

Chapter 2

Austria: from gradual change to an unknown future

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At first glance, the Austrian system of collective bargaining seems to be doing fairly well. The consensus-oriented, neo-corporatist system (Schmitter 1979) has been stable over time, open industrial conflicts are rare and collective bargaining coverage is remarkably high. At second glance, however, we see some signs of erosion and increasing divisions in Austria. These are due to a power shift from labour to capital since the 1980s and find expression in, among other things, changing economic policies, attempts to decentralise collective agreements and increasing segmentation within the Austrian workforce (Astleithner and Flecker 2018). Moreover, the electoral shift to the right in the national election in 2017 may strengthen these general developments and pose a threat to the 'Austrian model'.

Thus, the main aim of this chapter is to present the strengths and weaknesses of the Austrian collective bargaining system and to venture suggestions concerning its future challenges. The following assumptions will guide our analysis:

- By international comparison, the Austrian collective bargaining system is fairly stable, but highly dependent on institutional requirements and socio-cultural underpinnings. This might be disrupted by political changes, which in the recent political struggles might endanger the institutional and political support of the 'Austrian model'.
- Even though the Austrian collective bargaining system is marked by an expansion of collective bargaining agreements into areas that formerly were not covered and by a high inclusiveness, it also upholds wage differentials between industries and groups of employees and struggles in order to counter increasing labour market segmentation.

The Austrian collective bargaining system features extremely high and stable bargaining coverage: around 98 per cent of all workers are covered by collective agreements. This is mainly because of the companies' compulsory membership of the national employers' association, the Chamber of the Economy (WKO, Wirtschaftskammer). Collective agreements are negotiated at industry level by (multi)-industry trade unions and the industry-level organisations of the national employers' association. The right to negotiate collective agreements is regulated in the Labour Constitution Act of 1974 (ArbVG, Arbeitsverfassungsgesetz). The ArbVG grants the right to negotiate collective agreements to, on one hand, the legal representatives of employers and employees, the Chambers, and, on the other hand, voluntary organisations of employers or employees, if they meet certain criteria (ArbVG 1974: §4ff.).

On the employee side, the main actors in collective bargaining are the trade unions, with their umbrella organisation the Austrian Trade Union Confederation (ÖGB, Österreichischer Gewerkschaftsbund) and its seven affiliated industry unions. Even though the ÖGB is legally the negotiating party, actual wage negotiations are carried out by the industry unions. Overall the Austrian trade unions have around 1,200,000 members (ÖGB 2017), yielding an overall union density of around 28 per cent in 2017. In contrast to employer density, trade union density is rather low by European comparison and constantly declining (see Table 2.1 and Appendix I). But because of the high institutional power resources of Austrian employee representatives, this low union density has not yet affected collective bargaining coverage.

On the employer side, it is mainly the WKO that is involved in wage negotiations for the private sector. The WKO is subdivided into seven main sections (Crafts and Trades, Industry, Commerce, Banking and Insurance, Transport and Communications, Tourism and Leisure, Information and Consulting), which, in turn, are further divided into industrial organisations. The WKO also maintains organisational structures at the regional level of each of the nine federal states. Membership of the WKO is mandatory for most enterprises and the majority of agreements are concluded by its federal or regional level organisations. Some smaller establishments are organised in other Chambers (such as the Lawyers' or the Doctors' Chamber).

Collective agreements set legally binding minimum standards of pay and working conditions and only under exceptional circumstances allow for downward derogation at company-level, contrary to the favourability principle.

Table 2.1 Principal characteristics of collective bargaining in Austria

Key features	2000	2017
Actors entitled to collective bargaining	Industry union organisations and industry-level units of the Austrian Chamber of the Economy (WKO)	
Importance of bargaining levels	Industry level predominant	
Favourability principle/derogation possibilities	Favourability principle/derogation clauses in industry collective agreements	
Collective bargaining coverage (%)	98	98 (2013)
Extension mechanism (or functional equivalent)	Compulsory membership of national employer organisation (WKO)	
Trade union density (%)	37	28
Employers' association rate (%)	100	100 (2013)

Sources: Appendix I and ÖGB (2017).

Industrial relations context and principal actors

The socio-cultural underpinning of the relatively consensus-oriented Austrian system of industrial relations can be traced back to the country's social, political and economic policies after the Second World War. From 1945 onwards, we see a broad desire for social cohesion and the aim of avoiding a repeat of the bitter pre-war divisions. This intention and the economic situation, including weak private capital, fostered cooperative relations between employer and employee organisations in the post-war period. The 'post-war consensus' was guaranteed by different forms of power sharing between the relevant societal actors and the strong inclusion of interest groups in political decision-making, so-called 'Austro-corporatism' (Pernicka and Hefler 2015).

Perhaps the most prominent instance of Austro-corporatism is the country's system of chambers, membership of which is mandatory. The chamber system has a long history and was re-established after the Second World War with the explicit aim of representing the interests of (mainly professional) interest groups vis-à-vis other interest groups and the state. At the beginning of 2017, there were 13 chambers, of which the following three are the largest and most important: the Chamber of Labour (AK, Arbeiterkammer), the already mentioned WKO and the Chamber of Agriculture (LK, Landwirtschaftskammer). The chambers not only ensure the participation of specific interest groups, such as employers and employees, in policy-making but also fulfil important service functions for their members. The tasks of the WKO also include the negotiation of collective agreements (see below).

