main unions representing workers in the manufacturing sector (GPA-djp and PRO-GE) agreed that they would

sign agreements only if workers still received 90 per cent of their income, irrespective of the amount they actually worked. As 60 per cent of the wages were covered by the Labour Market Service (AMS) this was quite favourable for companies, too. To ensure workers' interests, Austrian companies need works council ratification if they want to switch to short-time working. The short-time working schemes were applied mainly in automobile production and suppliers. At the peak in 2009 about 37,000 workers in more than 300 companies worked under such schemes. All in all, short-time working during the crisis was considered a success. Estimates assume that about 30,000 jobs were saved because of such schemes (BMASK 2010).

While anti-crisis measures were adopted more or less consensually, the bargaining rounds of 2009 pointed to increasing tensions between the social partners. With the exception of the public sector the wage negotiations became more and more confrontational. The employers' organisation demanded wage moderation which was strongly rejected by the unions, which mobilised workers and threatened strike action in order to increase pressure on organised capital. Finally, the unions managed to achieve sizeable wage increases that stimulated demand and compensated for the drop in exports.

But the outcome of the 2009 bargaining round was the exception. The traditional 'Benya formula' lost relevance. Named after a former ÖGB president, it aimed to compensate workers for inflation and let them participate in productivity growth. From 2011 to 2013 the increase in nominal wages was 3.5 per cent a year and declined to 2.8 per cent a year from 2013 to 2015, resulting in a stagnation or decrease of real wages (Schiman 2016). We would argue that these low bargaining outcomes are a sign of both trade union weakness and their acquiescence in supply-side economic policies and wage moderation that was only interrupted in 2009.

Decentralisation of bargaining is another contentious issue between unions and employers' interest groups. For example, in 2012 the Austrian Machinery and Metalware Industries (FMMI), a subunit of the Federal Economic Chamber, opted out from the customary joint bargaining in the metal industry. For the first time in 40 years the subsectoral employers' organisations led independent negotiations for six sub-sectors.⁴ To date, the two trade unions involved in bargaining in this sector have been able to prevent an actual split and a diversification of outcomes (Allinger 2013). But this first step towards decentralisation may in the long run undermine the stable core of the collective bargaining system with the centralised wage leadership of the metal workers and may further increase inequality.

An indicator of the slowly increasing tensions between capital and labour is strike activity. For example, there was a period of six years without strikes (2005–2010), followed by often minor but yearly strike activity. In 2011 the average annual number of strike minutes per worker was the third highest since 1980 (WKO 2015), with the

4. Of course, decentralization of bargaining can also be seen as a weakness of the chamber of economy as it is not able any more to bundle interests.

metal workers industry holding the first warning strikes for 25 years (Allinger 2012). As a consequence, the presidents of the umbrella organisations ÖGB and WKO intervened to prevent further escalation. Such examples point at increasing problems in reaching compromises between capital and labour.

But even in a hostile environment unions are still able to instigate new discussions. For example, they took the rising unemployment in combination with the high number of overtime hours as a starting point to put cuts in working hours back on the agenda. The old claim of the unions fell on fertile ground in the aftermath of the crisis and probably had its strongest public impact in 2015. The comparably high number of entries on working-hours reduction in the archive of the Austrian Press Agency in 2015 points to the rising significance of the topic. This new working-time discussion was launched mainly by the trade unions, notably the GPA-djp and the PRO-GE. They launched campaigns for a working-hours reduction and the leaders of both unions published a press release,⁵ saying: ‘The crisis of employment demands new measures now in order to distribute the existing work on more people and to reduce unemployment. Also the FMMI [Metal workers’ employer organisation] should not rule out such ideas.’

The GPA-djp launched the highly visible campaign on ‘Shorter working times – easier living’ in summer 2015. The starting point was a conference for works councillors providing information on the advantages of working-hours reduction, which attracted 1,000 participants, many more than expected by the organisers. Demands included a reduction of the normal statutory working hours to 38.5, a gradually reduction of normal working hours to 35 in collective agreements, a reduction of overtime hours, a 30-hour week for young parents, six weeks of holidays for a larger share of the workforce, one week of educational leave every year, limitation of daily and weekly working time, the reduction of all-in contracts and easier access to the ‘free-time option’, a newly established possibility to individually reduce working time.

