

# THE AUSTRIAN LABOR MARKET

ANALYSIS – INSTITUTIONS – REGULATIONS  
– POLICIES

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## **1. GENERAL OVERVIEW**

**1.1** Austria is one of the richer countries in the European Union - as to GDP per capita it is number 4 in the EU (15). Unemployment levels are low and income is relatively high - there are, however, very large income differentials by economic sector, occupational activity, skill attainment, age as well as region.

**1.2** The performance of the Austrian economy has been relatively balanced over the last decade. This might change somewhat in the second half of the 90s as a restrictive budget policy is going to dampen internal economic activity, as inflation comes down only sluggishly and unemployment remains on a relatively high level. Budget constraints leave relatively little room for an increase of active labour market policy measures which implies little hope for a reduction of long-term unemployment.

**1.3** This relatively bleak medium term outlook should give way to a longterm improvement of economic prospects as the economic advantages of EU-integration are going to work their way through the economy. At the moment Austria needs to restructure its economy and the institutional set-up in order to better cope with the new realities of open frontiers in the East of Austria and closer integration into the West.

**1.4** The prospects for a quick adjustment of the economy to the new realities are good given the relatively high and differentiated skill structure of the Austrian work force; institutional restructuring which is geared towards facilitating retraining/upskilling of core workers whose occupations/economic sectors are under severe competitive pressure (Arbeitsstiftung) is well under way.

**1.5** Industrial relations in Austria are based on the freedom of contract under civil law, but labour law seeks to compensate for the difference in strength between employers and employees in a variety of ways. Austrian labour law is guided by the principle of beneficialness: The most important areas of Austrian labour law specifying rights and duties arising from employment are regulated by Parliament; in the order of precedence, collective agreements follow, which can only specify conditions more favourable to the employees; at the next two levels, workplace agreements and individual contracts may only change rules to the employee's advantage.

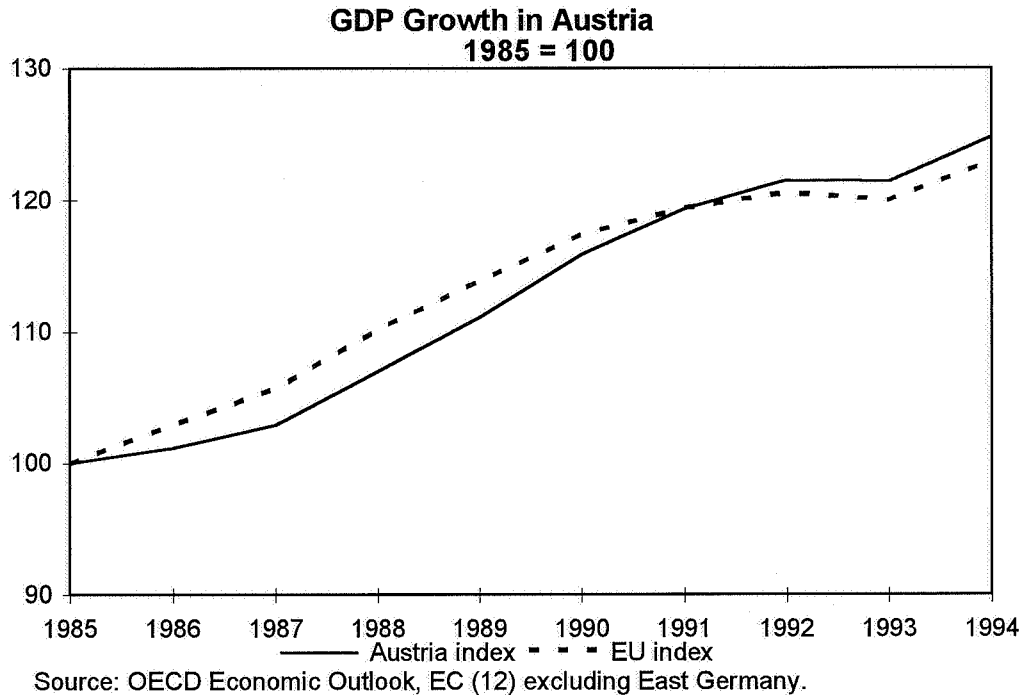
## 2. ECONOMIC ANALYSIS

### *General Information*

**2.1** The Austrian economy takes up 9th place in the recently enlarged EU (15). In 1993 the Austrian GDP amounted to ECU 155.5 bn/ AS 2,117.8 bn (at current prices) and accounted thus for 2.6 per cent of EU's gross domestic product. The share of the Austrian population in the EU is somewhat smaller with 2.2 per cent, and GDP per capita is slightly above the EU-average. As to GDP per capita Austria is number 4 in the EU after Luxembourg, Belgium and Denmark (measured by purchasing power parity). Germany has lost its leading position as a consequence of German reunification and ranges now on place 6 after France in the EU (see Eurostat and OECD National Accounts, Vol. 1).

**2.2** Economic growth has always been close to the EU-average in the 1980s and early 1990s. One of the reasons for the similar performance of economic growth is the strong trade link with continental Europe, above all Germany (see *Figure 1*).

Figure 1



**2.3** Economic growth has been linked with productivity increases similar to the EU average in the course of the 80s. Thus GDP per capita increased in Austria pari passu with the EU. In 1993 GDP per capita was 18 per cent higher than the EU(15)-average (based on purchasing power parities) (see Breuss, 1995).

**2.4** Economic growth in the 80s translated into below average employment growth in comparison with the EU. Employment soared only in the period 1989/1992 without, however, reducing unemployment. An unprecedented rise in foreign labour supply led to employment substitution on the lower end of the wage scale thus contributing to unemployment. Although unemployment is still low in comparison with the EU average it has been rising more or less continuously since the early 80s.

**2.5** The relatively balanced economic performance of Austria owed much to (see OECD, 1994):

a monetary regime which has relied on exchange-rate stability (a fixed parity with the Deutschmark since 1981);

a wages and incomes policy which is the vehicle for an above average micro-and macroeconomic wage flexibility;

a programme of fiscal consolidation;

structural policy initiatives to increase efficiency and competition in the economy through a programme of deregulation.