The representation of labour interests therefore rests on three formally independent pillars: first, the national trade union confederation ÖGB and its (multi-)industry organisations: the service sector union (GPA-djp, Gewerkschaft der Privatangestellten, Druck, Journalismus, Papier with around 280,000 members), the public sector union (GÖD, Gewerkschaft öffentlicher Dienst, 240,000 members), the production workers' union (PRO-GE, Produktionsgewerkschaft, 230,000 members), the union for municipal employees (Younion, Daseinsgewerkschaft, 150,000 members), VIDA (transport and service sector union, 135,000 members), the construction workers' union (GBH, Gewerkschaft Bau-Holz, 120,000 members) and the postal service and telecommunication union (GPF, Gewerkschaft der Post- und Fernmeldebediensteten, 50,000 members) (ÖGB 2017).

The second pillar is the AK, which acts as the statutory employee interest organisation of all employees. While the trade unions are legally entitled to negotiate collective agreements, usually on an annual basis, the AK only acts as a supporting actor in the bargaining process, providing information on macroeconomic development and data on industry developments.

Finally, the third pillar is the Austrian system of employee interest representation at the company level, which comprises board-level representation through employee representation on supervisory boards and works councils (BR, Betriebsräte), which, by law, can be set up in all workplaces with more than five employees. Austria features a dual system of employee representation, which means that works councils are formally

independent from trade unions. Hence, unions negotiate at national or regional industry level on pay and other working conditions, while works councils negotiate at enterprise level on issues such as additional improvements in pay or work pensions. This dual system has the potential to foster competition between unions and works councils. In practice, however, works councils are well integrated into union structures and the relations between them are close and usually cooperative.

On the employer side it is mainly the WKO, particularly its sub-organisations at industry level, that is involved in wage negotiations for the private sector. Besides the Chambers of Agriculture, a few voluntary associations, representing cooperatives in various industries and cooperative banks and social service organisations, conclude collective agreements. Business interests are also represented by the Federation of Austrian Industry (IV, Industriellenvereinigung), a voluntary organisation that does not participate in collective bargaining. The membership domains of IV and WKO overlap, however, with a tendency on the part of larger companies to be members of the former organisation (Traxler 2007). Relations between the Chambers and the voluntary organisations on the employer and employee sides are generally close. They cooperate closely on economic and labour market policies.

The Austrian industrial relations system was especially successful in the so-called 'golden age of Fordism', when political and social reforms were based on a demand-driven economic policy, including a strong state, nationalised industries and a large public sector, characterised by high economic growth. After the crisis in the 1970/1980s, and especially since the country's accession to the European Union (EU) in 1995, there was a shift from 'demand side corporatism' to 'supply side corporatism' (Traxler 1995) through which the Austrian industrial relations system and especially the employee side came under increasing pressure. Privatisation policies, internationalisation and the hard-currency policy, as well as growing unemployment and rising inequality weakened the labour organisations.

At the beginning of the 2000s, the government of the conservative Austrian People's Party (ÖVP, Österreichische Volkspartei) and the right-wing Freedom Party Austria (FPÖ, Freiheitliche Partei Österreichs) actively challenged the Austrian industrial relations system. Social and labour policies were for the first time negotiated without properly involving the social partners. A large-scale reform of the pension system in 2003, for instance, resulted in big demonstrations and the largest nationwide strike since 1950. Even though this confrontation was partly successful, as it brought the social partners back to the negotiation table, the dependence of the social partners on legal and political support became particularly evident during that time. Since the election campaign of autumn 2017, this debate has become highly relevant again: the FPÖ still demands the abolition of compulsory membership of the Chambers, one of the most important preconditions for the stable and inclusive model of industrial relations in Austria.

Economic framework conditions are another important factor shaping the content and process of collective bargaining. Austria is a small, rich and open economy in the euro zone, with a relatively important manufacturing sector. The export orientation and international entanglements of the country's economy puts a lot of pressure on wages and

has led to a form of pattern bargaining in which metal takes the lead. This is because, in an internationally exposed industry metal is particularly vulnerable to developments in labour cost competitiveness (see Level of bargaining).

In the ‘golden age of Austro-Keynesianism’, wage policies were oriented primarily to the country’s macroeconomic performance, ensuring demand and limiting inflation as well as unemployment. Since the 1980s, however, corporatist-oriented wage policies have increasingly come under pressure; especially since EU accession in 1995 supply-side and stability-oriented macroeconomic policies have prevailed and further increased the pressure on wages (Feigl and Zuckerstätter 2012). Over recent decades, the wage share in Austria has declined, but the figures point to stabilisation in recent years. In international comparison unit labour cost increases are fairly moderate. In Austria’s private sector, small and medium-sized enterprises play an important role. In manufacturing and banking around 70 per cent of employees work in firms with more than 250 employees, while in retail, tourism or crafts small and medium-sized enterprises dominate (WKO 2015).