While this option for individual and voluntary working-hours reduction was celebrated as an important innovation by the unions, the demand for a general working-time reduction was also very popular in Austria around 2015. New alliances between trade unions and NGOs took up the issue. One is ‘*Wege aus der Krise*’ (Ways out of the crisis) consisting of eleven organisations, including individual unions and social and environmental NGOs such as Attac Austria or Greenpeace. However, even though multiple players were involved in the demand for a working-hours reduction and the debate on the topic was much more vivid than in the previous ten years, success in terms of collective bargaining outcomes has been very limited. In the 2015 collective bargaining round in the metal industry, the unions demanded easier access to the sixth week of holidays but not a general reduction of working hours. At the end of the day, workers could only choose between a wage increase and shorter working hours in accordance with the free-time option. The metal workers’ union accepted a further increase in working-hours flexibility with the possibility to accumulate more time credits in a working-time account. In combination with the collective agreements that

5. http://www.proge.at/servlet/ContentServer?pagename=PO1/Page/Index&n=PO1_1.2.1.a&cid=1432895755345

allow working hours of up to 45 hours a week without an overtime premium companies can use workers very flexibly at a lower cost. This outcome seems to be a good indicator of the current strength of the unions. While they had issued press releases demanding a general working-hours reduction they did not put forward that demand vehemently during the negotiations, anticipating a rejection by the employers' side. This may also be because, despite recent union campaigns a general working-hours reduction is not unanimously supported within the unions and the Chamber of Labour; many share concerns over economic competitiveness.

To sum up, the situation of the Austrian trade unions presents itself as highly ambiguous and contradictory. On one hand, the coordinated anti-crisis measures bore witness to the powerful position of Austrian trade unions within the social partnership arrangement. Unions were also able to mitigate some negative consequences of austerity policy and welfare state retrenchment by limiting cuts in the social security system – at least in the short run. In addition, the unions could hedge their institutional power through legislation, such as an amendment of the Austrian Constitution in 2007 that for the first time took the chamber system into consideration.⁶ More importantly, the opening of the labour market for citizens of neighbouring eastern European countries after the end of a transitional period was used to establish new legislation to fight wage and social dumping. This in general improved the capacities to enforce collective agreements that, in Austria, have legal status. This points to a path dependent development as the ÖGB – arguably with the exception of the period of far-right government – has always favoured the logic of influence over the logic of membership (Pernicka and Stern 2011). With regard to discursive power, workers' organisations have gained stronger capabilities to form public discourse in the context of a rising critique of mainstream neoliberal policies, at least to some extent. As the examples showed, they are also more willing and able to form alliances with new social movements, which allows them to address people outside the unionised workforce.

On the other hand recent developments have clearly weakened the power resources of the unions. Ongoing structural change in the economy deepens the problem of organising workers. The shrinking membership rates still can be explained partly by the fact that employment is growing mainly in less unionised settings: small companies and non-standard employment, with short employment duration (Famira-Mühlberger and Leoni 2014: 15). Austrian unions are still not fully prepared for these structural changes. However, they – notably the PRO-GE and the GPA-djp – are developing new ways to get in touch with non-core clientele (Flecker *et al.* 2006; Pernicka and Stern 2011). Of course, in comparative terms Austrian trade unions do still have strong institutional power through the juridification of industrial relations and social-partnership institutions. But at some point declining membership will weaken the legitimacy of the unions in a situation in which the general political discourse threatens to undermine the centralisation of collective bargaining, one of the most important features of the Austrian model. Employers use the argument of international competition in order

6. At the same this shows the weakness of the system of social partnership. The necessity for this legal backing arose because there now is a real threat for it.

to decentralise collective bargaining and works councils are involved in concession bargaining to secure employment. Another challenge is the development of the Austrian economy on the basis of a neoliberal supply side-oriented economic policy, comparatively high unemployment rates, growing non-standard employment and rising inequality. The reduction of the wage share (Figure 3) and the rising inequality can be interpreted as an outcome of the capital-friendly policy of wage moderation, resulting in a stagnation in real wages. The rising wage share in the aftermath of the crisis stems from the decline in profits and it remains to be seen whether the modest real wage increases in 2015 – much lower than in Germany – are the first signs of a general turnaround.

Figure 3 Wage share as a percentage of total national income and employment



Source: Statistik Austria, WIFO; wage share adjusted to the changes in the proportion of dependent employees, base year 2010.

Especially in the fight against inequalities and welfare-state retrenchment the unions seem to be subordinate to the logic of international competition. One small step forward was the establishment, in the industry-wide collective agreements, of a national minimum gross income of 1,500 euros by 2020, which the social partners agreed on due to pressure from the social democrat-led government in 2017. Nevertheless, the downsizing spiral (Urban 2010) of welfare-state retrenchment, increasing inequalities and loss of union power keeps turning. Furthermore, the room for manoeuvre on the political level keeps getting smaller as decisions are transferred to a supranational level and the fiscal restrictions reduce the possibility for national economic policies. But especially because of political and economic entanglement and growing macroeconomic imbalances transnational solutions need to be found (Brandl and Leoni 2013). The main questions concern how unions may react to new challenges in the changing Austrian system of industrial relations and which power resources they should rely on in the revitalisation process (cf Brinkmann *et al.* 2008).