**2.6** The cyclical downturn which began in mid 1992 and lasted until the end of 1993 was mild relative to that of Austria's main trading partners. During 1994 the Austrian economy returned to a firm growth path (real GDP growth of an estimated 2.7 per cent, WIFO, 1994).

**2.7** Inflation (consumer price index) has been significantly lower than in the EU in the course of the 80s. Austria's relative inflation performance worsened, however, markedly between 1990 and 1993. Consumer prices rose by 3.6 per cent in 1993 compared to 3.4 per cent in the EU(12), by 3.0 per cent in 1994. Relatively high wage growth, a sharp rise in public charges as well as the slow transmission of the rise in the value of the Schilling to the retail price level are the main factors responsible for the sluggish reaction of inflation to economic slack. Food and energy prices are among the few cases where consumers enjoy a reduction in prices.

**2.8** The convergence criteria of the Maastricht treaty necessitate a consolidation of the budget. Since 1993 the deficit of the federal budget has been increasing. The net budget deficit amounted to 4.7 per cent of GDP in 1994 (up from 3.3 per cent 1992). General government debt stood at 62.8 per cent of GDP 1994 (after 58.4 per cent 1993), i. e. somewhat below the EU-average of 66 per cent. Since Austria will be a net contributor to the EU-budget and since agriculture and food industries will receive transitional transfer payments to smooth adjustment costs, pressure on the federal budget mounts.

**2.9** The government is therefore currently deciding upon a set of measures designed to contain public spending, reduce deficits, and stabilize public debt over the medium term. Four main areas of public spending are affected: government payroll, retirement benefits, social transfers, public investment and subsidies.

**2.10** The Austrian export performance has been comparatively weak in the second half of the 80s and early 90s (real exports 1985/93: +3.9 per cent p. a. versus +6 per cent p. a. during 1979/85). Austrian exports into the EU have been negatively affected by the adjustment of exchange rates. Rising exports to the rapidly growing Asian countries and to Central and Eastern Europe could not compensate for the loss in EU market shares. Exports of goods and services accounted for 37.9 per cent of GDP in 1993. The trade balance has in the long run been negative. Over the period 1985/93 the negative balance amounted to 5 per cent of GDP p. a. on average. This compares unfavourably with the positive trade balance of the EU.

**2.11** In 1993 63.6 per cent of Austria's exports went into the EU, 39 per cent alone to Germany. The proportion of exports going to Germany has been increasing in the long-run (1980: 32.2 per cent). 13 per cent of Austrian exports went into Central and Eastern European countries. The export share has been continuously increasing since 1987. 85.7 per cent of Austria's total exports are within the European continent, 7.6 per cent go to Asia, 4.9 per cent to America and 1.4 per cent to Africa.

### *Future Developments*

**2.12** Exports will be the key driving force behind economic growth. Fiscal consolidation will dampen domestic economic activity. GDP growth should, therefore, not surpass 2.5 per cent p. a. on average in the second half of the 90s (see WIFO, 1994 and Breuss et. al., 1995).

### **3. LABOUR MARKET ANALYSIS**

#### *General Labour Market Conditions*

**3.1** A comprehensive picture of the Austrian labour market can be obtained by connecting different data sets and sources according to a module system devised by the Austrian Institute of Economic Research. This data set is compared with the EU Labour Force Survey of 1991 to highlight Austrian specificities vis-à-vis the EU (12).

**Table 1: Employment in Austria, 1991**

	000s or %	
	Austria	EU
<b>Population</b>		
Total	7813	339592
Male (%)	48,2	48,5
Female (%)	51,8	51,5
<b>Labour Force</b>		
Total	3601	155361
Male (%)	58,0	58,9
Female (%)	42,0	41,1
<b>Persons in Employment</b>		
Total	3416	142014
Male (%)	58,3	59,9
Female (%)	41,7	40,1
<b>Employees in:</b>		
Agriculture (%)	6,2	6,4
Industry (%)	34,4	33,2
Services (%)	59,4	60,2
Total (%) 1)	100	100
<b>Employers and Self-Employed</b>		
Total	419	21258
Male (%)	56,8	74,5
Female (%)	43,2	25,5
% of Employment	12,3	15,0

1) Total employment = social security employment plus self-employment for Austria.

**Table 1: Employment in Austria, 1991 (continued)**

	000s or %	
	Austria	EU
<b>Employees</b>		
Total 1)	2997	116945
Male (%)	58,5	58,2
Female (%)	41,5	41,8
% of Employment	87,7	82,2
<b>Family Workers</b>		
Total	47	3509
Male (%)	29,9	28,0
Female (%)	70,1	72,0
% of Employment	1,4	2,5
<b>Part-Time Employment</b>		
Total	262	19109
Male (%)	10,3	17,3
Female (%)	89,7	82,7
% of Employment	7,7	13,4
<b>Female Part-Time Employment as:</b>		
A proportion of Total Female Employment	16,5	27,8
<b>Activity Rates</b>		
Total 2)	68,3	67,2
Male (%)	79,1	78,3
Female (%)	57,5	54,0
<b>Unemployment Rate (1994) (%)</b>	4,4	10,5
<b>Vacancy Rate (1994) (%)</b>	1,0	-

Sources: EC Labour Force Survey; Eurostat; Austrian Institute of Economic Research.

1) Social security employment-data for Austria.

2) Total labour force in % of population aged 15(16) - 65; EU - data according to OECD labour force statistics, OECD 1994.

**3.2** The Austrian population is approximately 7.8 million (census 1991) and accounts for 2.2 per cent of the EU(15) population. About 3.6 million people are in the labour force, likewise about 2.2 per cent of the EU(15) labour force.