Even though Austria has one of the lowest unemployment rates in the EU, it was at a post-war high, at around 6 per cent, in 2016. Due to economic development and active labour market policies, the unemployment rate (see Table A1F) fell again to 5.5 per cent in 2017. The biggest challenge for the Austrian labour market is the trend towards increasing segmentation (see Scope of bargaining). In 2015, around a third of the Austrian workforce were not employed for the whole year. In particular fixed-term employment has increased in recent years, while temporary work has remained more or less stable and freelance work has decreased. Employers derive fairly low benefits from these two forms of so-called ‘atypical work contracts’ because the regulation aims at equal treatment, for instance, in terms of social insurance or collective bargaining outcomes. Another problem in terms of segmentation for the Austrian labour market is the posting of often poorly-paid workers, particularly from eastern Europe and, in construction, the procurement to foreign firms, which fosters competition within the Austrian labour market and tends to undermine the Austrian collective bargaining system via dubious works’ contracts (Krings 2017). In 2017, the Austrian government thus passed a new law on wage dumping, but it has not yet been able to control the problem.

Extent of bargaining

The extent of bargaining refers to whether employees or employers are covered by collective agreements or not; that is, collective bargaining coverage. In qualitative terms, collective agreements in Austria can be distinguished by reference to their range (sector, industry or craft); their geographical scope (national, regional and company agreements); and the group of employees they apply to (blue- and white-collar workers). In quantitative terms, the extent of bargaining refers to the share of employees or employers of the overall workforce that is covered by a collective agreement or to the share of workers belonging to a particular bargaining unit whether defined by country, industry, region or company.

Collective bargaining coverage is outstandingly high in Austria because all companies are obliged to be members of the WKO, which makes collective agreements legally binding for them. No fewer than 98 per cent of the private sector labour force is covered by a collective agreement (see Table 2.1). The public sector is formally excluded from collective bargaining. In practice, however, GÖD and Yunion negotiate the pay and working conditions of civil servants and public sector employees. These standards are declared legally binding by parliamentary resolution. In addition, the Labour Code includes a special clause that guarantees that all workers, unionised or not, employed by an enterprise belonging to a legal, or legally recognised, interest organisation are covered by the collective agreement.

Due to its legal-institutional underpinnings, collective bargaining coverage in Austria has also been remarkably stable. In some areas in which employers were not members of the WKO and no industrial collective agreement applied, such as information technology, private education and research institutions, employers formed a bargaining cartel to negotiate collective agreements with trade unions in the 2000s (Hermann and Flecker 2006). In the late 1990s, social services employers succeeded in creating an encompassing national industrial employers' association representing private social service providers and a collective agreement at the industry level was concluded in 2003. This agreement was declared generally binding in 2006 and covers around 95 per cent of workers in the industry (Pernicka *et al.* 2018).

Furthermore, an industrial collective agreement for blue-collar temporary agency workers was concluded in 2002. The Act on temporary work (AÜG, Arbeitskräfteüberlassungsgesetz) was repeatedly revised with the aim of ensuring equal treatment of temporary workers and preventing discrimination. According to the trade unions, the law has enhanced the alignment of pay and working conditions of temporary and permanent workers. The collective agreement guarantees that temporary agency workers' pay, based on the industrial collective agreement, is applicable to the user company. In practice, discrimination, in particular regarding further vocational training, bonuses and other elements of variable pay, still exists between permanent and temporary workers. In addition, a collectively agreed minimum wage for the temporary agency work sector guarantees remuneration above the legal minimum, conditions during on-call work, improved protection against dismissals and bonus payments (Hermann and Flecker 2006). Thus, social partners', often successful, attempts to conclude collective agreements in new and growing areas that were formerly uncovered and the support of national institutions, such as administrative agencies and state actors, have resulted in an exceptionally high and stable collective bargaining coverage in Austria, which ranges from approximately 95 per cent in industries such as banking and social services to almost 100 per cent in most other industries.

Employers' strategies to avoid the application of collective agreements more generally or to apply a collective agreement that does not cover the main activities of the company and provides for lower pay and employment standards are common in many countries. This strategy is not possible in Austria because of the comprehensive and legally binding collective agreements based on enterprises' compulsory WKO membership. An example of the second strategy of changing from one collective agreement to another

Table 2.2 Trade union density in metal and banking in Austria, 2000 and 2015 (%)

	2000	2015
Metal	>70	~70
Banking	47 (2003)	25 (2010)
Total economy	37	28 (2016)

Sources: Appendix I; Adam (2011b); ÖGB (2017); Traxler (2010); authors' research.

one with less favourable conditions for employees is the manufacturing industry, in which a few companies attempt to lower collectively agreed standards by applying the crafts agreement instead of the industry agreement.

Again because of enterprises' compulsory WKO membership trade union density, which currently is 28 per cent (ÖGB 2017), is not a decisive factor in the extent of collective bargaining. A high level of unionisation is an important power resource for trade unions, however, as it increases their bargaining power vis-à-vis employers and government actors. Structural change, with an increase in employment in private services, declining employment in the public sector, a stronghold of trade union organisation, and growth of high-skilled, white-collar jobs in industry, have contributed to the decline of the trade union density rate from around 37 per cent in 2000 to 28 per cent in 2016 (ÖGB 2017; see Table 2.1). Trade union density varies widely between industries. While it is high and rather stable among blue-collar workers in metal, it has declined considerably in crisis-ridden banking (see Table 2.2). Latest data shows that trade union organisation in the public sector, at around 50 per cent in 2010 (Visser 2016), is above the national average, although in the teaching profession, union density tends to be lower than in the public sector overall (Adam 2011a).