5. Conclusions: prospects and challenges for trade unions

The Austrian system of industrial relations is marked by strong continuity of the institutions of social partnership and consensus-oriented politics despite some tendencies towards institutional conversion (Streeck and Thelen 2005) as more capital-friendly new policies are pursued within a hardly changed institutional setting. The Bad-Ischler declaration of social partnership in 2006 illustrates this existing commitment to consensus within a noticeably neoliberal framework: ‘The central objective of Austrian social partnership is to secure and enhance the prosperity of all levels of the population by strengthening Austria’s competitive position as a location for business. A sustainable growth policy should ensure full employment by the year 2016.’ The basic idea of consociational democracy and social partnership as one of its key institutions is still oriented towards balancing of interests and the increase of general wealth. The remedies to achieve these goals, as we see, however, have acquired a neoliberal emphasis. The fact of a rising unemployment rate until 2016 shows the ineffectiveness of the proposed remedies, as well as the inability of the unions to impose an alternative path of economic development. In the long run the described developments will probably lead to further welfare-state retrenchment and to a liberal-conservative corporatism with further power losses for labour due to structural reasons and political developments. With oscillations and variations in pace and shape according to the governing parties and economic circumstances, the overall direction of this change seems evident. The current far-right government will accelerate these developments. Given labour movement constraints as regards confrontational strategies it remains an open question how strong the unions’ resistance will be against neoliberal political reforms.

Accordingly, not all power resources of the unions are affected simultaneously and with the same intensity. Austrian unions have regained some of their discursive power during the past decade, not only because of a corporatist government. In recent years unions have been able to take over leadership of public opinion, as demonstrated by campaigns on the tax reform in 2016 that reduced the tax burden for employees or against rising inequality, TTIP or cuts in the pension system. Furthermore, the population regained trust in the Austrian system of industrial relations. This is not limited to the system of social partnership but extends also to workers’ interest groups after they overcame previous scandals and their very bad reputation in the 1990s.

While unions were able to take advantage of a general dissatisfaction in society to some extent, they clearly could not influence the voting behaviour of workers. In the parliamentary elections of 2017, 59 per cent of the blue-collar workers voted for the FPÖ and only 19 per cent for the SPÖ (SORA and ISA 2017). In the aftermath of the 2017 elections Erich Foglar, president of the ÖGB, argued that the SPÖ should consider coalition talks with the freedom party. This seems unlikely to make the unions or the SPÖ better off in the long run. Increasing tensions within the ÖGB and the SPÖ about their position towards the FPÖ are evolving. While the unions are occupied with internal fighting, however, their associational power decreases. Taking all this together, the increasing power of the far right is probably one of the biggest challenges for the unions (Georg Feigl *et al.* 2016) in terms of internal struggles over how to react to the FPÖ and the new far-right government.

These developments further deepen the loss of organisational power resulting from falling membership rates. But declining membership is a problem not only in terms of legitimacy but also in terms of financial means. Therefore, the struggle against further casualisation of employment, on one side, and atypical employment on the other are tasks of the highest priority. Women have the lowest rate of union membership and they are at the same time particularly affected by non-standard employment. In the same vein, the decreasing spread of works councils is problematic as they play an important role in the recruitment of union members (Flecker *et al.* 2009).⁷ But slowly reactions to the declining membership are emerging. The idea of forming alliances with new social movements on different levels is trickling into the organisation. In this way unions can gain expertise, for example, on environmental topics, and enlarge their network for organising and campaigning. Some experts consider these networks and the ability to organise via social media as one of the most important levers to reach a bigger audience (cf. Dörre *et al.* 2009).

In the bargaining system unions have to fight decentralisation and are confronted with internal competition. The restructuring of the economy has blurred the formerly clear cut demarcation lines along sectoral boundaries between individual unions within the trade union federation ÖGB and triggered inter-union competition (Traxler and Pernicka 2007: 212). The liberalisation and privatisation of former public sector organisations and public services have resulted in the presence of two to four industry unions in the same sector. There are initiatives to cope with the situation such as the one called ‘cooperation instead of competition’ between the white-collar GPA-djp and Vida, the blue-collar service union. Furthermore, the unions still find it hard to coordinate collective bargaining in order to achieve substantial wage increases in the low-wage sector. What is more, the existing rather high differentials in wages and terms and conditions between sectors are an incentive for companies to evade existing collective agreements by outsourcing parts of their activities. Inter-union competition and high inequalities reduce the efficiency of the unions and also affect their legitimacy, which essentially rests on the ability to overcome competition among workers (Dörre *et al.* 2009). Furthermore, labour organisations seem to face difficulties finding common positions, for example regarding working-hours reduction, a new economy-wide minimum wage, the level of wage moderation or new joint campaigns. The programme of the far-right government increases decentralisation as it shifts negotiations on working time to the company level. If there is no works council at company level negotiations shall take place between the individual workers and the management.