**3.3** There are only minor differences between the Austrian labour market and the EU(12) as a whole. The relatively large share of women in selfemployment in Austria results from the importance of small scale farming and entrepreneurship (e. g. tourism) which relies heavily on female labour. Part-time employment is rather limited in Austria compared to the EU and even more concentrated upon women. The activity rates are slightly above the EU-average; they conform to Germany and France. Unemployment rates are markedly lower than the EU-average.

### *Unemployment*

**3.4** Unemployment remains low by international standards, but the trend is rising. Unemployment in the early 90's grew in the first instance as a result of substantial labour supply increases through immigration, and in a later stage as a result of the recession. The clampdown on immigration inflows in combination with the economic upswing allowed a minor reduction in unemployment during 1994 (according to registered unemployment; the household labour force survey exhibits a continued rise, however, from 4.2 per cent 1993 to 4.4 per cent 1994).

**3.5** Unemployment rates have been low in the 60s and 70s (below 2 per cent) but started to rise abruptly in 1981 and continued to do so until today. The rising share of longterm unemployment in the wake of massive economic restructuring and the unwillingness, given fiscal consolidation policies, to divert expenditure to active labour market policies, suggests that unemployment will continue to grow during the rest of the decade.

**3.6** The comparable economic growth performance of Austria versus the EU-average in the last decade went hand in hand with similar employment growth. The weak employment performance of Austria (relative to North-America) was linked with substantial productivity growth. The strong productivity performance was not, however, the result of a shift of production towards high-tech sectors but much rather the result of massive job losses in traditional production sectors, e. g. basic industries and consumer goods production. Job losses did not show up in the unemployment figures but led to a massive expansion of early retirement and disability pensions, i. e. a reduction of labour supply (Biffel, 1994).

**3.7** Migration constitutes an important structural element of the Austrian labour market. The share of foreigners in the total labour force amounted to 9.3 per cent in 1993, the share of non-EU-citizens in the total labour force is 8.7 per cent. Non-EU-citizens do not have free access to the labour market; their employment is subject to work permit regulations and annual quotas (see Biffel\*, 1994).

**3.8** Emigration of Austrians to neighbouring countries, particularly Switzerland and Germany, has a long tradition. Currently (August 1994) 30,800 Austrians are working in Switzerland, of whom 9,000 as frontier workers. In Germany 93,000 Austrians are working as employees. Entry of Austria into the EU is not expected to boost the outflow of Austrians, since wage differentials for skilled labour have eroded over time.

### *Labour Costs and Earnings*

**3.9** In 1993, annual gross earnings of production workers was ECU 20,353/AS 276,800. Take-home pay and cash transfers as % of gross earnings was 73.6 for a single person, 92.4 for a one-earner couple with two children (OECD 1994\*\*).

If one standardises the earnings to a 40 hour week, the median net monthly earnings of women amounted to ECU 875/AS 11,900, those of men ECU 1,096/AS 14,900 in 1993 (household survey, Microcensus June 1993). If one calculates the male/female wage differential for total dependent employment the earnings deficit of women amounted to 20% in 1993, for blue collar workers in private industries to 30% and to 10% in the civil service.

**3.10** In 1991 the average hours usually worked by those in employment were 38.5 hours, about the same number as in the EU (38.9 hours).

**3.11** Centralized wage bargaining, the close involvement of the social partners in the formulation of macroeconomic policy, as well as the preponderance of a low-wage sector with small and medium-sized firms have resulted in a high degree of cyclical responsiveness of wages to labour market conditions. In order to ensure that wage restraint feeds into a moderation of price rises, the social partners initiated a 'stability pact' in autumn 1993. The labour unions settled for moderate wage increases while increases in public rents and in prices of manufactured products continued unabated. With food prices likely to fall as a result of Austria's accession into the EU inflation is expected to slow down from 3% in 1994 to 2.7% in 1995.

**3.12** In 1994 as labour productivity continued to rise (in the total economy by 2.6 per cent and in manufacturing by 5.7 per cent), unit labour costs in the total economy rose by 1.2 per cent but declined by 1.5 per cent in manufacturing. The international competitiveness of Austrian manufacturing will not improve, however, as a consequence of a slight revaluation of the Austrian Shilling.

### *Regional Analysis*

**3.13** The process of economic restructuring in the countries of transition bordering Austria has had a positive impact upon economic growth and employment dynamics of the Austrian border regions to the east. Only the southern regions (Styria and Carinthia) are still at a disadvantage as to growth performance and potential. The westernmost region (Vorarlberg) is ailing due to the weight of textile industries which got under severe competitive attack by the low-wage countries in Central and Eastern Europe. Economic and employment growth in Vienna is lagging behind the Austrian average. One of the reasons is a transfer of private services to the regional centres surrounding Vienna (i. e. in Lower Austria).

## 4. LABOUR MARKET INSTITUTIONS

### *The Trade Union Organization and Other Institutions of Social Partnership*

**4.1** At the center of economic policy making in Austria are the institutions of the so-called Social Partnership. On both sides of the labour market there are self-governing bodies called chambers as well as voluntary organizations, the trade unions and the Association of Industrialists. Farmers have a separate chamber. (There are also chambers for various professions, such as lawyers, public accountants etc., but these are not part of the Social partnership). The Parity Commission for Wages and Prices is the institutional centrepiece of social partnership, where in addition to the federal chambers and the Austrian Trade Union Federation, the government is also represented. The Parity Commission works on a voluntary basis and has no legal authority. All decisions have to be unanimous. The Parity Commission has three sub-committees; the first two were set up to curb wage and price increases; the third was established to extend the activities of the Commission beyond incomes policies to wider issues of a social and economic character. In the fifties and sixties, when Austria's economy was a closed one, the Parity Commission was an important institution in restraining wage and price increases, but its influence has faded since then.