Scope of agreements

The scope of collective agreements refers to the range of issues covered. Thus, in Austria it is associated with regulations governing the hierarchy and articulation between bargaining levels with regard to the issues addressed. To put it more generally, the scope of agreements depends on rules and norms affecting power relations between trade unions and employers, on one hand, and relations between and within unions on the other hand, and touches upon the dimensions of depth and control of collective bargaining (see below). Against this background, three closely interlinked types of agreements are considered in the Austrian context: first, substantive agreements setting terms and conditions of employment; second, procedural agreements governing the bargaining process; and third, agreements that may deal with issues related to the work context, such as work-life balance, job protection and early retirement. This section briefly addresses bargained outcomes in terms of substantive issues such as wages and working time.

The legal-institutional setting of collective bargaining establishes a hierarchy, with collective agreements at the top. These are concluded between employers' federations

and trade unions at the industrial level, and only in a very few cases directly between management and trade unions, when company collective agreements are concluded. Next are company/works agreements, concluded between management and works councils at company level; followed by individual work contracts. Labour law is superordinate to collective agreements. The latter prescribe the scope for company agreements by delegating the negotiation of certain issues to local bargaining actors. Labour law, for instance, allows for flexible working time arrangements and the extension of working time beyond the legal minimum by industrial collective agreements. Austrian labour law authorises works councils to bargain over pay only when mandated by a multi-employer agreement. There is no statutory minimum wage in Austria. Rather, legally enforceable minimum wages are stipulated in industrial collective agreements. Social partners, pre-empting regulation by law, agreed on a general wage floor of €1,500, monthly gross income, in all collective agreements in June 2017. Trade unions, against the background of the exceptionally high bargaining coverage, regard their competence to conclude collective agreements as a central part of their bargaining autonomy and thus, in contrast to unions in other countries, are not pressing for the introduction of a uniform statutory minimum wage.

Inter-industry wage differentiation is comparatively high in Austria. While trade unions in the late 1980s succeeded in obtaining a general increase in collectively settled minimum wages, instruments to over-proportionally increase lower grades, such as one-off payments, did not result in a sustained harmonisation of inter- and intra-industry wage differentials (Mesch 2004: 111). Changes in pay above collectively settled wage increases, the growth of part-time work and labour migration account for the divergence in effective pay between high and low pay grades (ibid: 113). The industrial employers' association and the manufacturing unions of the electro/electronics industry played a pioneering role in the harmonisation of pay and basic conditions for blue- and white-collar workers and settled on a common scheme in 2001. In other parts of metalworking, a largely unified remuneration scheme was concluded in 2005. In autumn 2017, the terms and conditions of employment of blue- and white-collar workers, such as dismissal protection and continued remuneration in case of sickness, were further harmonised by legal regulation. This decision was met with fierce criticism by the conservative and liberal political camp and caused tensions between the social partners.

Labour market segmentation with regard to employment stability and income has intensified in Austria since the opening of the labour market (2011 and 2014), when labour immigration from central and eastern European countries increased. A large proportion of immigrant workers are employed in unstable work arrangements, such as temporary work or seasonal work, which are associated with less dynamically developing pay and low employment security (Eppel *et al.* 2017: 434).

The electronics industry has played a pioneering role with regard to innovative regulation of issues aimed at improving work–life balance. A so-called 'leisure time option', for instance, included in the collective agreement allows for a working time reduction instead of effective wage increases, above the minimum increase, on the basis of a company agreement. The 2016 collective agreement entitles workers to a week off

work to participate in further education and training programmes. Such options on additional leisure time were also included in collective agreements in the automotive, steel and paper industries.

Level of bargaining

In the literature, the notion of bargaining level refers to where wages are formally set; the main levels are macro/central in national cross-industrial bargaining, and meso/industrial and micro/local at the company and plant level. In Austria, wages and working conditions are set by multi-employer bargaining at the industry level. Only in exceptional cases are collective agreements settled at enterprise level. This applies in particular to large and formerly state-owned companies.

In addition to the formal level of collective bargaining, the mechanisms by which collective bargaining is coordinated between levels and industries are important. Horizontal (Traxler *et al.* 2001: 112) and vertical dimensions of bargaining coordination can be distinguished. The horizontal dimension refers to coordination between workers belonging to different industries and groups such as crafts, occupations, and white- and blue-collar workers. The issue of vertical coordination, that is, the compliance of the shop floor with wage agreements settled at industry or national level, strongly touches upon legal requirements of collective bargaining (see below on control). This section, therefore, focuses on the horizontal dimension of coordination and the specific mode of pattern bargaining in Austria.

Wage-setting, in particular for blue- and white-collar workers in manufacturing, is synchronised in the so-called autumn bargaining round. In the annual negotiation round, starting with metal, the collective agreement concluded in this industry serves as an informal benchmark for unions' wage demands in other industries. Pattern bargaining became established fairly gradually, with collective bargaining units in other industries following the metal wage accord (Traxler *et al.* 2008). With regard to bargaining outcomes, pattern bargaining led by the exposed metalworking sector is associated with wage moderation rather than wage equality. Differentials in pay levels settled in industry-level and industrial collective agreements tend to be maintained by the synchronisation of pay increases (Zuckerstätter 2012). Pressures to cut public expenditure during the European fiscal and debt crisis have resulted in wage freezes in the public sector. In recent years, some provinces have even declined to implement collectively settled wage increases for public sector employees.