Turning to structural power, we find another major challenge, namely the comparably high unemployment rate, export dependencies and the wage pressure from Germany with its increasing low-wage sector. From a macroeconomic point of view the unions are in the contradictory position of making concessions to capital in order to increase competitiveness, on the one side, and pursuing worker-friendly policies, on the other. Contrary to the practice of concession bargaining, Schiman (2016) argues that the low growth in Austria is due to low private demand and less to a loss of competitiveness.

7. 58 per cent of blue-collar workers and 54 per cent of white-collar workers are represented by works councils (Hermann and Flecker 2009)

The high unemployment rate reduces wage increases, which subsequently dampen private demand. Following this line of argument, high wage increases would be the remedy to overcome the low growth rates. However, also regarding wage moderation, the unions do not have a unified position. Recently, the unions put an old but in the current situation progressive claim back on the agenda: working-hours reduction. So far, however, bargaining outcomes only show a continuation of flexibilisation of working hours, while the resumption of cuts in working hours has so far been limited to options for an individual and voluntary diminution in some collective agreements. Since the late 1980s there have been no major steps towards working-hours cuts and until recent years it was mainly capital interest groups that dominated the discussion about working time, demanding longer and more flexible working hours. Here we can conclude that trade union strategies to increase employment, such as working time reduction, higher wage increases or wealth tax to further reduce income tax, have not yet been translated into political programmes. However, with the economic upswing of 2017 and 2018 unemployment rates in Austria have declined, providing unions with leverage in a hostile political environment.

Institutional power is still the most important power resource of Austrian trade unions. In addition to the legal foundations of the Chamber of Labour and the works councils, legal support for the bargaining system is crucial. As long as it is backed by a majority in parliament, collective agreement coverage rates will stay close to 100 per cent in the private sector due to the statutory membership of employers in the Economic Chambers and to the legally binding collective agreements. But the strength of the Austrian trade unions is not limited to bargaining. Within social partnership and its institutions they still have the ability to shape political decision-making on various issues. One example is the labour market policy which (still) clearly differs from the situation in Germany; another is the law against wage and social dumping or the tax reform of 2016. On the other hand, the balanced-budget amendment resulted in a clear rejection of anti-cyclical budget policy and reduces the possibilities for state intervention in the economy. Workers' interest groups are not represented in the current far-right government, which clearly reduces their influence. In addition, it is foreseeable that political decisions that were traditionally shaped by social partnership will be agreed on without the consent of the labour movement.

At the European level institutional power is not very developed and far from compensating for the loss of institutional power at national level. As the integration of the national economies into the pan-European market is highly advanced, progressive policies in favour of labour need to be pursued on the scale of larger economic entities. This is particularly obvious for small and open economies. Therefore, the crisis of the (Austrian) unions is partly a crisis of internationalisation (Mayer 2013: 277). Traditionally, strikes or threats of strikes were unions' most powerful weapons. However, it seems that international solidarity is not developed enough to support collective labour agency at a supranational level. The Austrian unions, for example, have found it hard to demonstrate solidarity with workers in the southern European economies hit hardest by neoliberal austerity measures (Hofmann 2014: 38). However, there are also minor examples of international solidarity, such as the Austrian trade unions' support for the solidarity clinics in Greece. A positive example of international

coordination is the ‘social progress protocol’ (Soziales Fortschrittsprotokoll), an initiative triggered by the Austrian Unions. The Social Democratic Parties of Austria, Sweden and Germany agreed to support changes in the EU treaties only if they were accompanied by a juridification of social rights, such as compulsory social security for every inhabitant of the EU. However, in interviews with Austrian trade unionists we found that they hardly see any possibilities to influence policies within the neoliberal framework of the European Union. Therefore they are in the main limited to the level of the nation state which is considered the only field in which unions have the ability to fight neoliberalism and to defend the social security and wage bargaining systems. But even here the overall impression is that unions are on the defensive rather than able to define and pursue progressive aims. As one interview partner put it: ‘The unions are calling people “to arms” but do not know where to storm to.’