### *The Austrian Trade Union Federation*

**4.2** The trade unions were given the present organizational structure at the end of World War II when the new Trade Union Federation (Österreichischer Gewerkschaftsbund, ÖGB) was formed. The reorganization centralized bargaining, finances, and authority within the Trade Union Federation. The new federation consisted of 16 unions organized along industrial lines. The one important exception is the Union of Salaried Workers representing all white-collar workers in the private sector<sup>1)</sup>. Thus, in the private sector blue-collar workers and white-collar workers are organized in separate unions. In 1978 and then again in 1992 two unions merged, so that at the present time there are 14 member unions. The boundaries of the 14 unions are so widely drawn that in general very heterogeneous groups of workers are represented by the same union, and conflicts between various groups of workers are resolved internally. There are separate party caucuses within the national unions and the Federation, the far most important faction being the Socialist.

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<sup>1)</sup> This exception reflects a distinction between blue- and white-collar workers that is basic to Austria's legal system of industrial relations and social security. The law assigns white-collar status to employees working in commercial services, superior noncommercial services, and clerical services. White-collar workers have their own representation in the form of works councils, separate from the works councils of blue-collar workers.

According to the statutes of the ÖGB, the concentration of authority in the Federation probably surpasses that of any other democratic trade union movement; but in practice the large affiliated unions have achieved a large degree of autonomy. Within the Federation and the individual unions a high degree of centralization of authority is ensured through an indirect system of electing union officials: the elections of representatives to works councils serve de facto as union elections at the lowest echelon.

At the end of 1993 the largest unions were the union of salaried workers in private enterprises (accounting for 20.6 per cent of total union membership), the union in the metal and mining industries and power supplies (14.2 per cent), the four unions in government service, postal service and railroads (accounting together for some 37.2 per cent; in the past these four unions formed a joint bargaining group) and the union of workers in construction and wood industries (11.6 per cent). In 1993 about 400 collective agreements were concluded.

According to official ÖGB publications the organizational density in 1993 was 52.6 per cent, but these statistics include retired union members. If retired members are excluded, union density was about 47 per cent in 1980 and 42 per cent in 1993, with most of the decline occurring in the late eighties. According to rough estimates, union density in the public sector is at least 56 per cent, but probably no more than 38 per cent in the private sector. In large firms, practically all of which have works councils, these entities, though legally separate from the union organization, serve as the shop-floor organization for the unions.

### *The Economic Chambers and the Chambers of Labour*

**4.3** At the provincial level, the Economic Chambers, also known as Chambers of Commerce, are public-law entities with compulsory membership; at the federal level the corresponding organization is the Federal Economic Chamber (*Wirtschaftskammer Österreich*). At both levels, the Economic Chambers are subdivided into six sections<sup>2)</sup>, which in turn are subdivided into more than 100 branch organizations which have the status of a public-law body and have the right to negotiate collective agreements. In fact, many insist on exercising this prerogative; hence the large number of collective agreements in force in Austria. Many wage contracts, though, adopt the settlement terms of other larger employment groups.

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<sup>2)</sup> Manufacturing, small-scale business (or handicrafts), commerce, transport, tourism, and financial, credit and insurance institutions. It is a peculiarity of the Austrian system that the goods producing sector is divided into (large-scale) manufacturing (*Industrie*) and small-scale manufacturing (*Gewerbe*). In general, separate collective agreements apply to each sector or a branch thereof.

The Chambers of Labor are the other major player on labor's side. The Chambers of Labor were established in February 1920, at a time when the revolutionary worker council movement in Austria and in other parts of Central Europe pressured the bourgeoisie to major concessions. At the same time, the Works Council Law was enacted. Both bodies of law, which were reenacted in almost identical form after 1945, must be considered as fundamental preconditions for the establishment of the Social Partnership. The provincial Chambers of Labor are public-law entities in which all wage and salary earners (with the exception of civil servants, senior management staff in enterprises and employees in agriculture and forestry) are ex officio members. They were given the same legal status as the Economic Chambers in 1921 and were charged with the task of consulting over government bills and of representing employees on advisory and administrative committees. The top organization of the regional Chambers of Labor has been the Austrian Congress of Chambers of Labor (renamed Federal Chamber of Labor in 1991). The Chambers of Labor, which were set up at the request of the unions, have worked in close cooperation with the unions. They have been variously described as the "logistic support" or "scientific apparatus" of the ÖGB.

### *The Role of Nationalized Industries in Political Exchange*

**4.4** Another factor which has contributed to the emergence and stabilization of concertative institutions in Austria is the huge state-dominated sector. The nationalizations of the early post-war period have dramatically changed the balance of power in policy-making in Austria.

The nationalization of 1946 included the largest enterprises in the basic goods industries, large firms in other manufacturing branches, and the three largest banks. In 1947 all utility companies were also nationalized.

In the mid-eighties, when the nationalized industries in manufacturing were still intact, the whole public enterprise sector (including cooperatives, the postal service, the railroads, the broadcasting service) employed about 25 per cent of all wage and salary earners, earning about 33 per cent of the total wage bill in the economy. This sector produced about one third of value added and accounted for almost 50 per cent of total investment. In an international comparison, this puts Austria among the countries with a high share of employment in the public sector and in the state-owned industries.

In the manufacturing sector the employment share of the nationalized industries was about 20 per cent. If employment in the enterprises owned by the nationalized banks is included, the percentage rises to more than 25 per cent. Since then employment in these industries has dwindled to about one half.

Because of its economic importance, questions concerning the management and, in the nineties, those of privatization of the nationalized industries in manufacturing, of the state-owned banks and

other enterprises owned by the federal state have dominated the discussion in Austria on industrial policy and on economic policy in general.

By weakening capital and expanding the power resources of the unions the nationalizations of 1946 and 1947 vastly widened the influence of the labor unions and of the Socialist Party. They provided the economic foundation for a balance of power between the two major parties and the organizations representing the interests of labor and business.

### *The Social Partnership and Political Linkage*

**4.5** The involvement of labor in policy making has been very encompassing. Within the so-called Social Partnership, the ÖGB and the Federal Chamber of Labor, together with the Federal Economic Chamber and the Chamber of Agriculture, have played a decisive role in formulating economic and social policies.