Although pattern bargaining has remained comparatively stable in Austria, one can observe changes in the forms and practices of bargaining coordination. Developments in metal are paradigmatic in this respect. During the autumn bargaining round in 2011, the Association of Machine Construction and Metalworking Industries (Fachverband Maschinen- und Metallwarenindustrie), the most important employers' association in metal in terms of member companies and employees, left the bargaining cartel and negotiated a separate agreement. Since then, collective agreements on wages have been successively negotiated for the five metal industries and for the metal crafts; these are

non-ferrous metals, mechanical engineering and metalworking, foundries, mining and steel and vehicle production.

The disruptive dissolution of the metal bargaining cartel marked a break with the consensus-oriented and cooperative bargaining tradition. Production was suspended and warning strikes were held in around 200 metalworking companies in autumn 2011. The wage increase the trade unions asked for was considered excessive and rejected outright by employers. In turn, trade unions mobilised for a warning strike, an extraordinary event in Austria. Strike movements were concentrated mainly in the automotive supplier and steel industries, while only a few companies in machine construction and mechanical engineering, where trade union density is lower, were affected by the strikes. After the splitting up of the bargaining platform, the bargaining climate in metalworking deteriorated. The start of the autumn bargaining round, with social partners in machine production/engineering and metalworking taking the lead, became more conflictual. Strikes were averted in the protracted bargaining round in 2013, for instance, when an agreement was reached only because bargaining actors agreed to decouple the contested issue of working time flexibilisation from setting the general wage increase.

After the splitting up of the bargaining platform, however, wage increases in all metal industries remained equal, whereas some qualitative issues, such as leisure time options and shift bonuses, became more differentiated between sub-industries. Hitherto, trade unions have aimed successfully at maintaining collective bargaining for the entire metal industry and have put a lot of effort into arriving at a joint demand with constant intra- and inter-organisational coordination over the year. This contrasts with the stance of some of the metal industry's employers, in particular companies in metalworking and machine construction, who are pressing for decentralisation of wage-setting.

Degree of control of collective agreements

'Degree of control' refers to the extent to which standards and conditions stipulated in collective agreements are complied with at various levels. Thus it depends on grievance, dispute settlement and arbitration procedures (Clegg 1976: 9). More generally, it is contingent, first, on the legal force of collective agreements, and second, on the effectiveness of articulation between bargaining levels. The degree of control touches upon the vertical dimension of bargaining coordination: that is, the compliance of bargaining actors from local levels with norms and conditions settled in higher-level agreements. A high degree of vertical coordination is, first, contingent on legal prerequisites that govern collective bargaining, such as the peace obligation and the legal bindingness of collective agreements. Second, it is affected by the model of employee representation and informal norms of cooperation between trade union representatives from different organisational levels, as well as between unionised and non-unionised employee representatives. The vast majority of works councils in the Austrian dual system are unionised and cooperation and exchange between different levels of employee representation usually functions well. Thus, the main problem with the dual system of industrial relations in Austria is not the lack of articulation between unions and works

councils, but the decreasing coverage of works councils and the growing ‘enterprise-level representation gap’ (Hermann and Flecker 2009). The latest figures from the ÖGB indicate that only 15 per cent of enterprises that could establish a works council according to the law: that is, if they have five employees or more, have one. There are big differences between industries and company size. While only half of the employees in the private sector work in a company with a works council, nearly 90 per cent in the public sector can rely on one. It is usual in bigger firms to have works councils. Small and some medium-sized enterprises, which are dominant in Austria, tend not to have a works council (Eichmann and Saupe 2014; Hermann and Flecker 2009).

In comparative perspective, collective bargaining in Austria is characterised by a high degree of vertical coordination (Traxler *et al.* 2001:183 ff.). This is based on legal preconditions, such as a peace obligation in collective agreements, which rules out industrial action during the period over which the agreement is valid, and the continuing validity of a collective agreement even after an employer has left the employers’ association. Additionally, deeply entrenched norms concerning cooperation and exchange between national, industrial and regional trade union representatives and works councils, often affiliated to a union, ensure that collective agreements are implemented accordingly at the plant level.

Negative wage drift, that is, actual earnings lagging behind collectively set pay rates, is rather limited in Austria, where collective agreements are directly enforceable and bargaining coverage exceptionally high. Wage drift, a concept that is burdened with operationalisation problems due to difficulties in measuring actual pay increases that are also affected by wage setting practices at company level, increased over the period from the early 2000s to 2013, and was slightly positive in Austria. In contrast, it was, in addition to the crisis-hit southern European countries, negative in Germany and the Netherlands (Delahaie *et al.* 2015: 74).