With a view to social partnership Austrian trade unions are in the strategic dilemma of remaining clearly within the powerful consensus-oriented arrangement or moving more strongly towards becoming a membership organisation with a stronger conflict orientation and a corresponding focus on the core members instead of all workers. This would require that they dedicate more resources to the recruitment of new members and find new levers to gain influence. Also, more confrontational policies seem to be advantageous in this respect. However, within the social partnership setting this needs to be carefully balanced because even from the perspective of – probably – most trade unionists, coordinated and consensual measures are the best way to advance workers’ interests. And within the system of social partnership there are clear informal rules about how far one side can go. Losing the commitment of employers’ interest groups to social partnership would probably undermine the foundations of the Austrian system of industrial relations. Under the far-right government between 2000 and 2006, for example, it was mainly the Federal Economic Chamber’s commitment to social partnership that safeguarded the Austrian system of industrial relations. But nowadays voices critical of social partnership within the capital-side interest groups and the ÖVP are getting louder. The new government contests the whole chamber system. Even though it is hard to abolish due to its legal status in the constitution, the chambers’ financial and legal power can be curtailed. A reduction of membership fees for the Chamber of Labour would reduce the power of labour organisations and subsequently reduce their influence in public discourse dramatically. All in all, the new far-right government of ÖVP and FPÖ provides many reasons for more conflict-oriented policies. For example, it aims to restrict access to means-tested minimum income, to reform unemployment insurance along the lines of the German Hartz IV system and to decentralise negotiations between workers and employers. In September 2018 a new working time law came into force. From now on it is easier for employers to allow working times of up to twelve hours per day and 60 hours per week. In summer 2018 unions called for a rally against the extension of normal working hours which again proved the ability for mass mobilisation. However, the amendment of the law entered into force nevertheless in September 2018. As a consequence, the unions announced to win back what was lost through collective bargaining. Yet, it remains to be seen to what extent they are able to counter the government.

In general, a more confrontational course seems to be developing between capital and labour that is probably related to budgetary restrictions, weakened macroeconomic

performance and rising unemployment rates – in other words, the state’s shrinking redistributive capacities. The unions are not well prepared for this new challenge, as they are to a large extent dependent on consensus-oriented policies within social partnership and there is no real vision beyond that. Unionists stress that it was because of consensus-oriented politics that they were able to pursue worker-friendly policies and to build up and defend a social security system the like of which is hard to find anywhere else in Europe (cf Urban 2010). And indeed, considering that the left has been a minority in the Austrian parliament since the mid-1980s the situation could be worse for workers if there was not an overall belief in the balance of interests. Therefore, a clear confrontational strategy is not favoured by Austrian trade unionists. But in order to be prepared for future challenges, Austrian trade unions have to rely on their institutional power, while at the same time strengthening other power resources. Trade unions representatives stress campaigning via social media, forming alliances with new movements and actively relying on the power of consumers as fruitful future strategies. And protests during the period of far-right government proved that the labour movement is able to mobilise workers. But in Austria this is always considered a last resort. After all, of course, even social partnership can be seen as ‘conflict-partnership’ (Müller-Jentsch 1993) relying on the capacity of unions to mobilise their members and to hold strikes. This means in the long run that institutional power relies on other power resources as capital interest groups’ support for conflict partnership is dependent on the campaigning and organising capabilities of the unions (Pernicka and Stadler 2015: 272). Therefore trade unions need to develop a well-balanced strategy to strengthen other power resources, while keeping their institutional power intact (Feigl *et al.* 2016). This seems the most promising way to stop the negative spiral of welfare state retrenchment and loss of union power described by Urban (2010).

To summarise, Austrian unions’ dependence on the fragile social partnership, the legal guarantees of the bargaining systems and a political landscape dominated by the far-right government, with no progressive opposition, shows that the unions are standing on shaky ground, despite their strong position and surprising institutional stability. But given the still high level of institutional power it is unlikely that unions will refrain from the advantages of social partnership in order to pursue a membership-oriented renewal strategy which would include a more confrontational course. Despite the dilemma and the clear challenges the gilded cage remains more tempting than the hassles and imponderabilities of having to rely on organisational power to a much larger extent. The following argument by an ÖGB representative illustrates the point very well:

The Austrian corporatist state structure is a unique system. [...] And in this system we pacified social conflicts. [...] The whole republic is based on compromises. That is why we are Austrians, and that is the difference. I do not think that a more aggressive culture would be for the good of the unions or the country – even though, I think, we would be able to show teeth if it was necessary. But it would be a sad story. I couldn’t see any advantages in it.

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