There has been a division of labor between the social partners on one hand and the parliament, the parties, and the government on the other. The latter have only taken up issues that are unrelated to economic and social policies. Policy making in these areas has been the prerogative of the social partners. In the last few years, though, as the strength of opposition parties rose and the Social Partners came increasingly under attack, the government tried to take a more active role in policy making. With labor fully integrated into the policy-making process, the labor unions find it easier than in other countries to make wage restraint palatable to the rank and file, by pointing to the deep involvement in practically all areas relevant for union members; employers, seeking a high and stable profit rate, are forced to pay attention to improvements in social policy.

### *The Ministry of Labour and Social Affairs*

**4.6** Until the end of June 1994 the Ministry of Labour and Social Affairs had been responsible for the execution of labour market policies. Since then the administration has been separated and a public service agency, the Labour Market Service (AMS), has been created. The aim of this structural reform was to render the labour market policies more flexible through decentralized decision making bodies. The laws regulating active labour market policies (Arbeitsmarktförderungsgesetz of 1969) and the Labour Market Service Law (AMSG 1994) are not constitutional laws. There is no enforceable right to active labour market policy measures. The Labour Market Service, which replaces the Ministry in Labour Market Policy matters, is a tripartite public service, with employers' and employees' representatives as well as representatives of the Ministry of Labour and the Ministry of Finance constituting the decision making body. The Ministry of Labour still formulates the general labour market policy objectives and evaluates the efficiency of the measures decided upon by the AMS.

## 5. LABOUR MARKET REGULATION

### *Law Regarding Employee Involvement*

**5.1** Worker participation at the plant level is well established in Austria. The legal provisions governing labour relations within enterprises are contained in the Collective Labour Relations Act of 1973.

**5.2** Works councils, a very important feature of Austria's labour relations, may be established by workers in all enterprises with five or more workers. The Collective Labour Relations Act embodies the notion that works councils are elected to safeguard and foster the interests of all employees, whether union members or not, and to achieve a balance of interests for the benefit of the workers and the establishment concerned.

**5.3** The power of the works councils as regulated in the Act of 1973 is very extensive, with provisions very similar to those enacted in Germany. The works councils have the right to participate in social and personnel questions. In economic affairs, the councils are above all entitled to be informed and consulted; on certain economic issues that would result in major organizational or structural changes in the enterprise to the disadvantage of workers the works council may object to certain plans and suggest a "social plan" which may be referred to an arbitration board. Neither legislation nor collective agreements provide for the existence of union representatives at the plant level.

**5.4** Another central feature of the Austrian system of codetermination in the realm of economic affairs is the provision that one third of the members of the supervisory boards of public limited companies (*Aktiengesellschaften*) be representatives of the employees. (Similar regulations apply to private limited companies (*Gesellschaften mit beschränkter Haftung*) and other legal entities, but are of less practical importance.) This board appoints the members of the board of directors and is also concerned with major decisions of the enterprise. Thus, the employees' representatives are directly involved in and informed of the decision making of the firm. On the whole, as Tomandl and Fuerboeck (1986:53) note, the Austrian system of codetermination works smoothly. "Its principal merits are an improved flow of information between management and workers and a higher consciousness of the social aspects of work. On the other hand, the system carries the risk of delaying necessary and sometimes urgent reactions to changes in the economic situation. But it is nevertheless incontrovertible that the system as practiced at all levels has contributed greatly to the avoidance of industrial warfare in Austria."

**5.5** An employer wishing to terminate a contract of a worker must notify the works council. If the employer's intention is opposed by the works council, and the employer nonetheless proceeds with

the termination, the works council or the worker can have the validity of the termination reviewed by the Conciliation Office. This office may nullify the notice of termination. There are two grounds: if the termination is "socially unjustified" or if it is due to the activities of the employee concerned in a trade union or works council. If the works council approves the intention to terminate a contract, the worker has no further recourse. This is a rather unique feature of Austrian law. The protection of workers' individual interests is entrusted to the works council, and protection belongs to the law on collective, rather than individual labour relations. The works council represents not the single employee but the entire work force. This provision is an important means of strengthening the position of the works council in bargaining with the employer.

### *Collective Agreements*

**5.6** A collective agreement is a contract in private law that regulates industrial relations. At present the Economic Chambers and the ÖGB have the right to make collective agreements (though voluntary organizations may apply for the right to become a party if they satisfy criteria of size and scope). A collective agreement applies to all employers and all employees, whether unionized or not, in an industry within the scope of an agreement; it has the force of law. The principle of beneficialness states, however, that provisions in a workplace agreement or an individual employment contract will prevail over the terms of a collective agreement if it is more beneficial to the employee. Claims stemming from collective agreements can be enforced in the labour courts.

**5.7** There are no provisions in the Collective Labour Relations Act of 1973 which force an organization to enter into negotiations and to conclude a collective agreement. There are also no facilities for mediation. In practice, lack of such provisions has not created a serious problem. When negotiations run into difficulties, the Social Partners, and in severe cases, the government, may get involved to smooth out differences. Industrial disputes are very rare.

### *The Conciliation Offices and Labour Courts*

**5.8** The Conciliation Offices (one per province, with a Central Office in Vienna) are a rather unique feature of Austrian labour law. It is a tripartite institution (with a chairman and members nominated by the chambers). In addition to some administrative functions (such as the fixing of minimum wages, registration of collective agreements, the settlement of disputes relating to the establishment and activities of the works councils), the Conciliation Offices have the quasi-judicial function of protecting workers against unjustified dismissal. There is a parallel system of labour courts, mainly responsible for settling pecuniary claims arising out of termination of employment contracts.

### *Law Regulating Minimum Pay*

**5.9** There is no minimum pay legislation in Austria covering all wage and salary earners. The wage and salary rates negotiated in collective agreements set, however, minimum levels which can be enforced by court action. (see also paragraph 5.13 and 5.14)

### *Law Governing Industrial Disputes*

**5.10** Given the emphasis on consensual resolution of labour conflicts, strikes and lockouts are very rare. As a result there have been very few legal cases concerned with industrial warfare. The Austrian constitution ignores industrial conflict; thus, the right to strike is not guaranteed constitutionally. The Collective Labour Relations Act of 1973 does not contain a chapter on strikes and lock-outs. According to legal doctrine, however, industrial action is tolerated as long as it does not conflict with the general law of the land (Tomandl and Fuerboeck, 1986:55). Strike action within the civil service is forbidden by a statute of 1914, but tolerated in practice. There is general consensus that strikes initiated by works councils against the employer are not permitted.