Opening clauses in industrial agreements that allow companies, under certain conditions, to undercut collectively settled standards, have not yet been implemented, as there is uncertainty about their legal conformity. The very few attempts in metal to regulate deviations in collective agreements at company level were not successful and quickly dropped. Another specific feature of Austrian collective agreements, besides the setting of minimum wages (‘KV-Löhne’), is the settlement of increases of effective pay (‘Ist-Löhne’). This allows the bargaining parties at company level to agree on higher increases for lower pay groups by so-called ‘distribution options’ (‘Verteiloption’). A defined share of the wage bill has to be distributed within the company according to prescribed criteria, while the industrial effective wage increase must not be undercut. Furthermore, a so-called ‘distributional volume’ might be included in a collective agreement allowing for annual one-off payments for specified groups of workers. In companies with a works council, procedures and criteria for the distribution have to be included in a works agreement, while in companies without a works council, approval of industrial bargaining actors is required.

General trends towards organised decentralisation and flexibilisation have increased the role and workload of works councils in collective bargaining. The implementation of

distribution options requires the works council to decide which employee group receives the additionally distributed amount, which is paid in addition to the collectively set minimum and actual rates. The instrument of distributional options is used mainly in manufacturing, in particular in metal. In the service sector, such as retail trade and social services, effective pay rarely exceeds collectively set minimum rates. These differences in payment above collectively settled wage increases are explained by unions' greater organisational strength in manufacturing in comparison with the service sector. In addition, profitability, capital intensity and productivity tend to be lower in services than in industrial production.

Conflicts regarding the lack of or insufficient implementation of collective agreements in Austrian companies are rare. Employers' strategies to circumvent standards settled by collective bargaining, for example by outsourcing, are limited by the comprehensive scope of agreements. In addition, the dense interrelatedness of trade unions and works councils ensures that infringements of terms are swiftly detected.

Thus formally recognised dispute resolution practices are rarely used. They occur either in the context of company-level codetermination or in specific, private-law employment relationships and situations (Adam 2010). In Austria, individual labour disputes are dealt with by ordinary courts. The legal system does not prescribe detailed procedures for labour dispute resolution, however. This might be because of the corporatist structure of the country's labour relations system, with workers' interests being represented by trade unions and the AK, and through the statutory interest organisation of employees (Adam 2010). AK legal experts provide their members with advice on labour law-related issues. Both trade union and Chamber representatives may bring a case before a court on an employee's behalf. In most individual labour disputes, in particular if there is no works council in the employee's workplace, either the AK or the trade union contact the employer in order to avoid formal court litigation. The role of labour collective interest organisations is particularly important in companies in which no works council exist or establishment is opposed. The vast majority of dispute cases are resolved by such informal intervention outside the court.

Security of bargaining

Security of bargaining refers to the factors that determine the bargaining role of trade unions, with a strong focus on legislation, particularly legislation on trade union recognition and strikes, and its practical consequences, such as the number of strikes in a country. In Austria, security of bargaining has two foundations. First, the already mentioned highly institutionalised links between the social partners; second, the legal foundation concerning union recognition and the right to strike.

While in many European countries 'freedom of association' for trade unions is guaranteed as a basic right in the national constitution, there is no such constitutional right in Austria. In Article 12 of the national constitution, there is only a general clause on the right to assemble and to found associations, which implicitly also includes the founding of trade unions. The Charter of European Basic Rights includes the freedom of

peaceful assembly and has also the status of a constitutional law in Austria. Moreover, in 2008 the constitutional rights of Austrian unions were clarified. Following the political conflicts between the social partners and the neoliberal-conservative government, which was in office between 2000 and 2007, a new article was introduced in the Austrian constitution. It explicitly recognises the role of the social partners and their autonomy and thus grants trade unions freedom to act, but also stabilises the role of the Chamber system in the system of self-governance in Austria. More recently, this article has been politically highly contested, especially during the national election campaign in 2017.

Besides constitutional rights, the right of interest groups to participate in relevant decision-making processes is part of the ArbVG. Following the ArbVG, working conditions are not supposed to be implemented directly by law, but rather negotiated via forms of collective agreement between interest groups at different levels.

The right to take collective action is not guaranteed in the national constitution (Warneck 2008). As already mentioned, however, the European Convention on Human Rights includes the freedom of peaceful assembly and the Charter of European Basic Rights explicitly includes strikes in the same context. As EU law overrules national law, Austrian unions can also rely on a legal background securing forms of collective action.

In practice, strikes are rare in Austria; in ‘normal’ collective bargaining rounds the sheer threat of calling for an assembly of the workforce is usually sufficient to persuade the employers’ side back to the negotiation table and to reach a compromise. These workforce assemblies are not strikes in a strict legal sense, even though work is interrupted for a certain time, as the main aim is the information and consultation of staff. In the 2017 Autumn bargaining round, for instance, which started highly conflictually, the metal unions called for such assemblies of the workforce after five tough negotiation rounds. It took only a few days, even before the workforce assemblies actually took place, to reach a wage agreement.

The negligible role of strikes in Austrian industrial relations is due to the system of social partnership, based on cooperation and compromise. Austrian trade unions rely mainly on their institutional power resources. Between 1945 and 2003, they hardly used strikes to pursue their interests. In this context, the year 2003 marked a sea change in Austria. The issue at stake was not part of a collective bargaining process, but a political one. In 2003 the neoliberal-conservative ÖVP-FPÖ government planned a pension reform disadvantaging Austrian employees. Some planned reform steps were averted due to the mass protests organised within civil society and the strikes organised by the trade unions. After 2003, the usual strike-free procedure was more or less re-established in the country with a small increase in strikes in 2011, when the practice of joint, industry-wide negotiations was challenged by employers in metal (see above).