Lockouts are practically unknown. Strike activity is very low. In the period 1986-1990 on average 0.3 per cent of all wage and salary earners were on strike. The average number of hours struck per participant in the strike was 5 hours and 13 minutes. In the period 1991-1993 the comparable figures were 1.3 per cent and 6 hours and 24 minutes. There were no strikes in 1994.

### *Laws Regulating Working Time*

**5.11** The Hours of Work Act (1969) with several amendments regulates the permissible working hours per day and week. This statute also contains special regulations applying to particular occupations and young people. Since 1975, the number of normal working hours per week has been limited to forty. With certain exceptions, the working time per day may not exceed ten hours. For the majority of the work force, collective agreements provide a working week of 38.5 or 38 hours. There is a great deal of flexibility provided in the Hours of Work Act as well as in the various collective agreements. For example, longer daily or weekly working hours (over a specified period) are permissible if the employee is (paid) time off at a later period. Overtime is compensated at a higher hourly pay rate. The Hours of Works Act provides for a 50 per cent increase; many collective agreements specify higher percentages for overtime exceeding a certain number of hour and for overtime work done at night, Sundays and public holidays.

### *Parental Leave Arrangements*

**5.12** Pregnant women may not be employed in the eight weeks preceding the date of delivery. After delivery, mothers may not be employed for a further eight weeks. An employed mother is entitled to unpaid vacation of at most two years after delivery; during the maternity leave, the mother receives maternity leave pay from the state (amounting to about 23 per cent of gross earnings in manufacturing; this transfer payment is raised by almost 50 per cent for single mothers). She also has the right to return to her job after this period. During four weeks after the leave's end, the mother is protected against termination of contract. In 1991, the right to "maternity leave" was extended to the child's father. The mother or father can claim a reduction in working hours during the child's second or third year. More favourable parental leave arrangements apply to civil servants.

### *Health and Safety*

**5.13** An employer must not only provide remuneration to employees but also take care of employees. This "duty to care" is based on the General Civil Code and the White-Collar Workers Law; more specific measures, which the employer must carry out to protect employees from dangers are provided in the Employee Protection Act of 1972 and numerous ministerial orders applicable to different types of establishments and work. A special authority, the Works Inspection Office, is responsible for checking observance of regulations. Certain jobs (such as generally heavy work, activities which are primarily performed standing up) are closed to expectant mothers and women after delivery (Protection of Working Mothers Act 1979).

### *Equal Opportunity*

**5.14** The duty to treat employees equally follows from the equality principle embodied in Austria's constitution as well as from the "duty to care" for the employee: without material reason, an employer cannot treat particular employees worse than others. For example, an employer may not, for arbitrary reasons, exclude individual employees from special payments or wage rises.

One special case, the prohibition of differentiation between the sexes, is regulated in the Equal Treatment Act of 1979. This act set up a Commission responsible for enforcement of the equality principle. If the Commission discovers a breach, the employer can be ordered to cease discrimination. If the employer does not comply, an action can be brought in the Labour Court.

An amendment in 1990 strongly improved protection against sex discrimination. The law now expressly prohibits any discrimination on grounds of sex in all aspects of the employment relation. A

special advocacy for equal treatment was set up. This office may request information and initiate proceedings before the Equality Commission.

### *Systems Governing Collective Bargaining*

#### **5.15** Coordination of Wage Bargaining and Wage Leadership

In Austria, unlike the Nordic countries, there is no "national wage round". The individual unions instead bargain their own settlements. Internally, however, the ÖGB has for many years formulated wage guidelines before major wage settlements. The most important standards for wage settlements have been the growth in aggregate productivity and aggregate inflation, with some account being taken of conditions in the labor market and of the balance of payments.

**5.16** Since the mid-sixties the wage increases as negotiated by the unions or union bargaining units have been clustered together, but the differences in wage increases are by no means negligible. The roughly parallel movement in contractual wages and salaries must be attributed mainly to the solidaristic outlook of the trade unions, informal ways of coordinating wage bargaining at the peak level and later on increasingly to the wage leadership of certain major unions. In recent years wage settlements have been more differentiated.

**5.17** Wage bargaining proceeds in annual intervals, in two wage rounds, in the fall and the spring. Despite the high number of wage contracts, wage bargaining is highly concentrated (if account is taken of the large extent of imitational bargaining): the three largest wage bargains cover about 50 per cent of the dependent labor force. Less than 4 per cent of wage and salary earners are not covered by any collective agreements, mostly in areas where there is no employers' organization which could negotiate a collective agreement (such as in domestic services and non-profit institutions); on the motion of the trade unions concerned the conciliation offices have the right to fix minimum wages.

#### **5.18** A second level of wage bargaining

Collective agreements that cover a wide range of economic activity may not be appropriate for individual enterprises which are bound by the provisions of the wage settlement. They need to be adjusted at local levels. Talks over implementation of the central agreement easily give rise to bargaining over additional wage increases. The Austrian system seems to be an extreme example of this practice. In many firms, particularly large ones, the works councils open negotiations with management over further wage increases, subsequent to the conclusion of collective agreements.

Negotiated wages and salaries are minimum rates which set a floor for wage and salary rates that are actually paid (effective wages and salaries). They also provide a reference point for time rates and for fringe benefits<sup>3)</sup>. Many employees are remunerated above the minimum wage and salary rates negotiated by the unions for the industry in question. The size of pay supplements varies greatly from one sector and plant to another. In the manufacturing sector, for which detailed data are available, the excess of effective wages over minimum wages for blue-collar workers was around 26 per cent in 1990 (though higher than 30 per cent in the seventies and in the early eighties). It ranged from 47 per cent on average in the steel industry to 11 per cent in the food and beverage industry (where contracts are tailored to the various segments of this branch). For white-collar workers in manufacturing, effective salaries exceeded negotiated rates by 25 per cent in 1990.

**5.19** Plant level negotiations usually aim at raising the level of effective wages by at least the same percentage as that negotiated for minimum wages. In good business years this standard was exceeded (positive wage drift), in bad years increases in effective wages fell short of increases in contractual rates (negative wage drift) (Pollan 1984).

**5.20** The works councils are entitled to negotiate "workplace arrangements" (*Betriebsvereinbarungen*) with the employer on many issues. With regard to wages and salaries, the works agreements may only cover procedural aspects, but not the level of wages and salaries (including bonuses and allowances). Nonetheless, agreements between employers and works councils on pay raises are common practice, even though outside of the legal boundaries (ILO 1986). With effective wages greatly exceeding negotiated wages in some branches and occupations, an increase in negotiated wages would benefit only the lower echelons and would narrow wage differentials; efforts to raise the pay level for all employees and to re-establish the customary wage hierarchy would then be credited entirely to the efforts of the works councils at the expense of the reputation of the trade union. To maintain their control over the development of wages, some unions have managed to insert into collective agreements a clause which also boosts the level of effective wages (*Ist-Lohnklausel*). As a rule, the increase negotiated for effective wages is somewhat smaller than for minimum wages. The practice of bargaining for increases in effective wages has in the past been restricted to employees in manufacturing and some branches of the small business sector (*Gewerbe*).

### *Approach to part-time and temporary employment:*

**5.21** The incidence of part-time work is rather limited in Austria - it is concentrated upon women in their main childbearing/-rearing age. Pension regulations prohibit part-time work on the upper end of

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<sup>3)</sup> Negotiated wage rates (*Kollektivvertragslöhne* or *Tarifföhne*), arrived at in settlements between the unions and the employers, are also sometimes referred to as contractual or basic wage rates.

the age bracket and school requirements are such that part-time work on the labour market is hardly conceivable for full-time students (only private tutoring which is not being picked up in the statistics). Neither the unions nor entrepreneurs have so far been in favour of part-time work. Only few occupations/industries have introduced part-time labour (only those with a limited degree of unionisation, e.g. trade/sales personnel, tourism, cleaning); part-time jobs do not offer any career prospects and tend to preserve the traditional division of labour by sex in market- and non-market work. Therefore politics does not facilitate part-time labour since it does not seem to enhance equal opportunities by sex. The same holds for irregular work - which is starting to play a larger role in the Austrian labour market but is still rather limited. It is concentrated upon women, particularly foreign women who are in abundant supply but given the Austrian legislation on foreign employment have difficulties entering the labour market on a regular basis (social security employment). Clandestine labour is not insignificant, particularly in agglomerations like Vienna.

### *Disability regulations:*

**5.22** The integration of disabled persons into the labour market is organised on the one hand by active labour market policy measures on the other by a law which asks of firms to employ a certain share (of the firm's work force) of handicapped persons. If a firm does not employ the number required by law they have to pay a certain fee/deficiency quota into a disability fund. The money of the fund goes exclusively into the employment support of disabled workers.

## **6. EMPLOYMENT INITIATIVES**

### *Introduction*

**6.1** The EU has defined the target regions for structural fund assistance in Austria January 1995. According to this text 41 per cent of the Austrian population are living in areas which are entitled to some assistance. Only one region, Burgenland (the province bordering Hungary), has objective 1 status for receipt of EU structural funds assistance. The sum allotted to Austria out of the EU-funds will be, according to the membership treaty to the EU, 1,623 million ECU/about AS 22.3 billion over the period 1995 till 1999. The actual transfer of money will take place after the presentation of detailed projects on the part of Austria and their acceptance by the European Commission.

**6.2** The moderate cyclical upward trend of the Austrian business cycle is currently being selected as the startingpoint for the introduction of a fiscal retrenchment programme. The main focus of the fiscal strategy is on expenditure cuts, as higher taxes could undermine international competitiveness and would run counter to the aims of recent tax reforms. The budgetary measures which are going to

be implemented in the current year will dampen GDP growth by ¼ percentage point per year over the medium term. The weakening current account and slow progress in disinflation will leave little scope for stimulation of domestic activity. Employment growth in the second half of the 90s should therefore be smaller than in the first half of the 90s.

**6.3** There is an increasing awareness that up- and reskilling of the workforce and increasing educational attainment will facilitate economic restructuring and eventually economic growth. The scope for increasing expenditure on active labour market policies to tackle this problem is rather limited, however.

**6.4** Austria is spending relatively little in international comparison on labour market measures. During 1992 1.8 per cent of GDP were spent on labour market measures, 1.6 per cent on passive labour market policies and 0.2 per cent of GDP on active measures.

### *Passive Measures*

**6.5** Unemployment benefit is payable by the Labour Market Service to insured persons during a period of unemployment up to 52 weeks (dependent upon the duration of former employment and age). The level of benefits depends upon the former income level (base rate) and the number of family members the unemployed person has to support. The base rate is calculated on the basis of the gross earnings of the last six months and amounts on average to somewhat less than 60 per cent of the last net earnings.

**6.6** Unemployment assistance covers those who have exhausted their entitlement to unemployment benefit. It is means tested and can come up to 95 per cent of the base unemployment benefit. Unemployment assistance is granted for 1 year and can be extended in the case of Austrian citizens. Foreign workers with a permanent work permit can get unemployment assistance for a maximum of 1 year.

**6.7** Unemployment benefits and assistance cease when a person takes up a new job.

### *Active Measures*

**6.8** Active labour market policy provides for:

training, retraining, occupational and regional mobility;

job creation/preservation;

special groups of jobseekers (youth, long-term unemployed and the disabled).