Although the prevention of strikes and the focus on social-partnership solutions is still part of the ‘Austrian industrial relations identity’, the strike and protest experiences of 2003 play an important role in Austrian trade unions’ collective memory and might act as an important mobilisation resource for future challenges in the political sphere, as well as in the field of collective bargaining (Hofmann 2017).

Depth of bargaining

Depth of bargaining refers to the degree of involvement of local employee representatives in the implementation of collective agreements at company level. It is positively associated with union density and employers' support for union efforts to recruit employees and maintain membership and linked to the degree of centralisation of union government (Clegg 1976). As employers' support is of less importance in the Austrian context, we focus on the process of interest aggregation and demand formulation of trade unions and employers' associations in collective bargaining.

The process of collective bargaining follows established procedures and practices. The annual bargaining round traditionally starts in autumn, with the two trade unions in metal, PRO-GE (Union of Production Workers) organising mainly blue-collar workers, and GPA-djp (Union of Salaried Private Sector Employees, Graphical Workers and Journalists), starting the negotiations. Both labour and business representatives emphasise that setting a wage increase for the whole metal industry is becoming more and more difficult as companies largely vary in terms of export orientation, degree of integration into transnational markets, profitability and competitiveness. Bipartite negotiations are preceded by intra-organisational coordination at the national, industrial and local levels. With regard to internal decision-making, the Austrian union system features a high degree of centralisation, with the peak organisation exerting considerable control over collective bargaining. The unions' formulation of bargaining goals and demands takes place within formal committees and boards and hence with only limited involvement of rank-and-file members. This contrasts with union approaches in Germany where more 'participative' forms of collective bargaining have gained in importance (Dörre *et al.* 2016; see also Chapter 12). For example, in so-called 'conditional collective bargaining', employed by German unions in metal and services (for the latter, see Pernicka *et al.* 2016), the concerns of employees in a given workplace are included in the unions' formulation of demands in collective bargaining. Market internationalisation, structural change, as well as privatisation and liberalisation policies, however, have tended to enhance the influence of works councils in the formulation of demands and negotiations also in Austria. They are particularly influential in industries dominated by multinational companies, such as the electronics and steel industry. Although relations between trade unionists and works councils are usually cooperative, sometimes conflicts between bargaining actors from national/industrial and the company level arise in the formulation of demands. Works councils of underperforming companies are more often ready for concessions due to pressure from local managements and therefore demand lower industrial wage increases.

Internal decision-making and bargaining coordination is more decentralised on the employers' side. Industry-level associations are fully autonomous in collective bargaining. The influence of central officials is more indirect and aims at the inter-industry coordination of bargaining. Interest aggregation on the employers' side has become more difficult in recent years. Aggregation of wage bargaining demands is usually most difficult between full-time officials at the federal level and, primarily voluntary, bargaining agents from the industry-specific associations. Within the metal sector, divergence in positions is most salient in metalworking and machine construction,

where differences in competitiveness and profitability are considerable. Some of the associations' members and functionaries are pressing for the decentralisation of wage-setting, while officials, in particular those at the peak-level, unequivocally support the Austrian system of industrial collective bargaining.

Trade unions orient their demands in terms of three basic parameters: economic growth, both current and forecast; overall and industrial productivity growth, current and expected; and (*ex post*) inflation rate. Austrian unions usually pursue a solidaristic, productivity-oriented wage policy in order to ensure that all groups of workers benefit from economic progress based on the criteria included in the so-called 'Benya formula' based on mid-term overall productivity growth and consumer price inflation rate of the previous year. Over time, the normative power of the central wage guideline has changed; while the Benya formula originally served as a rather informal minimum benchmark for the coordination of wage demands aimed at distribution effects, it has been increasingly undermined by the aim of maintaining international competitiveness and flexibility by keeping wages below productivity growth and inflation (Pernicka and Hefler 2015: 46). In particular, the economic entanglement between Austria and Germany resulted in a growing orientation towards labour cost developments in Austria's neighbour and intensified pressure on wages.

In general, employers and unions agree on the database and basic economic indicators referred to in negotiations (Pernicka *et al.* 2019). For unions, particularly those in metal, the development of profits and turnover of large and often multinational companies in metal and electronics are decisive in their demand formulation. Employers usually refer to overall economic growth and inflation and tend to disagree with unions on the productivity indicator. In other words, overall productivity is considered more appropriate than industrial or wage restraint is demanded when productivity shrinks. Both bargaining parties strategically refer to selected economic indicators in negotiations. Even since the splitting up of the bargaining cartel in metal, bargaining agents from both the employers' and trade unions' side emphasise that negotiators are better prepared and more 'fine-tuned' towards the specific conditions in an industry. The more active participation of local bargaining actors in negotiations has contributed to this development in the metal sector and beyond.