**6.9** Instruments of active labour market policy:

provision of information and selfservice infrastructure (integration of mass media in the information dissemination); jobfinding clubs, resource-pools;

Counselling (special counselling institutions and external labour market advisors);

provision of training courses and occupational orientation;

counselling and personnel planning aid for firms; strengthening information links between firms and labour market service; jobcentres specialize on firm acquisition;

financial contributions to unemployed individuals and firms involved in active labour market projects like entry/re-entry for women and long-term unemployed.

*Enterprise Measures*

**6.10** The provision of apprenticeships to disadvantaged youth, to girls in male professions, and to unemployed adults by firms is being subsidized (50 per cent of the costs for up to 3 months per year).

**6.11** In case of employment of longterm unemployed, disabled, older workers (45+) and women (re-entry after a longer period of labour market inactivity) the firm's labour costs are being subsidized (up to 50 per cent and 2 years).

**6.12** Subsidization of temporary employment of longterm unemployed or socio-economically handicapped persons in community cooperatives, non-profit-organizations.

**6.13** Subsidization of investment and restructuring measures of manufacturing firms in economic sectors, occupations and regions which undergo severe economic restructuring as competition intensifies (credit subsidies). Creation and subsidization of labour funds (Arbeitsstiftungen) which offer re/upskilling for laid off workers to facilitate their re-employment.

**6.14** There are not anymore schemes to help unemployed to become self-employed - these were programmes of the mid 80s which have evolved into the so-called 'employment projects for socio-economically handicapped persons'. It had turned out that firmtakeovers by the workers /selfemployment went bankrupt if left to their own devices. Therefore a complex system of subsidisation of firms who employ marginalised groups on a transitory basis has been developed - similar to the German 'social firms'(Soziale Betriebe).

## 7. VOCATIONAL EDUCATION AND TRAINING

### *Responsibility for Vocational Education and Training*

#### **Education System**

**7.1** The Ministry of Education has been divided into 2 parts in 1970, becoming a Federal Ministry of Science and Research (university system) and a Federal Ministry of Education and Art (for the remaining educational system). There are, however, also other ministries with educational responsibilities in their own fields. Compulsory education is from 6-15 years of age.

**7.2** Primary education lasts until 10. Afterwards pupils may transfer to a junior secondary school (Hauptschule) or to a junior division of an 8-year general (higher and more selective) education (AHS)<sup>4</sup>. The second stage of secondary education sets in after compulsory schooling. The range of options is very wide:

Students may continue with AHS (higher level secondary academic schools) or transfer to BHS (higher level secondary vocational schools).

Pupils who have finished compulsory education in a Hauptschule may transfer to an AHS (Oberstufengymnasium), join a middle level or higher level vocational school or attend a single grade pre-vocational course (polytechnischer Lehrgang)<sup>5</sup>.

**7.3** The vocational schools reflect the structure of the Austrian economy and the attempt to meet its varied labour force needs. They are linked to careers in the industrial, commercial, social, tourist and agricultural sectors. One has to distinguish between apprenticeship schools (part-time school) and vocational (full-time) schools. Apprenticeship is offered by firms (registered at the Chamber of Commerce) and the educational authorities have to provide schooling for one day a week (over three to four years). Upon successful termination of the apprenticeship programme and a federal examination a certificate is issued which since 1994 allows access to tertiary education (Fachhochschule or specific University courses).

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<sup>4</sup>) There is virtually no mobility between the Hauptschule and the lower forms of the AHS even though in principle the transfer option exists, i.e. the pupil selection by aptitude (according to teachers/parents judgment), which sets in at a very young age, can not be corrected easily over time.

<sup>5</sup>) The courses are strictly vocational and pupils will move into working life or continue schooling as an apprentice after this one year.

**7.4** Successful completion of the AHS or BHS (at age 18/19) gives the right to proceed to university studies (or entry into Pedagogical Academies<sup>6</sup>), the Academy for Social Work, technical colleges or Polytechnics). In Austria 84 per cent of the 17-year-olds are in some sort of schooling (if one includes apprenticeships in full-time schooling), at the age of 18 the share drops to 65 per cent and at age 22 to 14 per cent<sup>7</sup>) (1991 census data).

**7.5** In the early 90s a new feature has been added to the Austrian educational system – a technical post-secondary sector outside the universities (between the Matura of the higher level vocational schools and the technical universities) – the Fachhochschule (Polytechnics).

### *Cultural importance of training:*

**7.6** Austria has never done away with its intricate system of training which is best articulated in the importance of the dual education system - in 1991 34% of all 19-year olds (41% of men and 26% of women) had finished an apprenticeship education. The vocational orientation of training is most pronounced in Austria, Germany and Switzerland of all the countries in Europe. There is a major difference between the central European educational system and as a consequence the functioning of the labour market and the anglo-saxon one.

### *Skills*

**7.6** The level of educational attainment in Austria is below that of the northern countries in the EU. The share of persons with university education in the population over 15 amounts to 6.2 per cent for men and 4.2 per cent for women (census 1991). In 1991 31.5 per cent of all men over 15 years of age and 50.6 per cent of all women (15+) had no more than compulsory education (see Biffl, 1995). There has been considerable upskilling of women in Austria over the last decade but the educational attainment of women in Austria is still below that of men. In 1991 24.7 per cent of all 23-year-old women but only 18.1 per cent of 23-year-old men had not more than compulsory education. Obviously a relatively large proportion of youth does not complete apprenticeship programmes or other medium education successfully.

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<sup>6</sup>) For the training of primary school teachers.

<sup>7</sup>) The share of persons in tertiary education at age 22 is significantly higher in Northern Europe (e. g. Germany or Finland above 30 per cent), France or North-America (around 20 per cent).

7.7 As to skill shortages: skills are concentrated upon technical/manufacturing/ engineering just as in Germany. The weakness is certainly in marketing capacity which is somehow related to the firm size structure of Austrian business (concentration upon small and mediumsized firms).

7.7 There is ample provision of continued training for adults which is subsidized by the labour market service (see active labour market measures).

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