Conclusions

The aim of this overview is to show that the Austrian collective bargaining system has been fairly stable over time. But as the system is highly dependent on institutional requirements and socio-cultural underpinnings, it might be disrupted by political changes. Moreover, major power shifts have taken place below the formal, institutional level. We currently see two, at first sight contradictory, tendencies. On one hand, Austria is still marked by a strong tradition of social partnership and cooperative relations between labour and capital at enterprise, industrial and political level. Even during the recent economic crisis, organised labour and capital negotiated solutions at all of these different levels. On the other hand, power relations have shifted more to the capital side within recent decades, as can be seen for example from the move from demand-

side towards supply-side economic policies. Pernicka and Hefler (2015) thus speak of a process of ‘institutional conversion’ in Austria in recent years.

Even though the social partners have been able to strengthen collective bargaining coverage by concluding collective agreements for new and growing segments formerly not covered, for instance IT and social services, wage differentials between and within industries and groups of employees remain large (Leoni and Pollan 2011). Furthermore, despite the formal inclusiveness of the bargaining system, labour market segmentation with regard to wages and employment security has been driven by discontinuous employment, in particular among migrant workers. Social partners have to date not been able to effectively address tendencies towards growing labour market segmentation. Furthermore, the compulsory membership that largely accounts for Austria’s highly extensive bargaining system has been repeatedly attacked by right-wing and liberal policymakers and sections within the employers’ camp.

The EU-wide trend towards the decentralisation of collective bargaining has taken a fairly organised form in Austria. Social partners exert control over the devolution of certain pay and non-pay related issues to the company level. Wage-setting has remained effectively coordinated between industries, regions and employee groups. Trade union mergers might partly account for enhanced horizontal coordination, while legal preconditions such as a peace obligation and the legal enforceability of collective agreements ensure compliance of lower-level bargaining actors with industrial agreements. Pattern bargaining, with metal taking the lead in collective wage bargaining and other industries following the metal sector wage accord, has remained stable over time. Despite the departure from joint negotiations for the entire metal industry and growing bargaining conflicts, which erupted into strikes in 2011, wage setting within metal has remained closely coordinated in terms of both substantive outcomes and procedures. Collectively settled wages in Austria grew rather moderately by international comparison. Bargaining actors tend to orient themselves towards wage developments in Germany, Austria’s most important export market.

While the ‘Austrian model’ has come under economic pressure since the 1980s, it is nowadays also increasingly contested at the political level. The first neoliberal-right-wing government and especially the FPÖ from 2000–2007 failed in their attack on employers’ compulsory membership of the WKO, which is the main reason for the high collective bargaining coverage in Austria. During that time, however, it became clear that the normative commitment to social partnership could reach its limits if political power relations change. The new ÖVP–FPÖ coalition, in power since December 2017, is expected to challenge the influence of the social partners at all levels. Even though it is not yet sure whether the government will touch compulsory membership of the Chambers, it will certainly launch many policies that help to decentralise settlement of work-relevant issues, such as deregulation of working time, and thus diminish the influence of organised labour in the Austrian public administration, as well as in labour market and social policies. Moreover, at the time of writing (April 2018), there are debates about a massive reduction of the financial resources of the Chamber of Labour, which would entail a political weakening of labour interests.

Furthermore, structural change such as the growth of employment in the service sector, the decline of the workforce in manufacturing as a proportion of total employment and the increase of atypical, often precarious forms of employment require targeted organising and recruitment on the part of trade unions in order to gain members in these newly evolving segments of the labour market. So far, however, trade unions' organising projects have remained rather ad hoc and limited in industrial and territorial scope. With collective bargaining considered the most important trade union task, achievements in terms of pay increases and working conditions are viewed by trade unions as most conducive to attracting and maintaining members and accommodating the rank-and-file. Having said all that, the 'borrowed stability' (Flecker and Herrmann 2005) of the Austrian model is evident. Thus the Austrian unions, as the 'battle organisation of the working class', would be well advised to build up other power resources besides these highly fragile institutional ones.

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Abbreviations

AK	Arbeiterkammer (Chamber of Labour)
ArbVG	Arbeitsverfassungsgesetz (Labour Constitution Act)
AÜG	Arbeitskräfteüberlassungsgesetz (Act on temporary work)
BR	Betriebsrat (Works council)
FPÖ	Freiheitliche Partei Österreich (Freedom Party Austria)
GBH	Gewerkschaft Bau–Holz (Union of Construction and Woodworkers)
GÖD	Gewerkschaft Öffentlicher Dienst (Union of Public Services)
GPA-djp	Gewerkschaft der Privatangestellten, Druck, Journalismus, Papier (Union of Salaried Private Sector Employees, Printing, Journalism and Paper)
GPF	Gewerkschaft der Post- und Fernmeldebediensteten (Union of Postal and Telecommunications Workers)
IV	Industriellenvereinigung (Federation of Austrian Industry)
LK	Landwirtschaftskammer (Chamber of Agriculture)
ÖGB	Österreichischer Gewerkschaftsbund (Austrian Trade Union Confederation)
ÖVP	Österreichische Volkspartei (Austrian People's Party)
PRO-GE	Die Produktionsgewerkschaft (Union of Production Workers)
VIDA	Gewerkschaft VIDA (Transport and Service Union)
WKO	Wirtschaftskammer Österreich (Chamber of the Economy Austria)
Younion	Die Daseinsgewerkschaft (Union for municipal employees and the small arts, media, sports and liberal professions; until 2015 GdG, Gewerkschaft der Gemeindebediensteten, Kunst, Medien, Sport und freie Berufe)